



ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

ORIGINAL

VALUATION/INSPECTION OF DOLMEN CITY, CLIFTON, KARACHI



Valuation/Inspection Report



NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED

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13th Floor, NICL Building, Abbasi Shaheed Road, Off Shahrah-e-Faisal, Karachi - 74400, Pakistan.



3322/50D/MF/01/281

February 3, 2015

Muhammad Ejaz

Chief Executive Officer,
Arif Habib REIT Management Limited,
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**CONSULTANCY SERVICES FOR VALUATION OF DOLMEN CITY REIT SCHEME
FOR THE HARBOUR FRONT OFFICE BUILDING AND THE DOLMEN CITY
SHOPPING MALL, KARACHI.**

Valuation Report

Dear Sir,

Please find enclosed herewith one original copy of valuation report revised in the light of SECP observations vide its letter No. SCD/PRDD/AHDRML/Dolmen Reit/58 dated January 13, 2015.

Thanking you and assuring you best of our services all the times.

Sincerely
for National Engineering Services of Pakistan (Pvt.) Limited

(Muhammad Farooq)
General Manager

Enc. As Stated

C.c: G.M/Head (Karachi), NESPAK for information pl.



ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

VALUATION/INSPECTION REPORT OF DOLMEN CITY, CLIFTON, KARACHI

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VALUATION REPORT FOR DOLMEN CITY, CLIFTON, KARACHI UNDER REIT SCHEME

INTRODUCTION

Dolmen City, is a large mixed used development located at the scenic coastline of Karachi, comprising five main buildings at a single place, catering to the social and commercial needs of the city.

- **Harbour Front Building:** Nineteen story state-of-the art office building; with a built up area of approximately 270,271 square feet.
- **Dolmen Mall:** Multi story regional mall of international standards; with a built up area of more than 1.29 million square feet.
- **Executive Tower:** Sea-facing multi story office building; and
- **Under Construction Two Towers:** of twenty seven story each.

As per requirements of Securities and Exchange Commission of Pakistan (Specialized Companies Division, Non-Banking Finance Companies Department) letter No. SCD/PRDD/AHRML/DCPL/2013/591 dated January 06, 2014, Arif Habib Dolmen REIT Management Company Limited - **AHDRMCL** (*formerly Arif Habib REIT Management Limited*) awarded National Engineering Services Pakistan (Pvt.) Limited, (NESPAK), to value the two component building i.e Harbour Front and Dolmen Mall of Dolmen City falling under the REIT scheme constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi as per provisions of REIT Regulations, 2008 and submit its report (copies of respective letters attached as Annexure-A).

The summarized scope of work comprised of the following aspects to be covered in the report:

- a) Valuation of the land.
- b) Valuation the building.
- c) Expected Sale/Sub-Lease Value of the property in its present form, on a per square foot (/ft²) basis.
- d) Expected Rental Income
- e) Any other aspects that might be contributive towards the assessment of the fair market value of the above mentioned property.

1. DATE OF VALUATION

A preliminary visit was made to the premises/property (presently Dolmen City comprising of The Harbour Front Office Building and the Dolmen City Shopping Mall) by NESPAK on May 11, 2014. The following two days (May 12 & 13, 2014) resulted in NESPAK inspecting the land and building peripheries to estimate the land / plot area and covered areas of the building.

The report finalization took time due to delay in issuance of building completion certificates by the Sindh Building Control Authority (SBCA) which is one of the major contributor to assess the fair market price for the sale of a building.

In the meantime, a market study was conducted to assess the average land value in the area and prevailing sale price being charged by the owners of buildings in the vicinity. The findings of survey were again updated by the end of October 2014 before finalization of the valuation of the property under consideration

The costs/prices assessed for the property in this report be considered the prices at the date of issuance of this report (November 14, 2014).

2. GENERAL INFORMATION

- a) Dolmen City premises/ building is constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Marine Drive, Clifton, Karachi. The premises comprises of;
 - ❖ **The Harbour Front**, a 19 storey Office Building with a built up area of approximately 270,271 square feet
 - ❖ **Dolmen City Mall**, an international standard shopping mall with a built up area of approximately 1.29 million square feet
- b) The assumptions used for the valuation of the Dolmen City has been based on the requirements of Schedule-IV to the REIT Regulations by SECP as follows with occupancy ratio of 100% as the buildings at present are fully occupied;
 - ✓ Average base cost of land
 - ✓ Construction cost of shopping mall
 - ✓ Construction cost of office block
 - ✓ Harbour Front Sales Market Value
 - ✓ Dolmen Mall Sales Market Value
 - ✓ Harbour Front Average Rental Rate
 - ✓ Per annum growth
 - ✓ Dolmen Mall Average Rental Rate
 - ✓ Per annum growth
 - ✓ Capitalization Rate (combined)
- c) Scope of assignment has been as per TOR highlighted by Securities and Exchange Commission of Pakistan (Specialized Companies Division, Non-Banking Finance Companies Department) in their letter No. SCD/PRDD/AHRML/DCPL/2013/591 dated January 06, 2014 (attached as Appendix-A to this report).
- d) The Dolmen Mall retail component/shopping mall does not share common access of parking space with the other components of the Dolmen City project thus easement is independent.

The Harbour Front Building on the other hand shares easements with another office building, the Executive Tower located at the rear (sea facing building) of the property.

- e) The following information were shared by the RMC (AHDRMCL) and copies of some desired documents were provided to the Valuer:
 - (i) Construction schedule along with milestones and deadlines (not required as the building are already in their final shape and under occupancy).
 - (ii) Summary Construction specifications.
 - (iii) Construction drawings.
- f) The date of valuation shall be considered as date of the report i.e November 14, 2014.

