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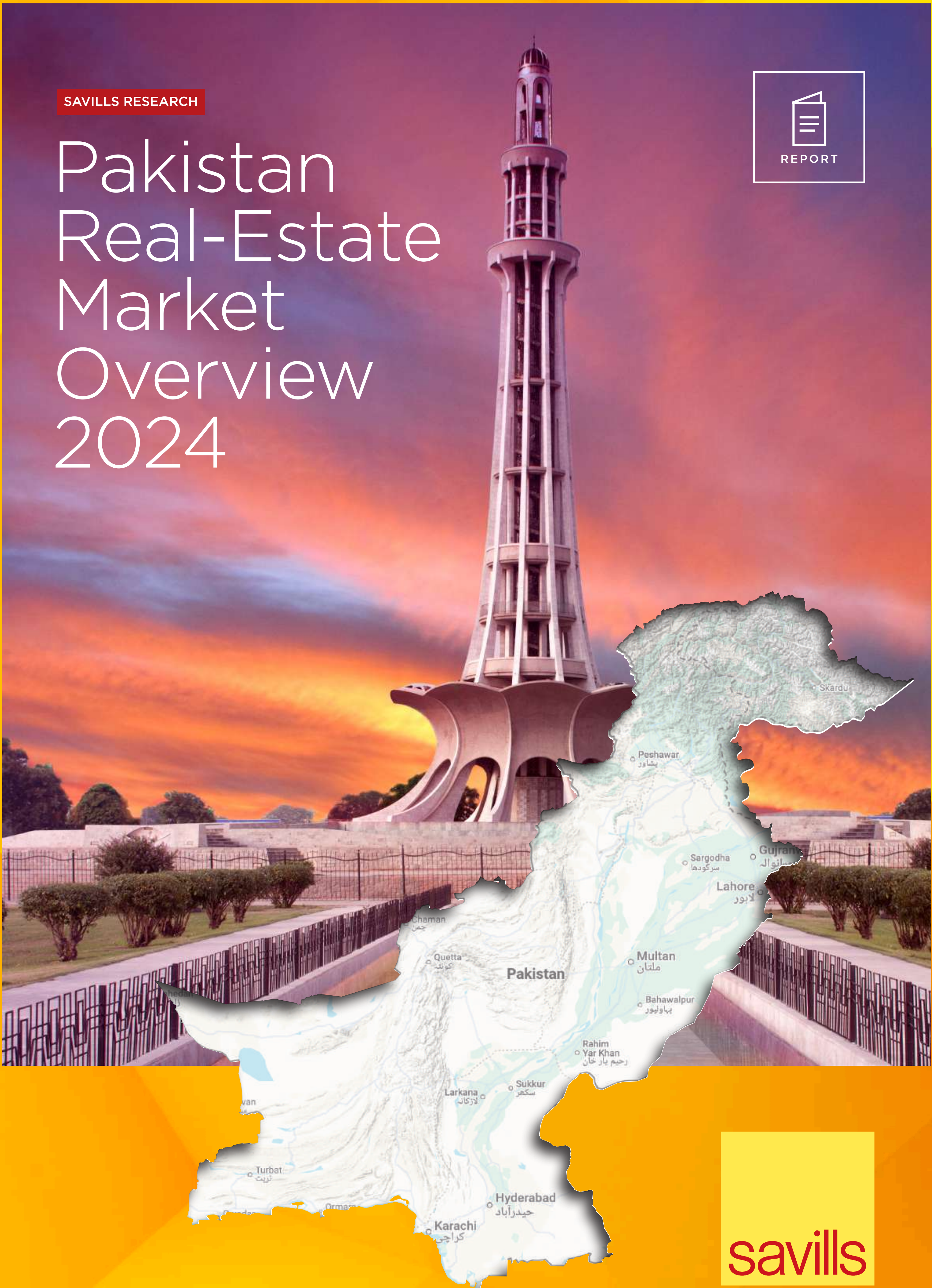
Pakistan Real-Estate Market Overview 2024

REPORT



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Executive **summary**

Pakistan's real estate sector is currently navigating challenges, with property values adjusting amidst high interest rates. The 9MFY24 data suggests that construction projects continued their slow growth with some projects put on hold. While these changes present hurdles, they also offer opportunities for market stabilization and increased growth.

There has been some positive news at the macro level. The last 12 months have seen inflationary and monetary easing, and the Pakistani Rupee (PKR) and foreign reserves remaining largely stable, resulting in increased liquidity, incentivizing consumption and investment. Total foreign investment including FDI, portfolio investment and foreign public investment have seen a YoY increase of 189% in July 2024, from sources such as China under the China Pakistan Economic Corridor (CPEC) and Gulf Countries. There have been government initiatives to increase the formal sector and tax net, through clamping down on the grey market for foreign exchange, and increased taxation on non-filers. Pakistan has also seen increased urbanization, which along with the demographic dividend of a young population, provides the foundation for growth and prosperity, given an enabling environment.

While CPI decreased year on year, the 12-month average for FY 24 was still a high 24.52%. Consequently, interest rate remain high at 19.5% albeit less than last year. The government was able to decrease the current account deficit through a restrictive import regime and an increase in exports. While these measures helped reduce the current account deficit, Pakistan's local industry is still heavily reliant on imported goods, which due to increased taxation and restrictions, are impacting the value chain and therefore total output.

The latest budget 2024-25 has brought forth a series of new regulations and modifications aimed at increasing both, the tax net and revenue, which will further delay the upward trajectory of the real estate sector. These changes include revised tax rates based on property values and alterations to the capital gain tax segregated by transactor's tax filing status.

The continuation of these restrictions over the past few years, however, have also helped import substitution through localization of certain products. For example, as per Pakistan Telecommunication Authority, Pakistan assembled and manufactured a total of 17.34 million cell phone sets in the first half of 2024 whereas it imported 0.84 million smartphones in the same period.

Of the major sectors within real estate, the office sector has continued to show strong demand. MNCs and large local groups are continuing to demand premium office developments that are managed well and are offering Grade A facilities. In the past 12 months, despite the economic slowdown, we have observed a slightly higher volume of office leasing transactions for MNCs and large local groups than in the 12 months prior. Due to this reason, Grade A office buildings across Karachi, Lahore and Islamabad are managing to maintain high occupancy levels. We have also noticed similar demand trends for co-working/serviced office space across the major cities resulting in serviced office operators managing to achieve high occupancy levels and looking to expand their presence.

Similar trends have been observed in the hospitality sector with occupancy returning to pre-Covid levels and ADRs increasing to more than pre-Covid levels largely on account of inflation. The industrial sector has seen a rise in activity on account of activity from local corporates. Given the ongoing import taxes and restrictions, import substitution through production localization has resulted in local manufacturing increase, leading to increased warehouse occupancy.

In the retail sector, regional malls across the major cities have managed to maintain high occupancy rates. The market is also eagerly anticipating the opening of Dolmen Group's mall in Lahore, expected in October 2024, which is going to be the latest addition to Lahore's Grade A mall inventory.

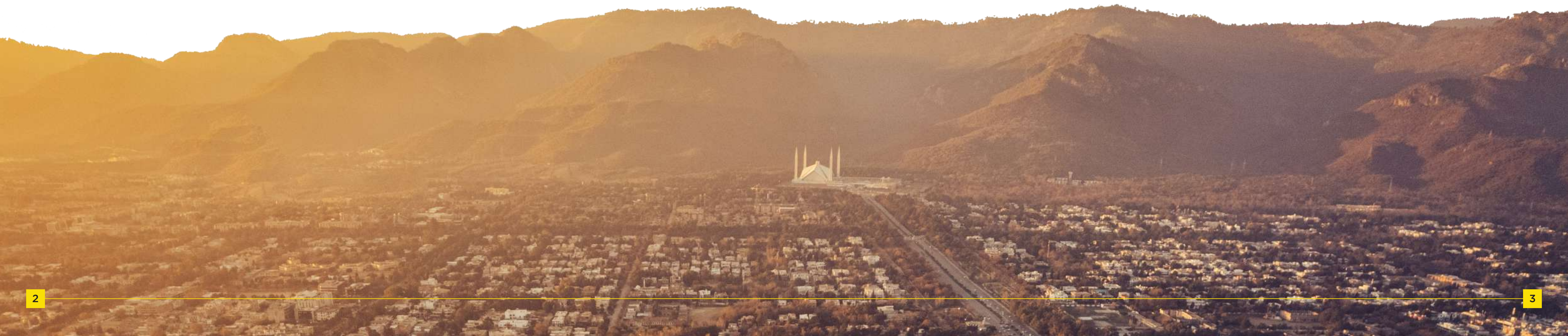
The biggest loser this year has been the residential sector which is primarily driven by speculative investors rather than end users. The past 12 months has seen demand significantly drop resulting in lower take up rates as compared to previous years.

Despite the political instability and slow macroeconomic recovery, there were some encouraging achievements. More REITs were launched with registered assets of over PKR 280 billion, and 39 NBFCs acquired the license to act as an RMC.

