

RERA & BFB Partnership: Proptech Solutions and Sustainable Growth on the Horizon

Rad El Treki - Partner, Head of Office - Bahrain - Corporate Structuring / Corporate / Mergers and Acquisitions / Capital Markets / Commercial / Corporate Services
r.eltreki@tamimi.com - Manama

Hussain Osman - Associate - Innovation, Patents & Industrial Property (3IP)
h.osman@tamimi.com - Manama

The Real Estate Regulatory Authority (“**RERA**”) and Bahrain Fintech Bay (“**BFB**”) recently announced a partnership to develop Proptech acceleration programs, amongst other projects, as means of establishing practical solutions for the Bahrain’s real estate sector. In line with Bahrain’s Economic Vision 2030, and furthering the National Real Estate Plan (2021-2024), the two institutions will inspire entrepreneurial minds, and expand on-going developments in the real estate sector. Bahrain envisages greater sustainability and efficiency on how real-estate is developed, managed, and maintained. According to HexGn chief executive, Jappreet Sethi, Bahrain’s ecosystem and business landscape already has an edge over other hubs in the region thanks to local talent, academia, and foreign investments.

The National Real Estate Plan (“NREP”) and Proptech Implications:

The term ‘Proptech’ refers to the usage of technology and software in commercial real estate to optimise how we research, rent, manage, sell and purchase properties. Of the numerous ways to define Proptech, James Dearsley, Co-Founder of Unissu, has the following widely quoted opinion:

“Proptech is one small part of a wider digital transformation in the property industry. It considers both the technological and mentality change of the real estate industry, and its consumers to our attitudes, movements and transactions involving both buildings and cities.”

In order to understand the prime objectives of both RERA and BFB, one should first examine where this vision emanated from.

The NREP sets out five key pillars under which this transformative strategy rests on. Amongst harmonising governmental procedures, the establishment of a real estate database, sustainable practices and transparency, RERA incorporated ‘leadership in service innovation’ as the final and key segment under its hexagon of growth.

Ultimately, the NREP aims to attract foreign investments, educate the public on technological advancements in the real estate industry and promote economic growth through the sector. Though the combination of RERA’s strategic objectives and BFB’s technological expertise, it is certain that Bahrain’s real estate sector will witness the introduction of Proptech solutions in various aspects of the industry. Such cutting-edge innovations are expected to disrupt the global real estate industry in the next 4-7 years (a relatively similar timeframe to the implementation of the NREP).

At the GCC Proptech Time 2019 Summit, a HexGn report found approximately 80% of the industry considered Proptech as an opportunity yet to be explored properly. It remains unclear at this stage where this partnership intends to commence using Proptech platforms within the Kingdom, though anecdotally it appears that such solutions are most sought after in Property Management, Sales & Leasing, and Planning & Design spaces.

Digital/ PropTech Solutions- What they might mean for our future

Benefitting all parties involved in property, from the developer to the investor to the property manager.

Proptech aims to maximise efficiency and ease navigation through the industry for all parties involved. In an ever-changing digital landscape, the possibilities for Proptech platforms in Bahrain are endless, and this is evident in neighbouring countries. Ajar, by way of example, is an online property management and rent collection platform, automating the collection and payment of rent for over 35,000 units across Kuwait and UAE. The Start-up was recently named the UAE's most trusted FinTech product in 2020, amassing an impressive \$7.5 million of funding in four years. Having secured partnerships with Visa for online rent collection in Kuwait, KSA and Bahrain in June, Bahrain will have an important role in Ajar's effort to digitise the region's real estate market. Support for the notion that a digital disruption is on the horizon for the traditional real estate sector further presents itself in recent news of KSA based investment management and financial advisory 'Watheeq Financial Services'. Watheeq has recently launched a venture capital fund valued at 100 million Saudi riyals (\$26.7m) to invest in property technology start-ups in the region. Much like the budding RERA x BFB collaboration, this will fast track the coming shift to a more sustainable market.

Similar to Ajar, Bahrain saw one of its first domestic Proptech start-ups incorporated in January 2020. Eglooz serves as a distinctive solution for property managers, Landlords and tenants alike. The platform is compatible with all properties, residential or commercial. This may be in the form of land, residence or office spaces. Eglooz lists three unique features, namely; Online Payments (e-Invoicing, e-Receipts), an electronic maintenance tracking system and real-time rent book management with indigenous alerts and reminders. This allows for seamless rent payment and more practical maintenance tracking, with automated invoices ensuring lessors need not to concern themselves with any manual intervention. Prospective tenants will no longer need to inconvenience themselves with arranging transport and scheduling appointments to view potential residences as the rent book management enables individuals and businesses alike to take virtual tours, with 360-degree views of a property.