3. INSPECTION OF THE REAL ESTATE

- a) A preliminary visit was made to the premises/property comprising of;

-  The Harbour Front Office Building, and
 -  Dolmen Mall

both constructed on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi, by NESPAK on May 11, 2014.

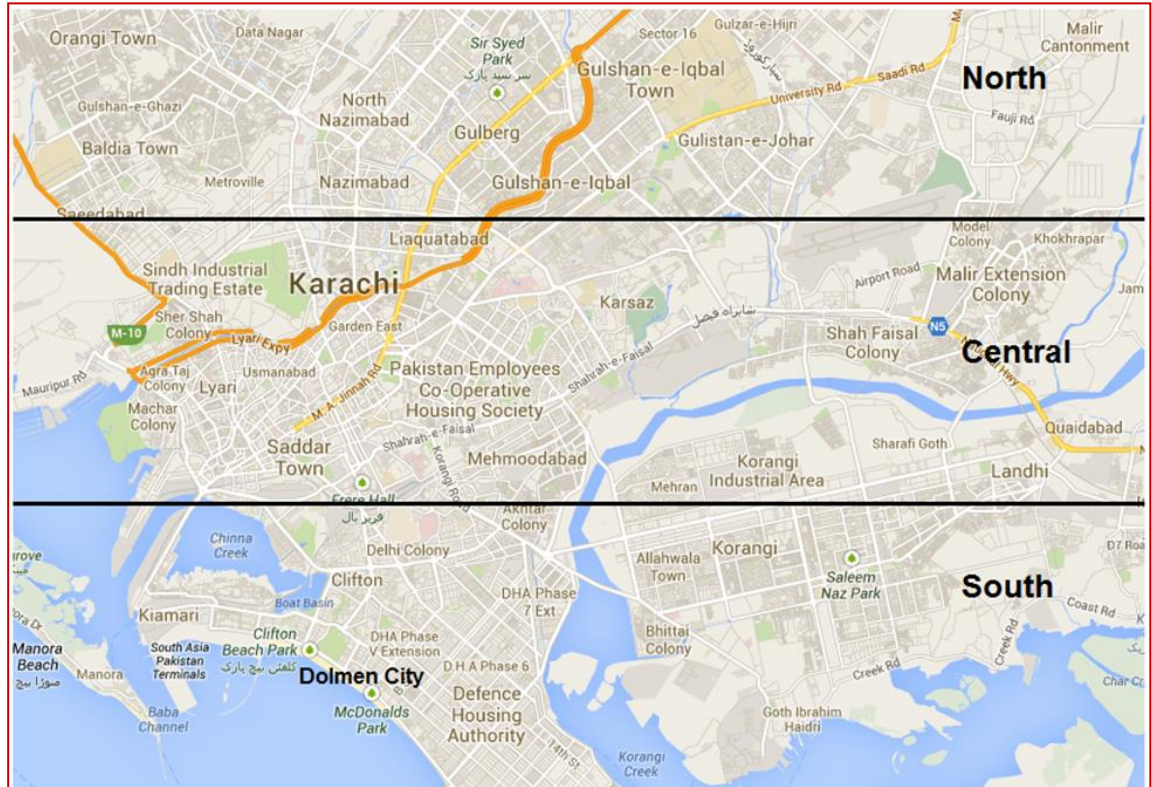
However, due to delay in issuance of building completion certificates by the building control authorities further visits were carried out in the last week of October, 2014. The following were team members;

- i. Mr. Muhammad Farooq, General Manager and team leader Valuation Team.
 - ii. Mr. Abid Bashir Alam, Sr. Engineer Valuation
 - iii. Mr. Muhammad Yasir Ujjan, Sr. Engineer Structures
 - iv. Mr. Shoaib A. Mushtaq, Sr. Engineer Mechanical
 - v. Mr. Qazi Azeem, Engineering Supervisor, Electrical
 - vi. Mr. Muhammad Noman, Sr. Engineer (Electrical and Electronics)
 - vii. Mr. Haris Kamal, Sr. Engineer Contracts and Quality Assurance
- b) Detailed visit to the areas identified in REIT was facilitated by the RMC to the team of valuer.

4. DESCRIPTION AND DETAILS OF REAL ESTATE

The property under consideration/REIT comprises of two buildings, The Harbour Front Office Building and the Dolmen City Shopping Mall located on Plot, Survey No. HC-3, Block-4, Scheme No. 5, Clifton, Clifton Cantonment, Karachi.

The title of record for the area lies with Karachi Development Authority.



The Harbour Front Office Building (a triangular building), on one-side face Sea View Road 2nd-side faces sea and the third-side face green area or presently open surface parking. While the Dolmen City Shopping Mall face the main road with sea on its rear side.