Particulars	FY22	FY23	9MFY24
Contribution to GDP | Construction	2.9%	2.8%	3.6%
Est. Gross Transaction Value (PKR bn) | Construction	1,850	2,190	1,823
Contribution to GDP | Real Estate Activities (OD)	4.9%	4.2%	5.2%
Est. Gross Transaction Value (PKR bn) | Real Estate	3,084	3,364	2,662
Real Estate Activities (OD) | YoY Growth (%)	9.9%	9.1%	6.4%
Net FDI | Real Estate Activities (USD mn)	(6.0)	10.4	35.4

Source: Pakistan Credit Rating Agency (PACRA, June 2024)

Looking ahead, we remain optimistic about the real estate market with this sector continually attracting Pakistani investors. With the expansion in the number of REITs, RMCs, and better access to capital, new opportunities will arise for developers. Although the sector has recently slowed down, we are confident that as the economy continues to stabilize, the market will pick up momentum in the coming years.



Pakistan **macroeconomic overview**

Reversing the negative growth of 0.2% in FY23, Pakistan's GDP grew by 2.38% in FY24, while CPI averaged 24.52% through FY24, down from multi-decade high of 29% the year before, showing signs of recovery after experiencing a contraction last year.

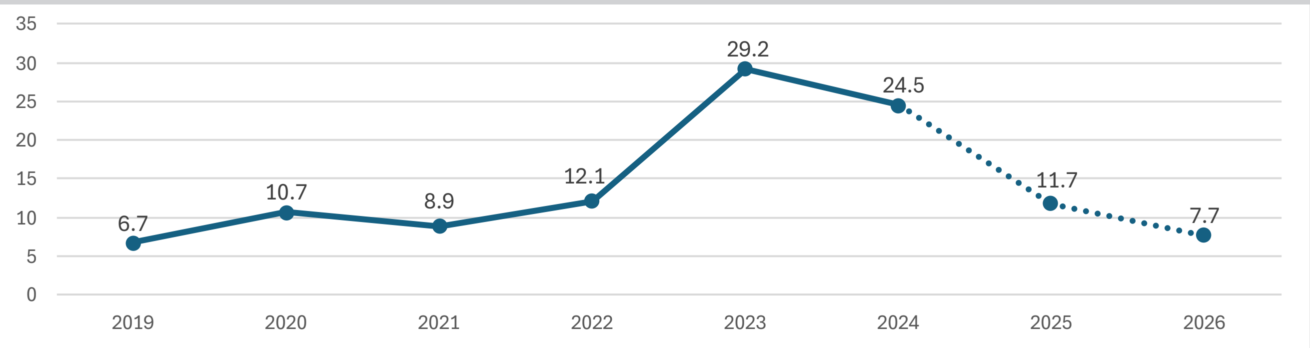
Key indicators include strong agricultural growth, reduced inflationary pressures, and an improved current account balance. The increase in foreign exchange reserves has helped stabilize the PKR/USD exchange rate, further bolstered by the successful completion of a $3 billion Stand By Arrangement (SBA) program with the IMF. However, challenges remain, particularly in the manufacturing sector and with the high cost of debt servicing, which consumes about 56% of total revenues.

Agriculture saw notable growth of 6.25% in FY24, up from 1.6% the previous year, driven by significant increases in the production of cotton, rice, and wheat. This growth was supported by better input availability and increased credit to farmers.

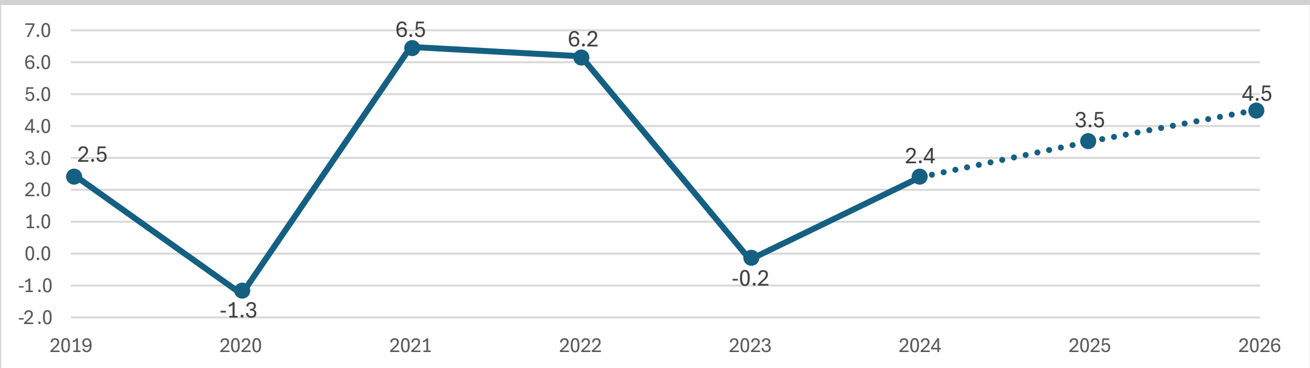
The trade deficit narrowed due to higher exports and import restrictions, leading to a reduction in the current account deficit. Foreign exchange reserves rose from $9 billion in June 2023 to $14 billion in June 2024.

Despite these positive developments, Pakistan continues to face challenges in managing high debt servicing costs and external repayments. The government is relying heavily on debt rollovers. In FY25, the government estimates to pay $25bn as external debt servicing. Negotiations are ongoing for a new three-year IMF program, expected to be worth $7-8 billion.

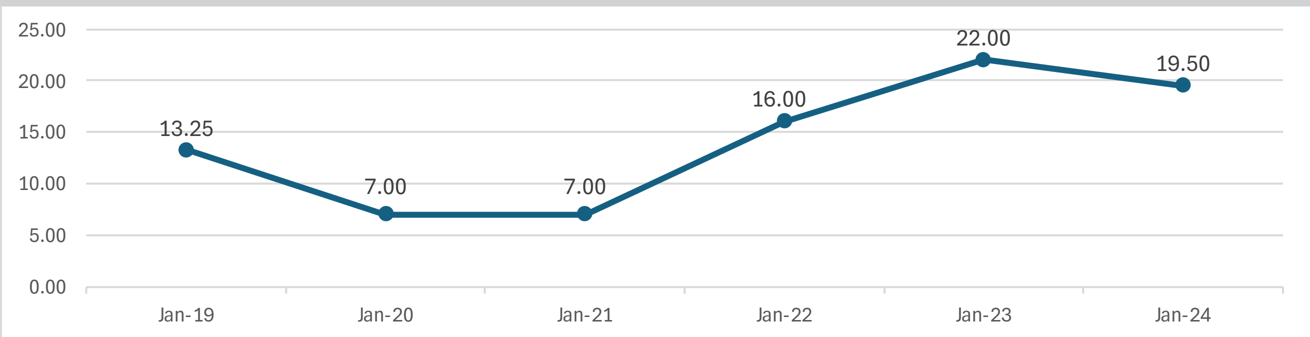
Inflation, Consumer Prices (annual %)



GDP Growth (annual %)



Monetary Policy (annual %)



POPULATION (FY'23)
~242 million

TOTAL HOUSEHOLDS (FY'23)
~37.5 million

URBANIZATION RATIO (FY'23)
36.4%

AVERAGE HOUSEHOLD SIZE (FY'23)
~6.41 person

LITERACY RATE (FY'23)
62.8%

GDP GROWTH RATE (FY'24)
2.4%

Outlook and challenges within the real-estate and construction industry

As of **July 2024**, the real estate and construction industry in Pakistan face multiple challenges and opportunities, which we have summarized below:

Low foreign reserves and the need to curtail fiscal deficits has led to imported raw materials and finished goods being either stopped or having significantly higher lead times. This has led to significant construction slowdown.

Though inflation has come down in the last 12 months, the impact of sharp inflation over the previous years has resulted in sustained increased rentals, which has significantly slowed real estate activity.

Interest rates at 19.5% have made both, construction financing for developers and real estate finance for buyers, unfeasible. Given the consistently high inflation rates, consumer purchasing power has also decreased, leaving them with less wealth to allocate to real estate.

Given foreign debt servicing demands, on recent completion of the USD 3 billion SBA with IMF, Pakistan is now negotiating a 3-year USD 7-8 billion loan programme with them This has brought strong structural adjustment which include an increase in domestic taxation, resulting in ad-hoc policies impacting construction and the broader real estate sector. While a new government took charge in March 2024, political instability still exists that might impact consistency in policies and fiscal stability.

Despite these challenges, Pakistan's real estate has opportunities, which if leveraged can catalyze the sector. These are:

- The SBA has led to some macroeconomic stability with GDP, unemployment and inflation slowly improving. The last 12 months have seen global commodity prices remain largely stable (with steel prices notably decreasing), and assuming no further flare-up in geopolitical matters, are expected to marginally decline next year, reducing inflationary pressure. With structural reforms to incentivize real estate, and increased foreign reserves, imports costs could decrease, and real estate demand could increase.