Above all, streamlining services in a uniform manner on Proptech platforms will ease transactions between parties and allow investors and realtors to access services more easily. In light of national efforts to incentivise entrepreneurs and encourage investment into Bahrain's real estate market, expediting processes through online channels will particularly steer the next generation towards adopting the Government's 'Cloud First' approach. In this regard, The National Institute of Standards and Technology ("**NIST**") define cloud computing as:

"A model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources ... that can be rapidly provisioned and released with minimal management effort or service provider interaction."

Cloud computing will streamline developments, support and hosting of ICT solutions in Bahrain, leading to improved performance and quicker deployment of services. Streamlining services using Proptech provides all interested parties with greater agility. From the standpoint of the executive branch of governmental, utilising cloud infrastructures will reduce spending on large quantities of ICT infrastructure, increase productivity and security and significantly enhance citizen services.

Why now?

Avid members of the real estate community will wonder why RERA has decided to collaborate with BFB at this time, when at present only half the industry appear to have allocated a budget and documented a plan to embrace Proptech solutions. A number of factors may have contributed to the formation of this partnership, the most pressing of which is likely a global digital transformation in the age of COVID-19. A McKinsey & Company report shows the pandemic accelerated the digitisation of customer interactions by several years, with global rates of adoption accelerated three years ahead of average rates from 2017 to

2019. Business developers, realtors and tenants have grown dependant on reliable widespread connectivity to facilitate interactions, as lockdowns and travel restrictions hindered economies worldwide. Solutions like virtual tours as previously mentioned tackle such obstacles to mobility. It follows that COVID-19 reinforced the necessity of a co-ordinated governmental approach to the digital transformation, whereby institutions and individuals can be instilled with confidence in the Bahrain's real estate sector. Rather than wait for the pandemic's repercussions to pass, RERA and BFB are proactively getting ahead of the challenges faced by the industry in recent years and setting dynamic goals to head towards a more inclusive, streamlined digital future.

Regulatory authorities and governmental bodies have a further obligation to seek more environmentally friendly methods of conducting business. From January to October 2020, the planet was warmer by 1.2 degrees Celsius than the pre-industrial average measured between 1850 and 1900. To combat the dangers of climate change, The Kingdom of Bahrain's Sustainable Energy Unit finalised the preparation of two crucial plans in the Economic Vision 2030. The National Energy Efficiency Action Plan ("**NEEAP**") and National Renewable Energy Action Plan ("**NREAP**") identify comprehensive initiatives to unlock energy potential and identify feasible renewable energy options for Bahrain. Though unlikely to have any direct affiliation with these plans, RERA and BFB's partnership could incentivise property developers through rewards and benefits to innovative Proptech developers creating environmental solutions for the industry. In recent years, smart home developments such as Diyar Al Muharraq already begin to tackle the problem of energy wastage in the Kingdom. Moreover, the potential provided by IoT allows property developers and registers to monitor energy consumption, fire hazards and surveillance to name a few.

The partnership additionally ties to Decree Law No. 54 for the year 2018 on the issuance of the Electronic Communications and Transactions Law (the "**E-Law**"). The E-law, regulating electronic transactions in line with UN standards, infers the validity and legal enforceability of an electronic document is evidenced similarly to a paper document. In theory, this enables Proptech start-ups to develop solutions that are legally binding and enforceable where necessary, using digital software in place of conventional paper documents. In summary, this legislative decree represents the cohesive process behind Bahrain's disruptive business landscape, where suitable legislation is being adopted to assist the Kingdom's innovation cycle.

Conclusion

In RERA and BFB partnering up together to establish practical solutions for the Kingdoms real estate sector, Bahrain can anticipate long-awaited changes to how property is managed, invested in, leased and paid for. As part of Bahrain's Economic Vision 2030, and in line with the NREP, RERA and BFB will uphold national expectations of a digitised future, promoting Proptech acceleration programs and ensuring more streamlined processing in all matters real estate.

For further information, please contact [Rad El Treki](#).