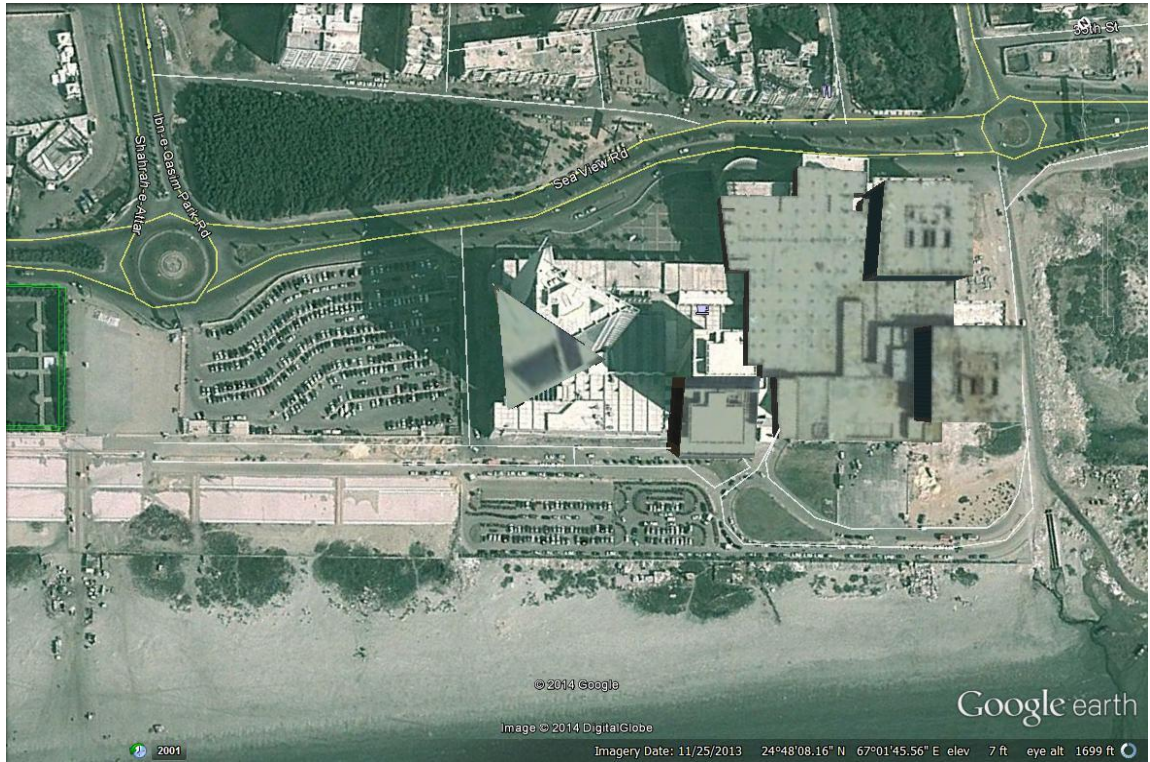


NESPAK obtained following data regarding the building;

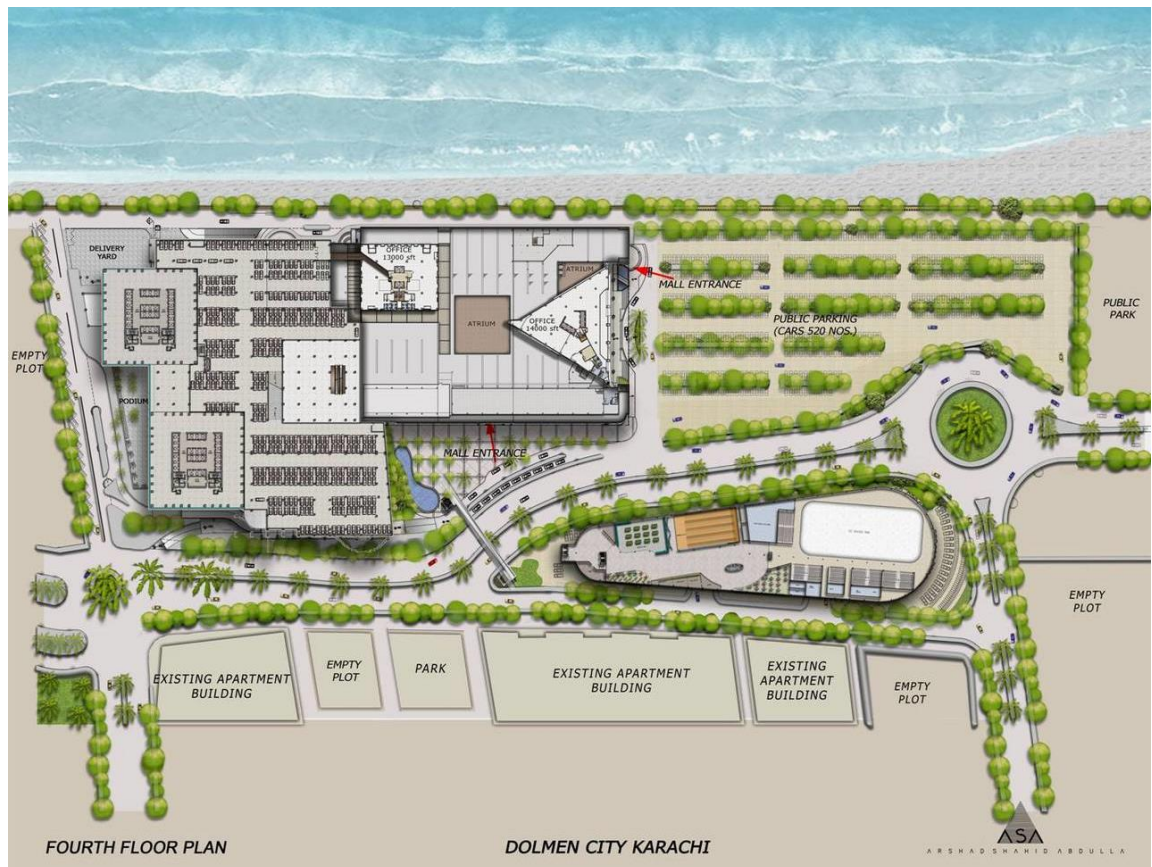
- a) Copy of Location Plan of Plot No. HC-3, issued by KDA. (copy are attached as Annex-B)
- b) Letter regarding completion by SBCA (copies are attached as Annex-C)
- c) Some Basic Drawings for the Buildings.