- Reduced foreign exchange reserves led to MNC profit repatriation restrictions, which led them to invest in upgrading existing office developments or investing in new ones. MNCs have also started buying industrial developments, as they intend to utilize surplus cash to setup manufacturing facilities for exports, leveraging Pakistan's weak PKR. The MNCs which have remained in Pakistan have therefore taken a long-term view and are a captive market for the real estate sector.

- Banks also find themselves with surplus cash, which has resulted in a transition from branch lease to purchase model, increasing real estate transaction activity. Given their bank branch requirements are set by the State Bank of Pakistan (SBP), and the increasing national population, this is likely to continue in the medium term.

- The industrial sector is another potential growth source, with Maersk recently committing to invest USD 2 billion in Pakistan's port and transport infrastructure over the next two years. Abu Dhabi (AD) Ports Group has signed concessional agreements worth USD 395 million with Karachi Port Trust (KPT) to oversee operations of berths 6-9 and 11-17 at Karachi Port's East Wharf. These investments can potentially increase exports, given an enabling environment, and can catalyze further investment in the sector.

- High lead times of imported materials and finished goods have led to local fixtures and fittings being utilized by clients, which has been beneficial for local suppliers who can further penetrate the high-end market.

- With the right structural reforms, Pakistan can leverage its demographic dividend of a large working population and create an export-led economy which will require office and industrial developments, and a tourism hub which can stimulate its hospitality sector. These present avenues for investment, employment and growth in the sector.

Budget FY'25 - impact on real-estate and construction industry

The budget tries to increase both the tax net and revenue from the real-estate sector through the following measures:

1. Advance Tax on Purchase, Sale, or Transfer of Immovable Property:

Property Purchase Value (PKR m)	Tax Filers	Late-Filers	Non-Filers
50	3%	6%	12%
50-100	3.5%	7%	16%
100+	4%	8%	20%

Property Sale Value (PKR m)	Tax Filers	Late-Filers	Non-Filers
50	3%	6%	10%
50-100	4%	7%	10%
100+	5%	8%	10%

2. Capital Gains Tax on Immovable Property:

Status	Current	Previous Year
Properties purchased before 1st July 2024	Up to 15% depending on holding period	No Change
Properties purchased after 1st July 2024 (Tax Filers)	15% regardless of holding period	Up to 15% depending on the holding period
Properties purchased after 1st July 2024 (Non- Filers)	15% - 45%	Up to 15% depending on the holding period

3. Federal Excise Duty on Property:

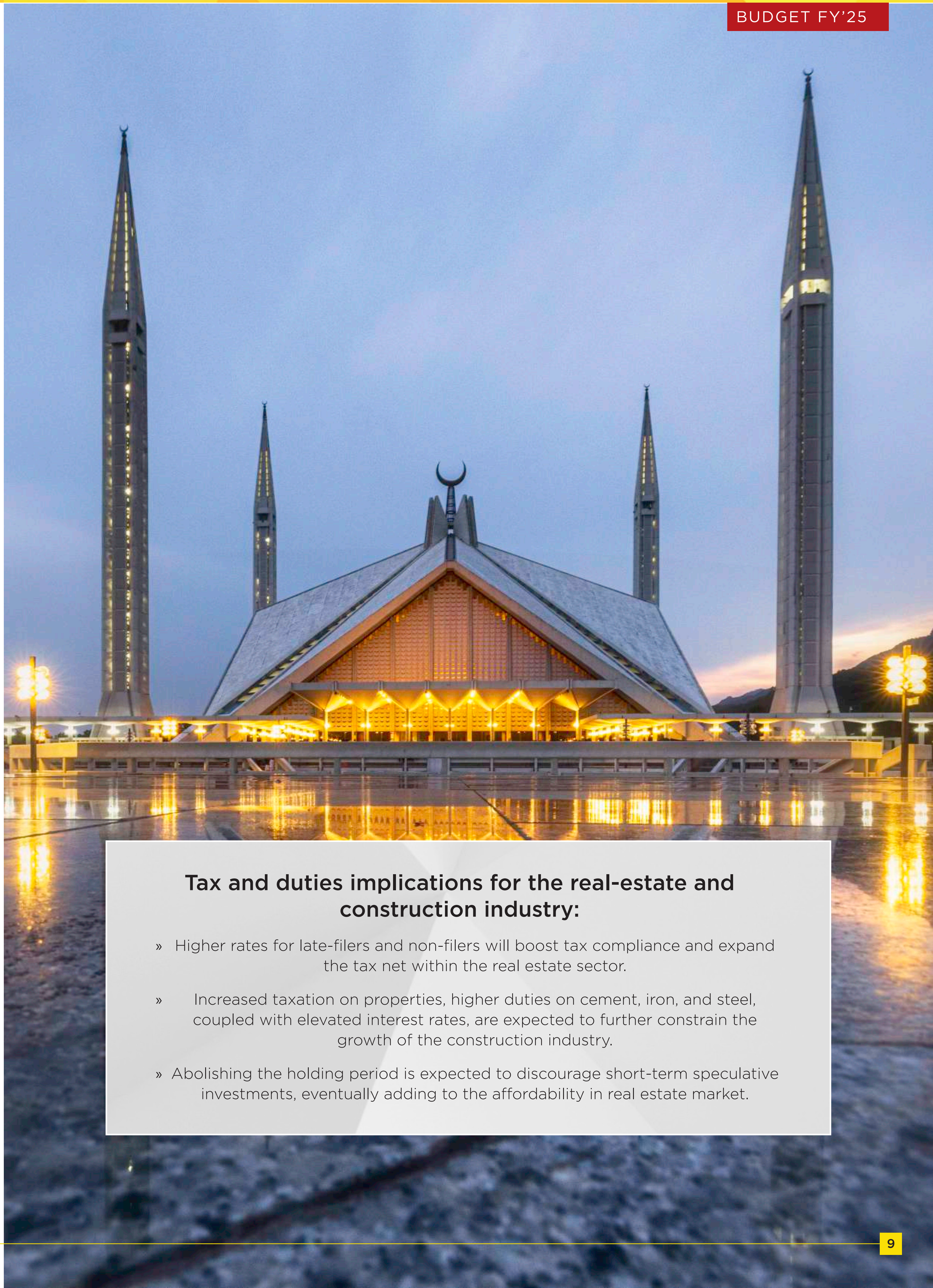
Commercial Plot	Residential Plot
5%	5% (on first sale only)

4. Federal Excise Duty on Construction Industry:

Cement	FED - FY23	FED - FY24
PKR per KG	2	3
PKR per ton	2,000	3,000

» Regulatory Duty on flat-rolled products of iron and non-alloy steel to be increased.

» Capital Gains Tax on non-filers for immovable properties acquired after 1st July 2024 are 20% for small companies, 39% for banking companies, 29% for other companies, and up to 45% for individuals and Associations of persons (AOPs).



Tax and duties implications for the real-estate and construction industry:

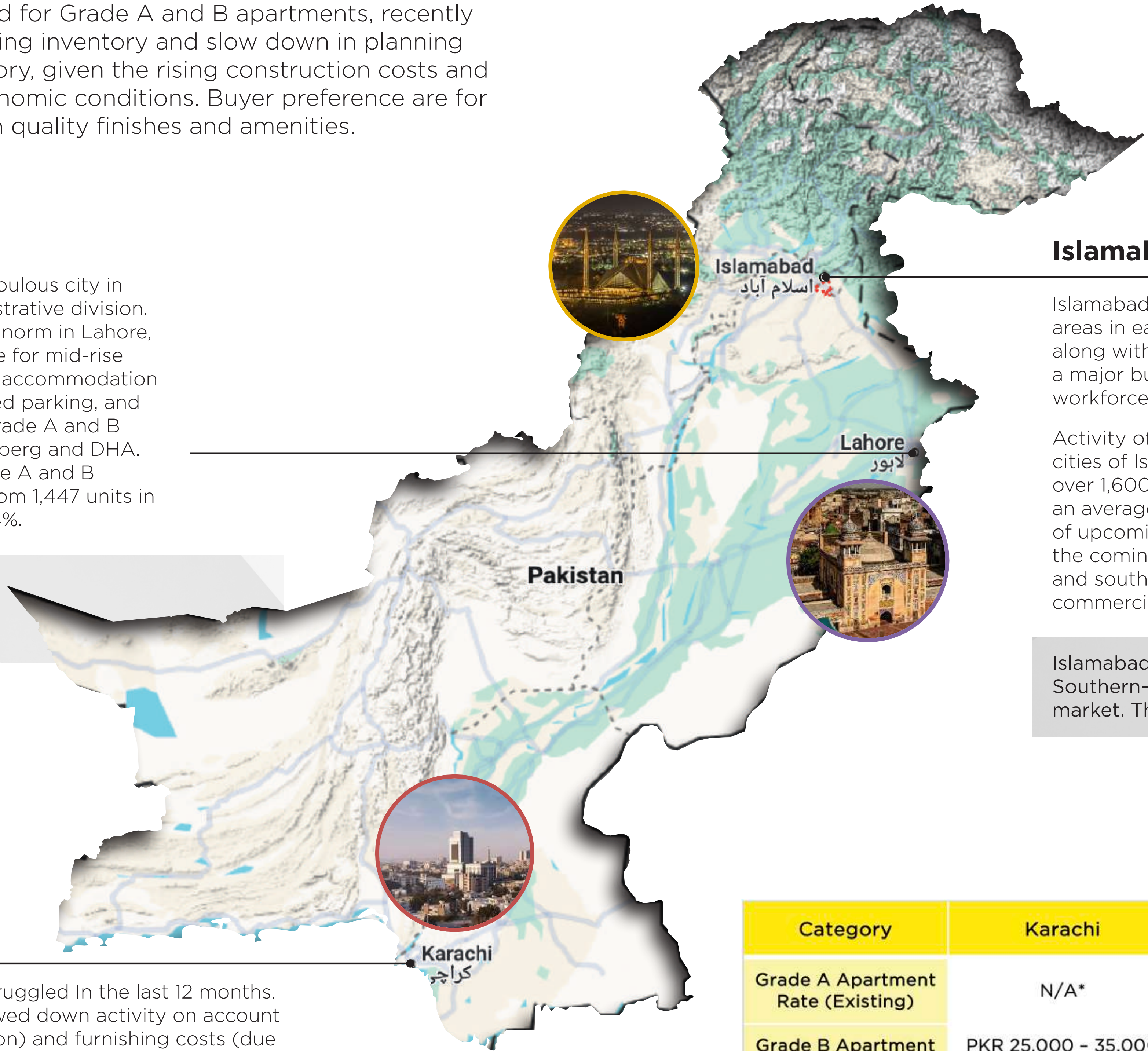
» Higher rates for late-filers and non-filers will boost tax compliance and expand the tax net within the real estate sector.

