

Summary

Manama, Bahrain 8-10 May 2018

Real Estate & Tourism

9 May

Key points

- Real estate development and often-related tourism investments loom as increasingly large elements of economic growth and diversity in Bahrain and the region.
- Improved regulation should help stabilise the real estate market.
- Bahrain's 2016 tourism strategy is already reaping dividends.
- Planned beach resorts are designed to transform Bahrain's reputation as a beach-less island.
- Bahrain has a strong chance to serve as a homeport for the cruise industry.

Synopsis

Real estate development and often-related tourism investments loom as increasingly large elements of economic growth and diversity in the countries of the GCC, particularly in Bahrain. Construction already contributes significantly to GDP in all six GCC nations. Mega-development projects, such as Saudi Arabia's planned new city, Neom, call attention to the region's "commitment to leap frog" on this front, said Sassan Hatam, Partner, Roland Berger, building on the region's reputation for luxury hotels. But there is also a new focus on mid-level opportunities in areas such as boutique hotels and affordable housing.

Improved and expanded regulation of the real estate sector may well put an end to "the days of wild speculation" that have plagued the region in the past, added Hatam. H.E. Zayed Al Zayani, Minister of Industry, Commerce and Tourism of Bahrain, outlined the role of his country's new regulatory framework, called RERA, which is designed to ensure that projects are completed on time and deliver on their promises. One element includes the use of escrow funds.

The minister also highlighted his country's newfound focus on tourism, which dates back about four years. It included adding tourism to his portfolio, combing it with industry and commerce. The drive began with compiling and organising a database, which gave policy-makers quality statistics for the first time. Using that data, they devised a tourism strategy that was launched in 2016. It was based on 'four As': awareness, attractions, access and accommodation. A new international marketing campaign raised the country's profile; it included the opening of seven offices around the globe. The 'attractions' element included improving Bahrain's capacity to host events, including conferences, and its infrastructure for leisure visitors. Improved access started with facilitating traffic on the causeway from Saudi Arabia, investment to expand airport capacity, plans for a second causeway (including a railway) and improvements in facilities for cruise ships. The already strong high-end hotel offerings are being augmented by investment in three- and four-star accommodations. In just three years, tourism's share of GDP has jumped from 3.6% to almost 7%. Total visitors, nights per visitor and other major factors have all shown improvement.

The minister and H.E. Khalid Al Rumaihi, Chief Executive and Chairman, Bahrain Economic Development Board, outlined several tourism development projects that are in the advanced planning stages. These range from a beachfront Miami Beach-style development that will include boutique hotels, to an ecotourism project on a relatively untouched island. Many of these projects aim to transform Bahrain's reputation as a beach-less island, noted Al Rumaihi. "We need to develop more beaches and resorts," he said. "But not just mega-resorts." Smaller-scale offerings could include "designer pre-fabricated" structures as weekend villas, for example. All-inclusive resorts and mixed hotel-condominium developments are also planned as part of the mix.

The growing cruise industry could provide unique opportunities for Bahrain. In addition to offering day trips for passengers, Bahrain has a strong chance to become a homeport, a destination where cruises begin and end, said Mehmet Kutman, Chief Executive Officer, Global Investment Holdings.

Barcelona's homeport activities pump millions of euros in the Catalan economy, for example. A good homeport is characterised by interesting attractions, good hotels and good transportation links, Kutman noted.

Session panellists

H.E. Zayed Al Zayani, Minister of Industry, Commerce and Tourism, Bahrain

H.E. Khalid Al Rumaihi, Chief Executive and Chairman, Bahrain Economic Development Board, Bahrain

Robbie Antonio, Chief Executive Officer, Revolution Precrafted, Philippines

Nick Candy, Chief Executive Officer, Candy Capital, United Kingdom

Mehmet Kutman, Chief Executive Officer, Global Investment Holdings

Sassan Hatam, Partner, Roland Berger

Moderator: **John Defterios**, Emerging Markets Editor, CNNMoney, United States

Disclosures

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