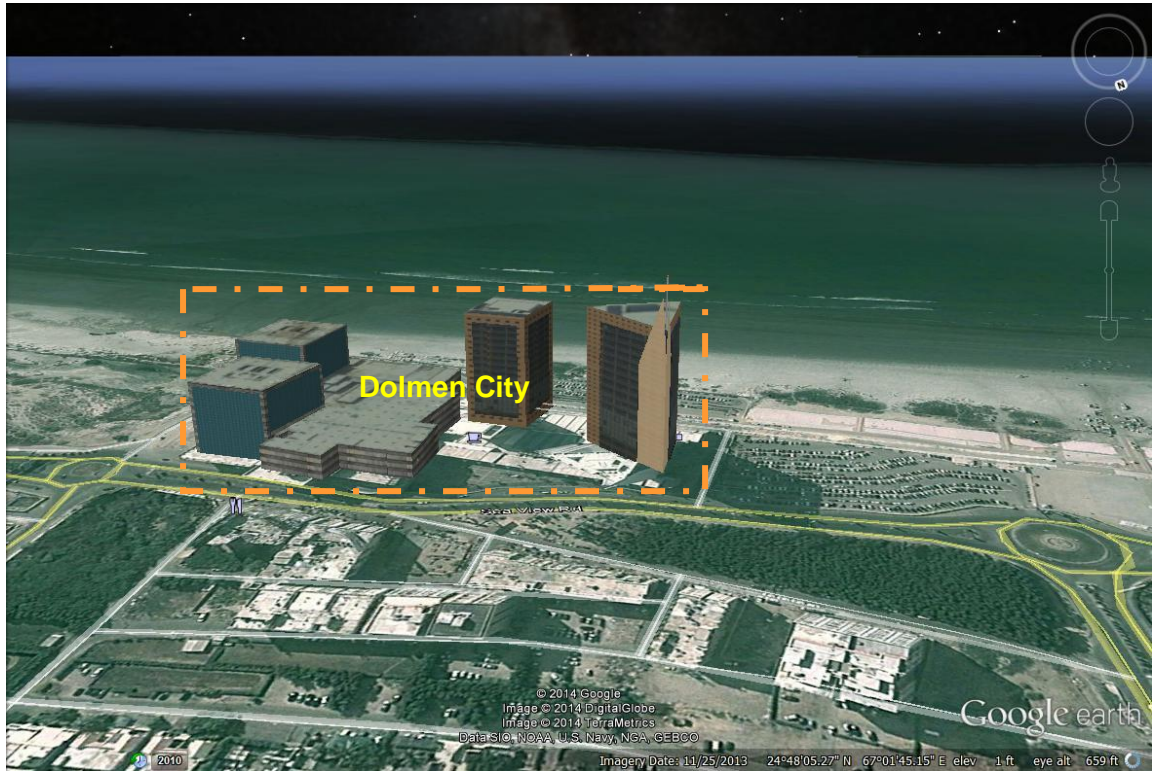
The building was constructed in 2011 and is divided in two parts i.e The Harbour Front Office Building and the Dolmen City Shopping Mall.

The issuance of completion certificates is a certification that no breach or violation of local authority bye-laws or regulations have been made.



View of Property on Google Map





View of the main Buildings

A. Present Building/Premises

NESPAK professionals inspected in detail the entire building (The Harbour Front Office Building and the Dolmen City Shopping Mall) comprising;



The Harbour Front Office Building

The Harbour Front is located at the sea front of Clifton, Karachi. Soaring 19-storeys above the Arabian Sea, this modern triangular tower houses offices of some of leading local and multi-national corporations such as Byco, Engro Corp, Phillip Morris, Procter & Gamble, Cheveron and others.

With an area of over 270,271 square feet of office space spread over 17 levels. This tower is an essential part of the newly constructed Dolmen City project, one of the largest mixed-use developments in Karachi.

Key Features of Building are;

❖ State-of-the-art Security System

The building is monitored 24x7 via a digital CCTV system, while all access points of the building including lobbies and parking areas are controlled via speed-gates and parking barriers manned through security personnel.

❖ Integrated Building Management System (IBMS)

All sub-systems of the complex including HVAC, Health & Safety (Fire, Access Control, CCTV), Mechanical, Electrical, Elevators, etc. are controlled by 'Integrated Building Management System'.

❖ Fibre-Optic Communication System

The building is equipped with an in-house fibre-optic network ensuring high-bandwidth availability and end-to-end fibre optic data connectivity.

❖ Voice Data Infrastructure

The building has a Tier-2 data centre.

❖ Uninterrupted Power Supply

Uninterrupted power supply is ensured via a continuous system of power generation.

❖ Centrally Air-Conditioned

The building is centrally air conditioned with IBMS climate controlled system. Specific provisions have also been made for uninterrupted server room air conditioning complete with back up facilities.

❖ Centralized Mail Room and Cargo Delivery Area

The building is equipped with a centralized mail room and cargo delivery area.

❖ **NFPA Compliant Fire Alarm/Suppression System**

Each tenant floor has its own integrated fire alarm and fire suppression system consisting of smoke detectors, voice evacuation system, sprinkler system, smoke extraction system and two fireproof exit doorways to stair wells.

❖ **High-Speed Elevator**

Access to tenant floors is via six high-speed, large capacity elevators.

❖ **Direct Access to the Food court & Shopping Mall**

Direct access is available to Dolmen Mall through a dedicated entrance at Level 2.

The Dolmen City Shopping Mall

Dolmen City Shopping Mall, Clifton, Karachi is Pakistan's first mall built to international specifications. Located at the waterfront, at the intersection of the upscale Defense and Clifton neighborhoods, this mall integrates the best in food, fashion and leisure under one roof.