» Increased taxation on properties, higher duties on cement, iron, and steel, coupled with elevated interest rates, are expected to further constrain the growth of the construction industry.

» Abolishing the holding period is expected to discourage short-term speculative investments, eventually adding to the affordability in real estate market.

Residential outlook

Though there will be continual demand for Grade A and B apartments, recently there has been slower take up of existing inventory and slow down in planning and development of upcoming inventory, given the rising construction costs and tapering demand due to the socioeconomic conditions. Buyer preference are for centrally located accommodation with quality finishes and amenities.



Lahore

Lahore has overtaken Karachi as the most populous city in Pakistan, with ~22 million people in its administrative division. Though bungalow living had always been the norm in Lahore, people have gradually developed a preference for mid-rise apartments, as they provide centrally located accommodation with quality finishing and amenities, securitized parking, and require less management. Lahore has 1,447 Grade A and B apartments with a major concentration in Gulberg and DHA. Lahore has an upcoming supply of 2,818 Grade A and B apartments thereby increasing total supply from 1,447 units in 2023 to 4,265 in 2028 at a 5-year CAGR of 24%.

Lahore has a slight oversupply with construction currently stopped due to unfeasible economic environment

Islamabad

Islamabad is divided into 5 zones with allocation for residential areas in each zone. Good quality infrastructure and better security along with being the capital has helped develop Islamabad into a major business center, attracting both skilled and unskilled workforce from other cities.

Activity of apartment developments has picked up in the twin cities of Islamabad and Rawalpindi. There is an existing supply of over 1,600 Grade A and Grade B apartment units in Islamabad with an average occupancy rate of over 80%. There is also ~800 units of upcoming Grade A apartment supply expected in the city in the coming years. Areas such as DHA, New Blue Area, Bahria town and southern parts are all expected to expand on residential and commercial inventory due to good infrastructure and amenities.

Islamabad/ Rawalpindi have been expanding towards the Southern-end, with residential housing societies dominating the market. The existing market is mostly driven by investors.

Karachi

Karachi's Grade A and B residential market struggled In the last 12 months. Both investors and owner occupiers have slowed down activity on account of the rising construction costs (due to inflation) and furnishing costs (due to import taxes and restrictions impacting imported items). Take up and occupancy for key investments have therefore curtailed with many waiting for economic sentiments to change before investing. The city currently has ~ 1,552 Grade B apartments whereas 2,404 Grade A and Grade B apartments are expected to be added in the next 5 years. A 55% increase in supply shows that developers are confident that in the medium to long term. the uptake of apartments will increase as Pakistan's economy becomes stable.

Both investors and owner occupiers have slowed down activity on account of the rising construction costs (due to inflation) and furnishing costs (due to import taxes and restrictions impacting imported items)

Category	Karachi	Lahore	Islamabad
Grade A Apartment Rate (Existing)	N/A*	PKR 35,000 - 45,000 per sq. ft.	PKR 35,000 - 50,000 per sq. ft.
Grade B Apartment Rate (Existing)	PKR 25,000 - 35,000 per sq. ft.	PKR 21,000 - 27,000 per sq. ft.	PKR 25,000 - 35,000 per sq. ft.

*There are no existing Grade A developments in Karachi

DEVELOPERS MARGIN **20%-25%**	RENTAL ESCALATION **10%**	APARTMENT CONSTRUCTION COST **GRADE A:** PKR 20,000 - 23,000 **GRADE B:** PKR 14,000 - 17,000	CEMENT PRICE CHANGE (AUG '23 - AUG '24): **27% INCREASE** STEEL PRICE CHANGE (AUG '23 - AUG '24): **9.7% DECREASE**

Retail outlook - wholesale cash and carry sector

Wholesale & Retail Sector

- Significant contribution to GDP, rising from USD 25 bn in FY19 to USD 53 bn in FY23, indicating strong post-pandemic growth.
- Sector expansion driven by diverse products, competitive prices, and improved customer experience, resulting in a rise from 330 supermarkets and two hypermarkets in 2014 to 512 supermarkets and nine hypermarkets by 2023.

Challenges

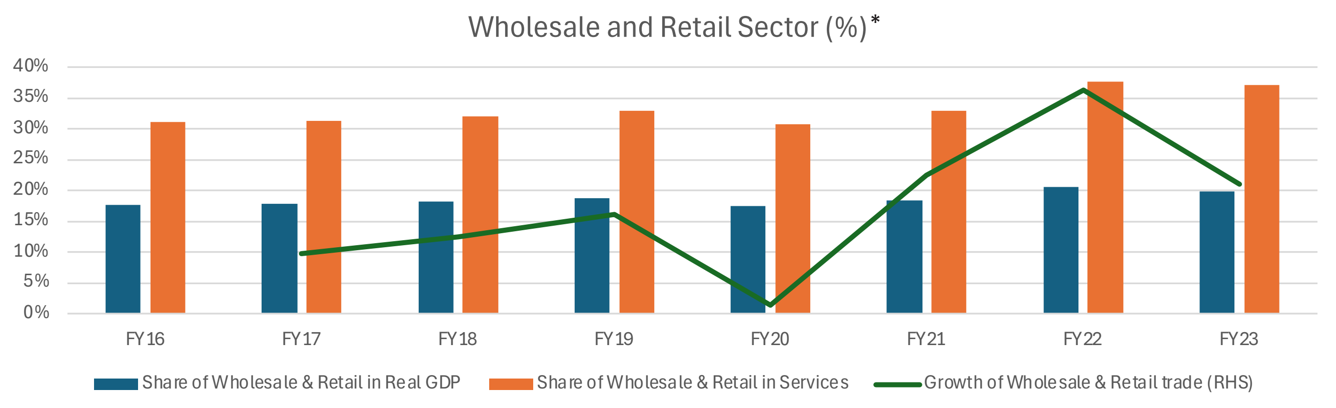
- Inflation has increased cost while consumer spending power has remained stagnant, resulting in lower basket sizes and sales volumes.
- Challenging operating environment and lack of credit access have caused industry players to slow their expansion plans.
- Import restrictions have led to supply chain disruptions.
- Consumers are moving to lower grade and unbranded products, which are not readily stocked at supermarkets and don't meet quality standards.
- Potential tax reforms following IMF discussions pose additional challenges to retailers exacerbating the strain caused by inflation and economic uncertainties.

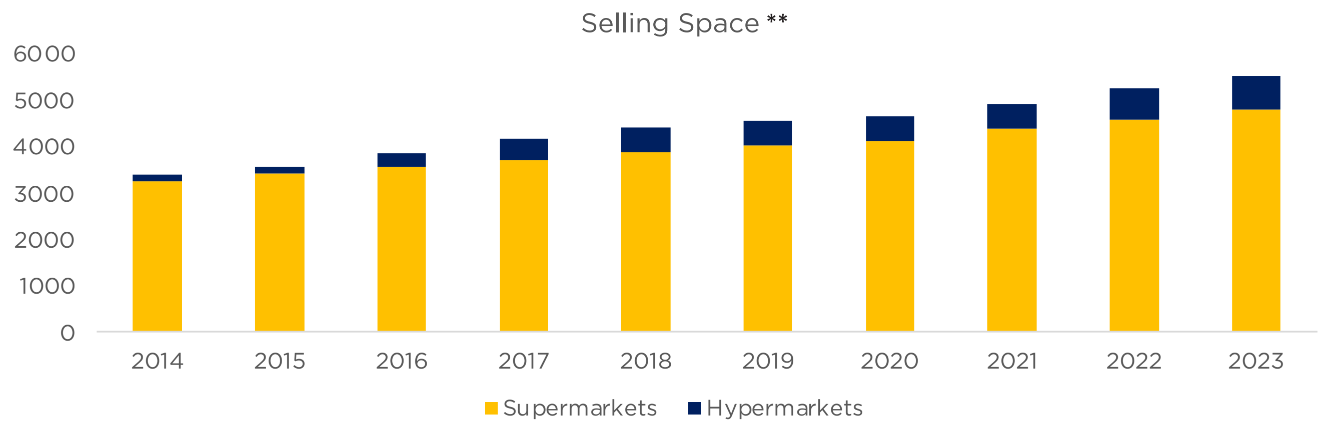
Consumer Behaviour

- Increased price sensitivity is the major consumer trend shift in the last year.
- Lower-grade essential products have gained prominence reflecting a shift in consumer preferences over lifestyle and fashion items.
- Ongoing trend benefits hard discount retail models and online shopping for daily items.
- Retailers are prioritizing competitive pricing and availability of local products.