- Ground Floor,
- First Floor, } (constructed as on ground floor parameters)
- 2nd Floor, }
- 3rd Floor, }

Salient features

❖ **Tenancy Mix:**

Retail Outlets: Special consideration has been given to the tenancy mix at Dolmen Mall. An effective tenancy mix ensures that the mall has the right combination of outlets with the right placement to enhance the shopping experience. Apart from 130 retail outlets, prominent retail outlets in the Mall include; Debenhams, Mango, Toni & Guy, Charles & Keith, Next, Nine West, Timberland, Mothercare, Khadi, Hub, Junaid Jamshed (J.) / Kaliyan / Nairang, Q n H, Kayseria, Bareeze, Shamraf's, Kapray, Sana Safinaz, Almirah, AUJ, Threads & Motifs, Mausumry Lawn, Brand Just Pret, Triumphs, One by Ensemble, Chinyere, Koel, Mossajee Sons, Voir, Crocs, Levis, ECCO and Jafferjees, etc. with Most prominent anchor tenant by area in the Mall is Hyperstar.

F&B Outlets: The mall has over 30 different options in the food & beverages category, which includes coffee shops, diners, fast food chains, dessert shops and fine dining restaurants. Prominent food & beverages outlets in the Mall include The Fat Burger, Johnny Rocket, Guns Smoke, Burger King, Espresso, Gloria Jeans, Noodle House, Pappa Roti, McDonalds and Bombay Chowpatti.

❖ **Spacious walkways and Atriums:**

The layout of the mall not only ensures a smooth pedestrian traffic flow, but also provides shoppers with pleasant open atriums.

❖ **Amusement Centres**

Two family amusement centres are available at the mall, namely; Sindbad's Wonderland and Kidz Dunya.

❖ **Handicap accessibility**

The entire shopping mall is accessible by handicapped shoppers. Special measures have been taken in this regard which include dedicated car parking spaces, ramps, wheel chair accessible toilets, large elevators and moving walkways.

❖ **Multi-level basement and surface parking**

A sophisticated car parking management system is installed at the multi-level basement car park to assist visitors.

B. Area of Property and Present Building/Premises

Various areas (property area and covered areas) are summarized below;

Plot:

The plot is not in exact rectangle shape but has carving in curved shape at the front facing

Plot area: 338,999.85 Sft. (37,666.65 sq. yd.)

The Dolmen City Shopping Mall

Property	Gross Built Up Area (Sft.)	Excluded Area (Sft.)	Net Built Up Area for REIT (Sft.)
Lower Basement (-) 5000	195,258	9,105	186,153
Upper Basement (-) 2000	290,057	15,772	274,285
Ground Floor	282,247	41,195	241,052
Ground Floor-Summit Bank			
Mezzanine Floor	19,879	-	19,879
1st Floor	278,863	3,464	275,399
2nd Floor	276,444	3,472	272,972
Plant and Transformer Rooms - 3rd Floor	27,667	-	27,667
Total REIT Related Area	1,370,415	73,008	1,297,407

The Harbour Front Building:

S.No.	Description	Total Area (Sq. Ft.)	Excluded Area (Sq. Ft.)	Area for REIT Scheme (Sq. Ft.)
1.	3rd Floor	14,797	-	14,797
2.	4th Floor	15,549	-	15,549
3.	5th Floor	15,549	-	15,549
4.	6th Floor	15,498	-	15,498
5.	7th Floor	15,498	-	15,498
6.	8th Floor	15,498	-	15,498
7.	9th Floor	15,439	-	15,439
8.	10th Floor	15,439	-	15,439
9.	11th Floor	15,439	-	15,439
10.	12th Floor	15,579	-	15,579
11.	13th Floor	15,579	-	15,579
12.	14th Floor	15,579	-	15,579
13.	15th Floor	15,451	-	15,451
14.	16th Floor	15,451	-	15,451
15.	17th Floor	15,451	-	15,451
16.	18th Floor	15,342	-	15,342
17.	19th Floor	15,447	-	15,447
18.	20th Floor	7,688	-	7,688
Total Area (Harbour Front Building)				270,271

Total Covered area of both buildings
Including Common Area:

1,567,678 Sft.

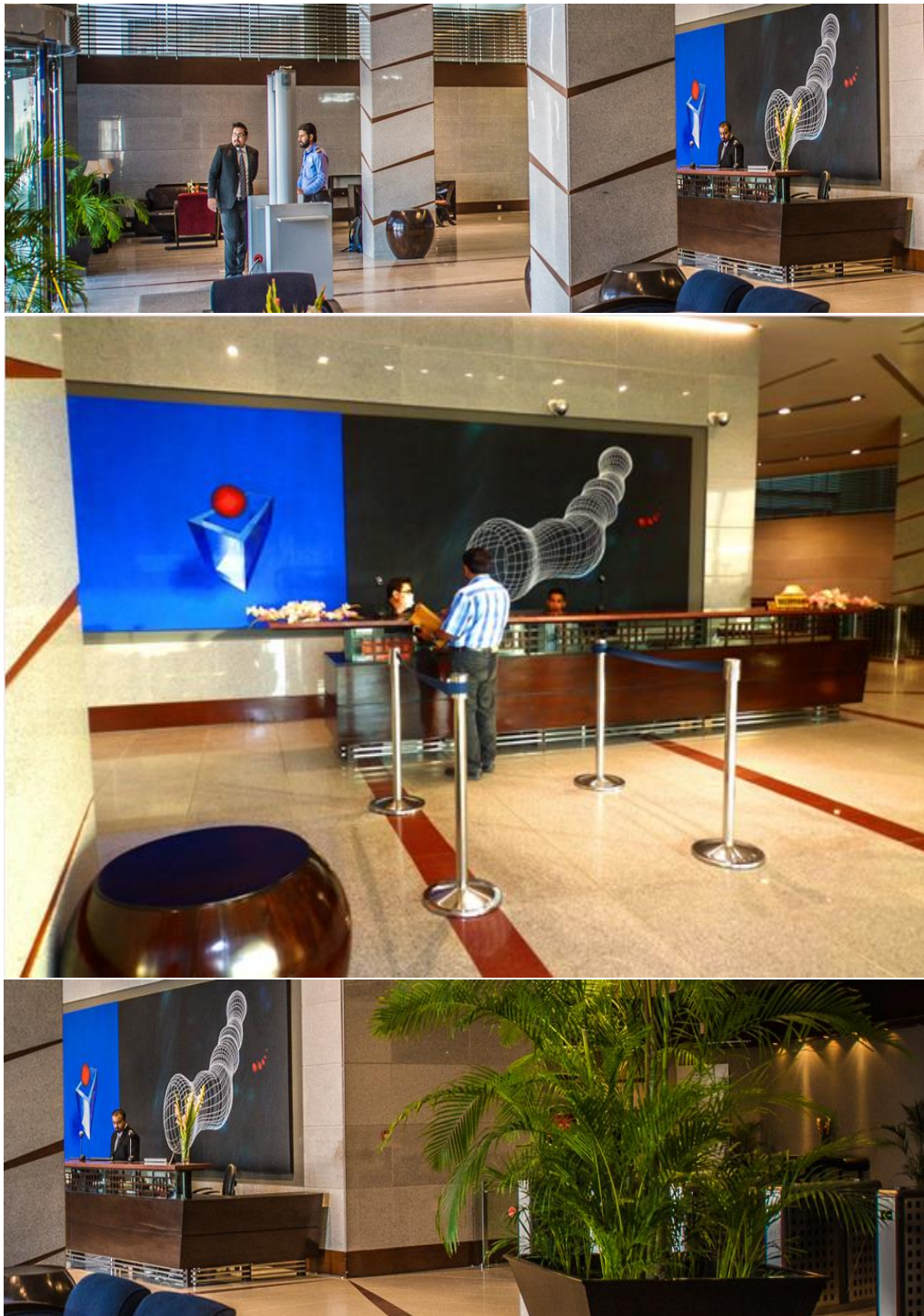
Some of the salient features of the property are highlighted below through present day pictures;



The Harbour Front



The Harbour Front



Entrance Lobby of harbor Front Building



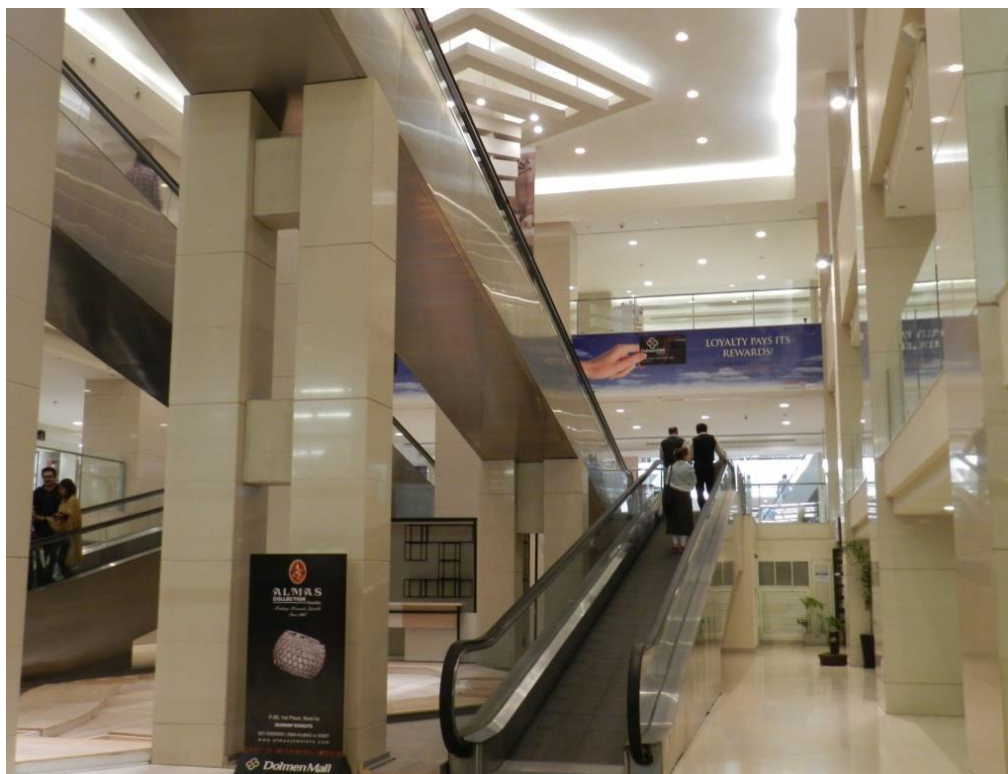
View of lift, the common areas in office floor and panoramic view from an office



The Dolmen City Shopping Mall Entrance



Dolmen City Shopping Mall Common Areas with Shops View



Dolmen City Shopping Mall Common Areas with Shops View

C. Major Material Used in Building/Premises

Following is the general description of the building;

- | | |
|----------------------------------|---|
| - Structure: | Framed Structure Bearing on piles |
| - Flooring:- | Mix of Wooden/Porcelain Tiles
Mix of Wooden/Porcelain Tiles
Marble/Terrazzo Flooring |
| - Other Architectural Materials: | False Ceiling, Decorative Wood Work, Wooden Windows with Glass, Thick Glass used in partitions for cubicles, Textured Tiles, etc. |
| - Lifts: | in Shopping area transporting upto 2 nd floor, six in Harbour Front Building transporting upto 19 th floor) |
| - Escalators: | in Shopping Area |
| - Washrooms: | Ceramic tiles and accessories of Ceramics, Marble, Premium grade accessories and fixtures |
| - Doors: | Flush Doors with lamination/veneer, solid doors |
| - HVAC: | Centrally Air-conditioned Building |
| - Interior & Furnishing: | complete with furnishing, Air Conditioning, False Ceiling, Decorative Wood Work, and related accessories. |
| - Security System: | State of Art security system with CCTV cameras both in Shopping Area, Harbour Front Building and Parking. |

Note: All the finishing items used in the main building and annex building are found of Prime Quality.