Store Growth

Amidst macroeconomic headwinds, most local competitors are expanding by focusing on smaller store models in untapped areas.





Competitor Landscape

No.	Category	No. of Stores	National Footprint	Formats	Expansion Plans	Expansion Strategy
1	International	10	Karachi, Lahore, and Islamabad	Mix of hypermarket, supermarket and express stores	• Significant expansion in the last six months • Tier 1 city priority	• Shifting strategy towards standalone express stores • Rent model, which complicates store location approvals, given internal red tape
2	International	10	Karachi, Lahore, Islamabad, Multan, and Faisalabad	Mix of hypermarkets and supermarkets	• Moderate expansion plans but open to good opportunities	• Reevaluating the existing business and developing a strategy accordingly
3	Local	33	Karachi, Lahore, Islamabad, Peshawar, Sialkot, and Faisalabad	Supermarket	• Want to open 100 stores by 2025 • Pan-Pakistan locations as long as high footfall	• Prioritizing malls (e.g., Dolmen Lahore and Karachi) due to high footfall • Shift from franchise to ownership model
4	Local	17	Karachi, Multan, Faisalabad, and Mardan	Mix of supermarket and grab-and-go stores	• Plans to expand on its existing locations in Tier 1, 2 and 3 cities	• Shifting focus towards mini grab-and-go formats instead of hypermarkets • Want to be first movers in Tier 2 and 3 cities, based on their Multan success
5	Local	8	Karachi, Bahawalpur, Islamabad, Faisalabad, and Multan	Superstores	• Temporary halt in expansion post covid • Future focus will be on Lahore and Hyderabad	• No strategy as currently on hold
6	Local	30	Karachi, Lahore, Islamabad, Faisalabad, Gujranwala, Sialkot, Bahawalpur, Gujrat, Sargodha, Vehari, Peshawar, and Quetta	Superstores and mega stores	• Aggressive expansion with 10-15 stores opened in the last 2.5 years	• Targets all income brackets through price accessibility • Prioritize parking availability, given its crucial role in customer attraction and experience, thereby increasing footfall

* Latest data available on Pakistan Bureau of Statistics (PBS)

**Supermarkets range from 4,300 to 26,900 sq. ft, while hypermarkets exceed 26,900 sq. ft. (Source: Euromonitor)

Office outlook

KARACHI

Karachi's office market is going through a transitionary phase. Karachi's original office hub was I.I. Chundrigar Road in the city's 'Saddar' region, where most financial institutions were stationed. In the recent past there has been a shift to Clifton (an up-market area by the sea) and onto Shahrah-e-Faisal (the city's main artery and a central location). This shift has been largely on account of road infrastructure, congestion, and parking availability on I.I. Chundrigar Road.

Demand is from financial institutions, MNCs and local corporates who gravitate to state of the art Grade A buildings which have ample parking, security, fireproofing and high-end amenities. High Grade A occupancy levels show a dearth of such buildings presently available which could be a potential opportunity.

Karachi's office market is also witnessing the rise of co-working spaces, with local startups and corporates increasingly drawn to tier-1 flexible working spaces, which are showing high occupancy levels. Prominent players include Regus (an international brand), prominent local players (such as The Hive, Kickstart and COLABS), and several smaller providers.

the national average, making it one of the most prosperous parts of the country. Lahore had a workforce of ~3.59 million as of 2021, which creates a growing demand for real estate as labor from across Pakistan moves to the city for employment opportunities.

Demand is from IT and financial institutions, MNCs and BPOs. Gulberg remains the business hub due to its central location, access to airport and highways, and being the white-collar office hub. Gulberg also has key differentiating attributes such as access to hospitals, educational institutions, malls, eateries, and banks.

Gulberg is also where all three of the existing Grade A buildings are, with occupancy ranging from 80-95%. Just like Karachi, high occupancy of Grade A office buildings signal an opportunity for investors to service a captive market, given MNC and large corporate's strong desire to gravitate to Grade A buildings.

The shortage of Grade A office space has also created an opportunity for co-working spaces, which along with startups has been taken up by IT companies and MNCs as they offer quality facilities, without any CAPEX on land purchase, fixtures and fittings.

KARACHI

Existing Grade A Supply 1.53 Mn Sq. ft.

Confirmed Upcoming Grade A Supply (2030) 5.29 Mn Sq. ft.

Gross Leasable Area

Average Lease Rate
(PKR per sq. ft. Gross)
Grade A: 225 - 440 | Grade B: 150 - 310

LAHORE

Existing Grade A Supply 0.77 Mn Sq. ft.

Confirmed Upcoming Grade A Supply (2028) 0.62 Mn Sq. ft.

Net Leasable Area

Average Lease Rate
(PKR per sq. ft. Gross)
Grade A: 170 - 250 | Grade B: 120 - 250

LAHORE

Lahore has overtaken Karachi as the most populous city in Pakistan, with ~22 million people in its administrative division. This is due to Lahore's strong urbanization with people from across the country moving to the city and bringing their wealth with them, which filters into real estate.

As the capital of Punjab province, Lahore's human development index and literacy rates are above

ISLAMABAD

Despite being the capital, Islamabad has limited quality office space with a small portion being Grade A. Randhawa Tower and SEE-3 developments are recent developments, which have increased the Grade A supply. Prior to this, Serena Business Complex and The Hive Tower were the only Grade A developments.

Demand comes primarily from telecom, IT, donor agencies, NGO's, oil and gas companies, and

government institutions. Islamabad headquarters most of the country's telcos, is considered a hub for foreign tech companies, and given the Securities and Exchange Commission of Pakistan (SECP) being headquartered in Islamabad, is seeing more financial institutions creating a presence there.

Grade B office buildings such as Ufone Tower, Islamabad Stock Exchange Tower and PTET Tower are the only quality office buildings offering space on rent, with all achieving high occupancy levels, illustrating a shortage of quality office space available on rent, therein providing an opportunity for investors.

The Serena Business Center is an outlier in terms of rental price as they charge in USD, servicing donor agencies and other foreign organizations.

The 96% occupancy illustrates there is a dearth of Grade A buildings, even with dollarized rents, showing clients are willing to pay a premium for quality office space.

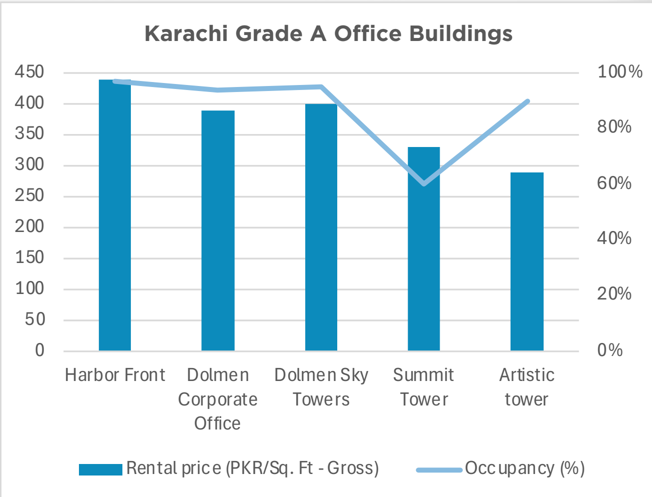
ISLAMABAD

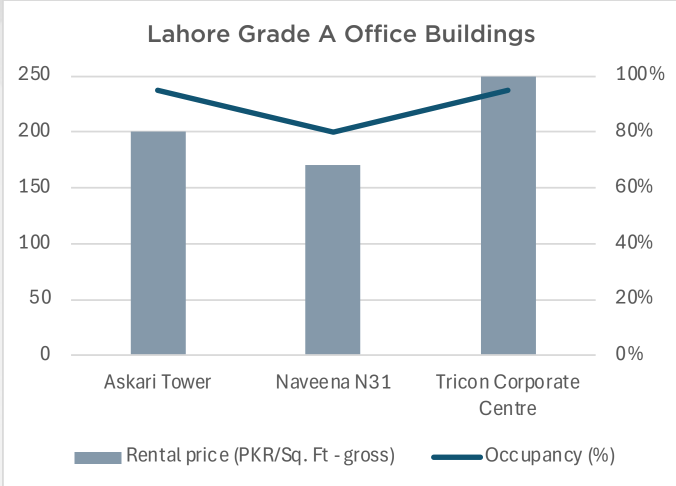
Existing Grade A Supply 0.73 Mn Sq. ft.