Some of Major Plant & Equipment and Facilities Installed/Available at the Project		
S. No.	Equipment Description	Nos.
1.	AIR CURTAINS	18
2.	AIR CONDITIONs	15
3.	ALARM CHECK VALVE ACV	21
4.	AHU	163
5.	AERIAL LIFT MACHINE - GENIE PORTABLE LIFT MACHINE	2
6.	AIR-SEPARATOR UNIT	1
7.	AERIAL WORK PLATFORM - SPIDER LIFT	1
8.	BARRICADE STAND	10
9.	BARRIER	5
10.	CHEMICAL DOSING PUMP	6
11.	ABSORPTION CHILLER	7
12.	CIRCULATION PUMP	2
13.	COOLING TOWER	8
14.	FIXATOR (CRADLE OF GLASS CLEANING)	2
15.	CONDENSER WATER PUMP	12
16.	DEHUMIDIFIER	1
17.	Diesel Tank	16
18.	Emergency Door	77
19.	ESCALATOR	10
20.	EXHAUST FAN	22
21.	FRESH AIR UNIT	6
22.	FAN COIL UNIT	389
23.	FIRE HYDRENT	7
24.	GENERATOR	10
25.	HAND DRYER	17
26.	PASSANGER LIFT	27
27.	Metallic Door	149
28.	Metallic Pedestrian bridge	2
29.	Metallic Stair	7
30.	PRIMARY CHILLED WATER PUMP	8
31.	PARKING GUIDENCE SYSTEM -	1
32.	Roller Shutter	8
33.	REVOLVING DOOR	1
34.	SECONDARY CHILLED WATER PUMP	19
35.	SUBMERSIBLE DRAIN PUMP	13
36.	SLIDING DOOR	14
37.	SMOKE DAMPER	33
38.	SMOKE EXTRACTION FAN	18
39.	SUBMERSIBLE GRINDER PUMP	8
40.	SEWERAGE GRINDER PUMP	8
41.	SWING DOOR	2
42.	TRANSFORMER	12
43.	TRAVELATOR	6
44.	UPS	7
45.	WALK THROUGH GATE	10
46.	KHOGI	4
47.	METAL DETECTOR	7
48.	FIRE EXTINGUISHER	261
49.	ACCESS DOOR UNIT	54

Some of Major Plant & Equipment and Facilities Installed/Available at the Project		
S. No.	Equipment Description	Nos.
50.	PLENA VOICE AMPLIFIER	16
51.	AIR SAMPLING UNIT	21
52.	BMS-I/O	58
53.	CAMERA	304
54.	EBI SERVER	2
55.	BMS CLIENT	5
56.	ACCESS CARD SYSTEM	6
57.	ACCESS CONTROL DRI	38
58.	ELECTRIC METER	250
59.	FIRE ALARM PANEL	1
60.	FLASHER	15
61.	RADIO GATEWAYS	5
62.	HEAT DETECTOR	64
63.	LCD	10
64.	LIP BMS	1
65.	MANUAL CALL POINT	88
66.	MATRIX WALL	1
67.	MOXA SWITCH	12
68.	NETWORK STORAGE MANAGER	4
69.	PARKING BARRIER	2
70.	SYSTEM MANAGER	2
71.	SMOKE DETECTOR WITH SOUNDER	35
72.	SMOKE DETECTOR	932
73.	SPEED GATE	10
74.	SPEAKER	300
75.	STREAMER	11
76.	Metallic Floor 3rd floor LT Room	6
77.	Chimney for Chiller 3rd Floor	7
78.	Metallic Floor 8th floor plant room (inside)	1
79.	Distributive Control System Seats LG 1-2-3	331
80.	FIRE HOSE REEL - Near Stair case # 11 S/F	118
81.	lights	8,127
82.	Electical panels	136

Some more present day pictures indicating the building maintenance and provision of allied facilities;



Power Generators



External Façade Management System



Cooling Towers



HVAC System



HVAC Chillers



Building Management various Piping System being inspected by Valuation Team



Basement parking



Ramps to 2-Level Basement Parking



Car Parking in Basement

5. SURROUNDING DEVELOPMENTS, MARKET AND NEIGHBORHOOD & SUPPLY AND DEMAND

The Property is located in Scheme-5 of Clifton, Saddar Town which is one of the oldest and up-market areas of the city. The municipality of Clifton Cantonment has a population of about 60,000 residents and is located on the western side of Karachi bordering Saddar and the Port area. The site is a short distance from Mazar of Abdullah Shah Gazi and adjacent to Sea View beach, which is the most popular outdoor recreational area in Karachi.

Developments of interest in the surroundings are Park Towers, Ocean Tower, Emerald Tower and under construction mixed use development brought in by Bahria Town Developers.

The subject property is on the cusp of the affluent Clifton and Defence residential areas, housing many foreign missions, consulates and high-net worth individuals.