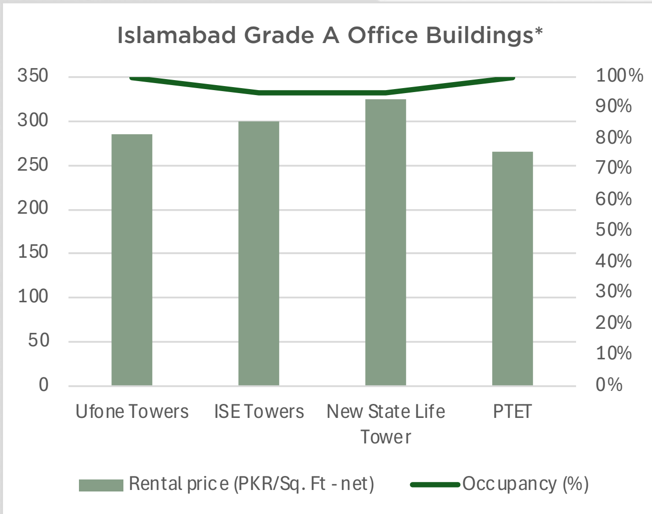
Confirmed Upcoming Grade A Supply (2025) 0.05 Mn Sq. ft.

Net Leasable Area

Average Lease Rate
(PKR per sq. ft. Net)
Grade A: 450 - 2,123 | Grade B: 250 - 350







*Excludes Grade A developments: Serena Business Complex (an outlier), SEE-3, and Randhawa Towers (recently entered the market), and C-2 (a single-tenant building that doesn't represent multi-tenant dynamics)

Hospitality outlook

Given Pakistan's push for an export-led economy, commerce, tourism and sports should be large pull factors for Grade A hotel developments. In the current environment however, high interest rates making construction borrowing expensive, and taxes on imported fixtures and fittings for Grade A hotels expensive. The price point for the Average Daily Rate (ADR) cannot currently be increased significantly given local demand and supply norms, however with the right in-country dynamics and an enabling environment to generate footfall, Grade A hotel developments can be viable investments.

KARACHI

» Given Karachi's coastal location, it remains a trading and commercial hub with many industries as well as service sectors such as financial institutions and MNCs housing their head offices there. This creates a steady flow of local and international travel which is catered to, through 4 and 5-star hotels.

» Mid-November to mid-February is peak season for Karachi hotels, as this is wedding season along with being the winter season when Pakistani expatriates return to visit.

» Most of the 5-star hotels are in the Civil Lines/ Saddar area which provides proximity to commercial offices as well as the airport.

» International traffic stems from regional and international offices for MNCs, and business travelers, given Karachi's commercial infrastructure.

» National traffic comes from regional offices from sectors such as financial institutions, MNCs, pharma companies and others with head offices In Karachi.

» Karachi also hosts domestic cricket tournaments such as the PSL and international cricket through bilateral cricket series, which requires 5-star accommodation.

KARACHI
4 & 5 Star Hotels
No. of Rooms: 1,494
Average Occupancy 4 & 5 Star Hotel 70%

LAHORE

» Lahore is the cultural capital of Pakistan, making it a prime location for local and international tourism.

» Lahore's 4 and 5-star hotels peak season is mid-November to mid-March, when Pakistani expatriates return for the holidays and wedding season.

» Given Lahore's quality infrastructure and strong security relative to Karachi, organizations are moving their head offices and setting up newer offices in Lahore. This is on account of Lahore's human development index and literacy rates being above the national average, making it one of the most prosperous parts of the country, and Lahore having a large labor force for employers to chose from. This has resulted in more commercial activity in Lahore, resulting in hotel demand.

» Lahore is also the sports capital of Pakistan. With the head office of the Pakistan Cricket Board (PCB) in Lahore, it sees a lot of sporting events such as the PSL and bilateral cricket series, which bring significant hotel occupancy.

» The only 5-star hotel in Lahore is PC and during peak season this hotel sees increased capacity, which leaves tourists to chose from the 4-star hotels available which are not up to standard for the international and national tourists.

» Given Pakistan is contending to host the 2025 champions trophy and being reliant on only one 5-star hotel in Lahore, there is a vacuum which can be filled.

LAHORE
4 & 5 Star Hotels
No. of Rooms: 2,137
Average Occupancy 4 & 5 Star Hotel 57%

ISLAMABAD

» Islamabad sees the bulk of its local hotel traffic from those travelling for meetings with the Federal Government and its related entities. This is from both the public and private sector. There is also traffic from local NGOs who have their head offices in Islamabad.

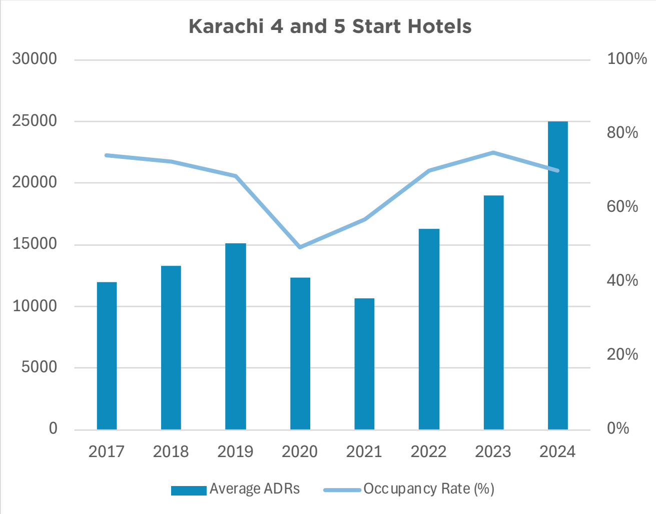
» International hotel traffic comes from foreign dignitaries and delegations who are associated with embassies, donor agencies, and NGOs.

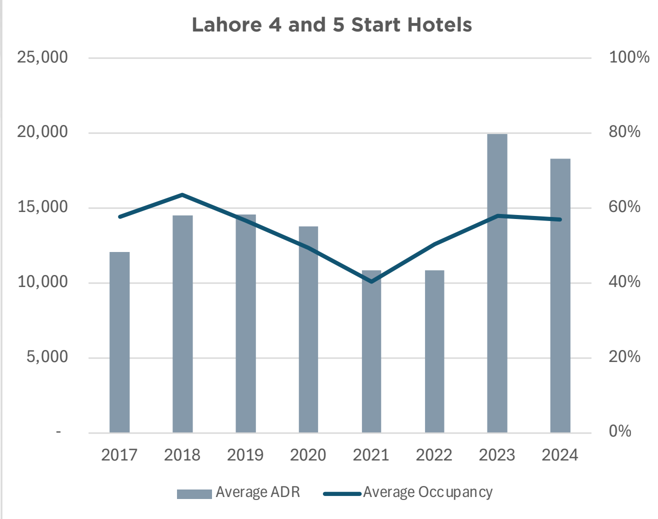
» National commercial traffic comes from regional offices of Telcos and other organizations which have head offices in Islamabad, and those organizations which are coming to meet the Federal Government, SECP and other public sector entities.

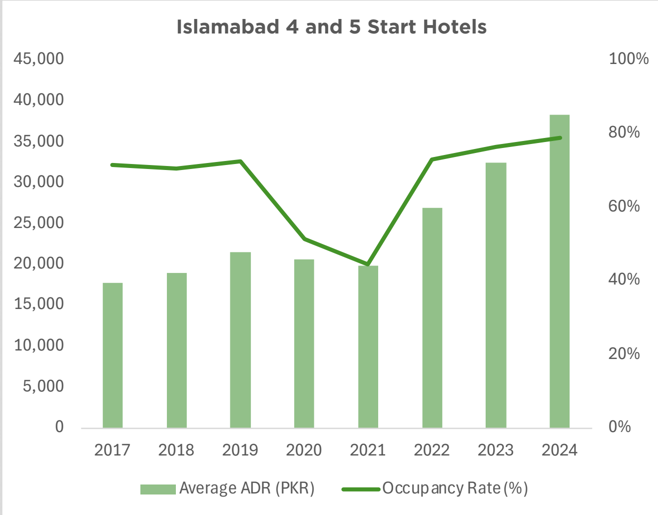
» National and international cricket takes place in Islamabad's twin city 'Rawalpindi' which also creates demand during peak season which is difficult to service.

» The only 5-star hotel in Islamabad is Serena, which has significantly higher ADRs than 5-star hotels in Karachi and Lahore, yet its occupancy is at 80% which shows there is demand even at higher prices, as it is a price point that foreign clientele is willing to pay.

ISLAMABAD
4 & 5 Star Hotels
No. of Rooms: 657
Average Occupancy 4 & 5 Star Hotel 79%







Industrial outlook

Pakistan's Industrial Production Index (YoY)

Source: CEIC Data (2024)

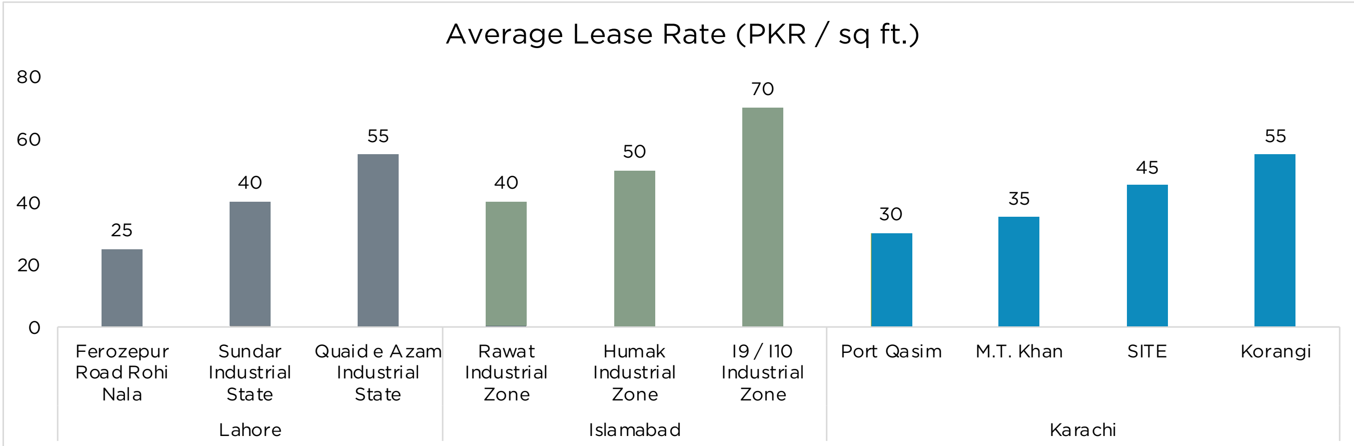
In the backdrop of the second phase of China-Pakistan Economic Corridor (CPEC) which launched in 2013, transformative initiatives are reshaping Pakistan's economic and industrial future. A pivotal driver in this transformation is the development of Special Economic Zones (SEZs), strategically positioned to catalyze industrial growth, especially that of warehousing, shipping, and logistics across the country:

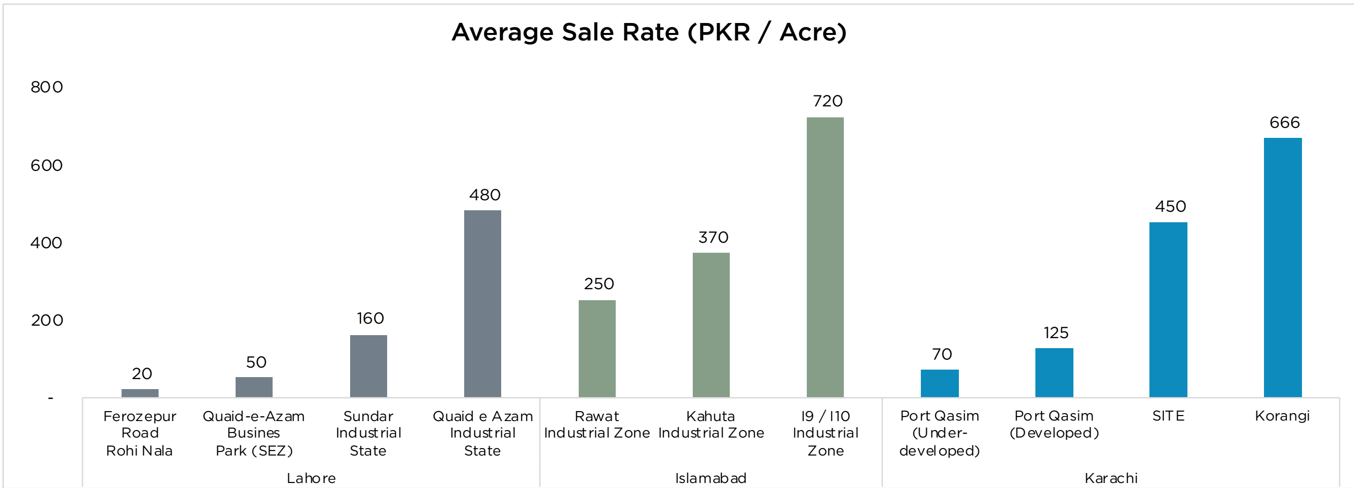
1. In May 2024, the Prime Minister gave warehouse and logistics the status of an 'industry'.
2. Abu Dhabi (AD) Ports Group signed a USD 220 million, 50-year concessional agreement in June 2023 with Karachi Port Trust (KPT) to oversee operations of berths 6-9 at Karachi Port's East Wharf, and signed a USD 175 million, 25-year concessional agreement in February 2024 to oversee operations of berths 11-17 at Karachi Port's East Wharf.
3. In August Pakistan's Minister for Maritime Affairs announced that A. P. Moller – Maersk A/S would invest USD 2 billion in Pakistan's port and transport infrastructure over the next two years.
4. Special economic zones are being established to encourage public-private partnerships and offer incentives for investment, such as tax breaks and infrastructure support.
   - Rashakai (Khyber Pakhtunkhwa): SEZ: Phase-I (247 acres) is operational, attracting numerous enterprises and fostering industrial activities.
   - Allama Iqbal Industrial City (Punjab): Development (3,217 acres) started in 2020 attracting diverse sectors such as textiles, automobiles, and engineering.
   - Dhabeji SEZ (Sindh): Concession Agreement in February 2022. Groundbreaking of Dhabeji SEZ (1,530 acres) was held on 15th July 2023 and development work is in progress.
   - Bostan SEZ (Balochistan): Completion of Phase-I (200 acres) marks significant progress. The zone is poised to catalyze growth in fruit processing, agriculture machinery, pharmaceuticals, and other key industries.
5. In June 2023, the government of Pakistan approved establishment of Special Investment Facilitation Council (SIFC) a facility to act as single window to facilitate investors and establish cooperation among all Government departments and fast-track project development.

Completed Projects in 2023		
Gwadar Eastbay Expressway	720 MW Karot Hydropower Project	330 MW Thar Coal Power Project

Warehousing Sector

Current State	Key Trends
➢ **Strategic Location:** The Port of Karachi and Port Qasim provides a logistical advantage for both domestic and international trade. Development of Gwadar port is ongoing ➢ **Infrastructure:** Availability of both traditional and modern warehouse facilities, with varying degrees of sophistication and automation. ➢ **Market Size:** The sector has witnessed steady growth, driven by increased demand for storage and distribution solutions.	➢ **Technology Integration:** Adoption of advanced technologies like warehouse management systems (WMS), automation, and Internet of Things (IoT) is enhancing operational efficiency. ➢ **E-commerce Growth:** The rise of e-commerce is fueling demand for warehousing space, particularly for last-mile delivery solutions. ➢ **Sustainability:** There is a growing emphasis on sustainable practices, including energy-efficient buildings and green logistics.
Challenges	**Future Prospect**
➢ **Infrastructure Gaps:** Inconsistent infrastructure quality affects efficiency and costs. ➢ **Regulatory Hurdles:** Navigating complex regulatory frameworks can be challenging for warehouse operators.	➢ **Investment Opportunities:** There is significant potential for investment in modern warehousing facilities and technology upgrades. ➢ **Public-Private Partnerships:** Collaborations between the government and private sector can address infrastructure and regulatory challenges. ➢ **Expansion of Trade:** As Pakistan's trade volumes increase, the demand for efficient warehousing solutions will continue to rise.





Why **Pakistan's real-estate** market is promising

The Government also restricted the outflow of cash by corporates which in turn has meant that many companies have decided to invest this money in their existing presence in the country. For example, by taking out newer and greener office space and Greenfield industrial land. In recent months we have seen EY, Pfizer, GSK, and Citibank amongst others, make such moves. Others are taking more flexible office space, in line with similar developments we have seen in other countries.

NATIONAL OUTLOOK

- As the office market has evolved, client fit out requirements have moved away from ad-hoc requests to be fulfilled by the contractor and developer, to more sophisticated needs. This has been led by MNCs who must abide by their global workplace guidelines which many of the local contractors and developers are not trained or certified in.
- Clients are now not just focused on visual appeal, but have progressed to require safety, security, durability and practicality in their office fit outs.
- MNC such as GSK, Haleon and Citibank are some of the first movers when it comes to best-in-class project fit-outs. Savills Pakistan having an existing relationship with many of these MNCs through their transaction services arm, is well placed to service these needs.
- Well fitted out offices are gaining traction, as they provide clients a plug and play option adherent to industry best practice, making the initial transition and ongoing office management process smoother.
- Savills has a clear edge over competitors in Pakistan being the only global real estate consultancy to offer Design and Build services in Pakistan, which is one of the major contributors to Savills strong numbers.
- Savills Pakistan has also started a facilities management service, allowing them to service end-to-end property selection and management needs.

KARACHI

- Being Pakistan's commercial hub, head offices of most MNCs, banks and large local corporates are based in Karachi, creating strong demand for well fitted out office space.
- Fit-outs have recently seen a boom in Karachi where Grade A building have achieved full occupancy in 6 years. Clients are mainly MNCs or large corporates engaging globally recognized and certified project management providers such as Savills.
- Savills is currently engaged on more than 100,000 sq. ft. of office fit-out in Dolmen Karachi, which is the most any multinational real estate consultancy has worked on at one time within this facility.

LAHORE

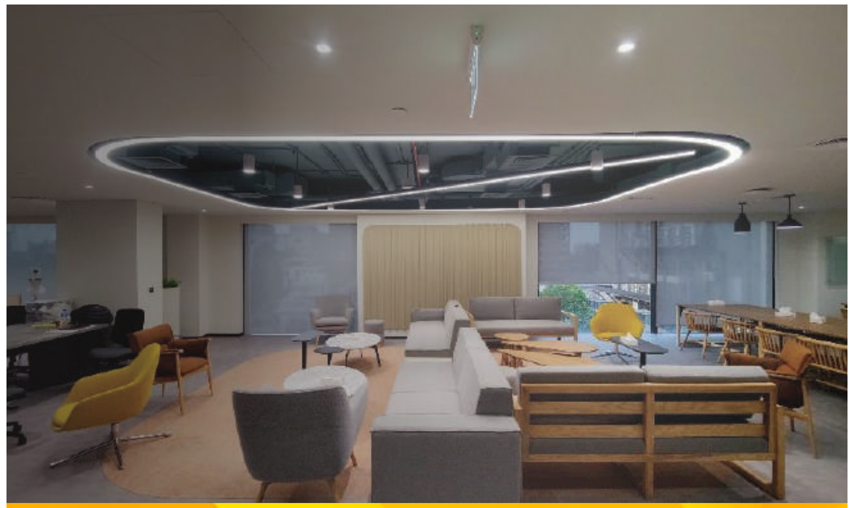
- Lahore is becoming a more popular destination for Grade A offices on account of companies moving their regional and head offices from Karachi due to better infrastructure and safety.
- High occupancy of the existing Grade A office buildings shows demand for office buildings requiring best-in-class fit-outs.
- Global players such as EY, Deutsche Bank, and Servier Pharmaceutical have set up their offices in the last 3 years, creating further influx of presence from corporates.
- Savills is currently engaged on 50,000 sq. ft. of office space in Lahore for design and project management consultancy.

ISLAMABAD

- Despite being the capital, Islamabad is a newer market with a lower volume of Grade A facilities requiring project management services.
- However, the proximity to government offices has led more recently to financial institutions setting up head / regional offices in the city, potentially creating demand for project management services.
- Donor agencies are another major market, given their requirement for global standard adherence. Savills has been working on a due diligence and design exercise with International Labor Organization (ILO), of the many donor agencies having a physical presence in the city.

Client case studies

EY



EY PAKISTAN

Dolmen Sky Tower, Karachi | Naveena Tower, Lahore

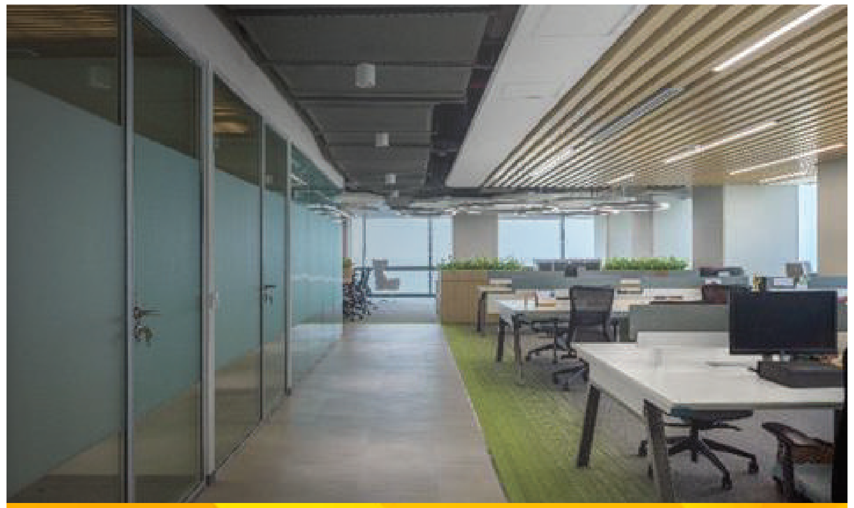
Dolmen Sky Tower, Karachi	Naveena Tower, Lahore
Total size: **60,000 sq. ft.**	Total size: **40,000 sq. ft.**
Total employees: **713**	Total employees: **539**
Start Date: **June 2023**	End Date: **June 2024**

PROBLEM STATEMENT
Required a back-office servicing the GCC region on global EY guidelines, for a head count of 1200+ across both locations.

SERVICES PROVIDED
Design, procurement, cost and construction management (based on EY playbook)

RESULTS
Project was completed two months before the contractual completion date, with 15% less cost than the approved budget.

HALEON



HALEON PAKISTAN

Dolmen Sky Tower Dolmen, Karachi

Total size: **10,000 sq. ft.**
Total employees: **80**
Start Date: **June 2022** End Date: **January 2023**

PROBLEM STATEMENT
Required an office space on global guidelines for a headcount of 80.

SERVICES PROVIDED
Design and Build services including move as well as the provisioning of white goods.

RESULTS
Project was completed during an import ban by using alternatives. Final cost of project was 20% less than approved budget.

Pfizer

PFIZER PAKISTAN

Dolmen Sky Tower, Karachi

Total size: **20,000 sq. ft.**
Total employees: **90**
Start Date: **May 2023** End Date: **December 2023**

PROBLEM STATEMENT
Failed structural testing of the existing office led to needing a structurally compliant new space built on Pfizer's global guidelines.

SERVICES PROVIDED
Design and Build services including move as well as the provisioning of white goods.

RESULTS
Project was completed on time with 15% less cost than the approved budget.

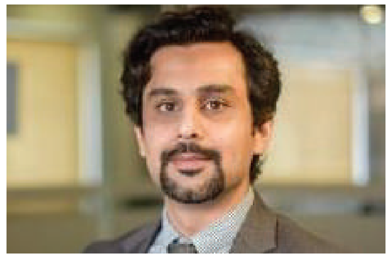
Meet **the team**

Hammad Rana
Chief Executive Officer
Pakistan

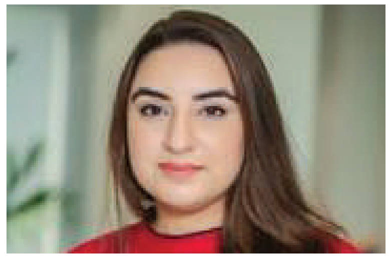
Saud Khan
Director – Valuation and Strategic Consultancy
Pakistan

Syed Hadi Ali Kazmi
Director – Central Region
Pakistan

Fazal Ahmed
Director – Valuation
Pakistan



Shahmeer Shaikh
Director – Northern Region
Pakistan



Amna Qamar
Associate Director – Transactional Services
Pakistan

Danish Khan
Associate Director – Strategic Consultancy
Pakistan

Zain Makhdumi
Associate Director – Project Management
Pakistan

Why **Savills**

Savills Pakistan offers a range of professional advisory services supporting both developers and investors for real estate developments, whether for internal decision-making or finance raising purposes. Supported by both ongoing market-wide research and a focused consideration of the locations under study, Savills can ensure that our clients enjoy a level of investment information that is unmatched. We take a professional, but tailored approach to ensure that the service we deliver reflects the unique characteristics of individual properties.

SENIOR, PERSONAL RELATIONSHIPS WITH INTERNATIONAL OCCUPIERS

We are a truly global business with reach, as well as a longstanding track record with globally recognized brands across all international markets. Our experienced team will take a personal, proactive approach to ensure we source the ideal, long-term, quality occupiers.

LOCAL EXPERTISE COMBINED WITH GLOBAL EXPERIENCE

Our unrivalled local market knowledge, together with our extensive international network will ensure highest standards of professional real estate services.

MARKET LEADERS ACROSS PAKISTAN

Our teams are recognized as industry leaders in the country. We will draw on our exceptional local track record and long-term client relationships to deliver you a premium service throughout our partnership.

HONEST, VALUABLE AND HOLISTIC ADVICE

You will have access to the wider, global Savills network, meaning we can offer you an integrated service offering. We pride ourselves on the quality of our advice, service and client care, and are committed to delivering creative, tailored solutions, meeting your strategic requirements.

STRONG KNOWLEDGE OF THE PROJECT, THE LOCAL COMMUNITY AND THE CULTURE

Our intrinsic understanding of region's key strengths, opportunities and potential challenges, together with our unrivalled market knowledge, enables us to attract quality tenants and enhance the value of your property.

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