Area	Approximate Driving Distance (km)
Quaid-e-Azam International Airport	30 km
Saddar	6 km
I.I. Chundrigar Road	9 km
DHA Phase VIII	6 km
Sea View Beach	100 meters

Summary of Features and Amenities	
Variable	Comments
Roads	Metalled, Good Quality access and surrounding roads
Street Lighting	Adequate street lighting on access road
Parks	Several parks in immediate periphery with the largest being Bin Qasim Park, green belts, parks in further surroundings
Hospital	Some small hospitals and medical centres in a 10km radius. The closest large hospital is Dr. Ziauddin Hospital approx. 5km away
Education Institutes	Yes, mostly catering to upper middle and upper income groups
Shopping Mall	Park Towers, Emerald Mall, Ocean Mall
Commercial Area	Commercial pockets throughout Clifton and Defense
Security	Good security and patrolling on access roads, Government offices and embassies observed down the road.
Banks	Several branches
Crime	Low
Food and Beverage	Several restaurants in the surrounding area particularly off 26 th Street
Traffic	Moderate traffic congestion at peak hours.
Public Transport	Good bus links to all parts of the city
Private Transport	Good access for private transport
Utilities	All utilities are available in the neighbourhood
Waste and Sewage	Provisions available in the neighbourhood
Rain Drainage	Rain drain adjacent to the site

The traditional CBD area for Karachi is predominantly Saddar and I.I.Chundrigar Road. These areas are now nearing saturation and office spaces have moved to surrounding areas.

The office space supply in Karachi thus saw decentralization with certain outlying areas emerging as satellite office business districts. Lack of quality new supply and severe traffic congestion in the traditional CBD has led to popularity of the secondary office areas such as M.T. Khan Road, Shahrāh e Faisal and Clifton.

Quality office space started moving closer to relatively higher income populations (Clifton and DHA) which have seen generally better quality developments.

Over recent years the trend of office space which was traditionally purchased has moved to rented accommodation in well managed and more secure buildings. The higher competition as new supply entered the market has resulted in slow movement and low take up in poorly designed buildings. In addition, the rising price of commercial real estate has created a demand for smaller offices with optimal space utilization and a preference for space available on rent.

Enclosed retail in Karachi is currently in the evolving stage with most malls located in proximity to high density or high income residential areas.

The older shopping plazas around Saddar and Tariq Road were strategically located in centralized retail hotspots with a 360 degree catchment. More recent quality supply however is located in relation to the income stratification of the immediate catchments. The concept of commuting for shopping is ebbing away due to the general traffic congestion in the city thus supply has seen moving to satellite business districts mostly to the south of the city.

6. VALUATION ANALYSIS/ NESPAK's ASSESMENT

The building is presently in use as mixed-use shopping mall with Office Tower (Harbour Front Building) extending above from 3rd floor. The Dolmen City Mall is on a corner plot facing West also without any hindrance of view or wind direction due to any tall building. Although the property value has been estimated from other sources, they have lacked accuracy as this is a unique property with no previous sale transactions for the building and therefore cannot be valued as per the conventional practice.

The subject site has been evaluated in terms of vacant land use and it has been found that the best use of land would be a commercial mixed use development. In congruence with the population of the surrounding areas it is suggested that the development offered is of high quality with the presence of all required features, amenities and adequate security provisions.

NESPAK has based its assessment on its experience and expertise while applying conventional practice for prevailing market rates considering the type of construction, materials used in building construction if the building was to be constructed as of today or in recent past and summarized as below;

OPTION

a) LAND COST

Sea View Road is one of the busiest road of Karachi and is developing into a business hub of Karachi with Public and Private Organizations. It is almost impossible to find a vacant plot on the main or on the Sea side.

However, to assess the land value in the area, extensive survey of the estate agents/ property dealers was carried out. Majority of the dealers were of the opinion that saleable land is not available. Some properties may be available on the opposite or adjoining streets/ roads.

Considering the price by property dealers for the assessment of the same. The survey revealed that no change has occurred in the general property market, in last six months but due to non-availability of land, prices have not been affected, rather commercial properties have appreciated 10% to 15%. Further a premium @ 10% of the land cost is to be added if it is corner plot with further increment of @10% if the land is facing West with clearer view of Sea or on sea line.

The cost of normal land in the area ranges between Rs. 250,000/- per Sq.yd. to Rs. 350,000/- per Sq.yd. depending upon the size of plot. Bigger the size of plot lesser the cost and vice versa. Optimal plot size to fetch a higher amount range between 2,420 Sq.yds to 4,840 Sq.yds.

Therefore, NESPAK has based its valuation of land on similar parameters and taken a average base cost of Rs. 250,000/- per Sq.yd. if added, premium for corner plot and Water Front facing(10% + 10%), cost of land works out to be Rs. 300,000/- per Sq. yd.

Total Cost of land (entire plot) as per above parameters: (Land Area X Rate)

= (37,666.65 X 300,000)
= Rs. 11,299,995,000 /-
Say Rs. 11,300 Million

Considering the above factors and Parameters, Cost of land Reserved for **REIT** would follow the same parameters.

Rs. 300,000/- per Sq.yd:
(Land Area for **REIT** x Rate)

= (15,201.68 X 300,000)
= Rs. 4,560,504,000/-
Say Rs. 4,561/- Million

OPTION-I COST APPROAH **(LAND + BUILDING COST)**

The premise for the Cost Approach is to find a value on which a real estate of similar size and location can be acquired and a similar size, shape, strength and amenities structure can be constructed. Provided that there is a sufficient supply of buildable land and that construction is a viable alternative to purchase of an existing property. For calculations, the area of land is taken in square yards whereas Built-up area is taken in square feet and these are multiplied by our current market research based rates.

We have reviewed the Completion Certificates, information provided by the RMC and the REIT areas verified by project architect M/s Arshad Shahid Abdulla (Pvt.) Limited. The rates are based on our research and information available to us from our experience of valuation of different properties.

Dolmen City Shopping Mall
(Basements + 3-Floors with Common Area)

Building (including; finishes of CS plaster, Paint, flooring, door & windows, façade up-lift, complete washrooms, internal electrical works, lighting fixture of prime quality, etc. Air-conditioning, Lifts, Decorative Lighting, Decorative wooden flooring and wood work (mostly teak in windows & doors), all kinds of furniture/ *furnishing*, *Stone Work* etc. and basements, construction cost has been found between

Rs. 8,500/- to 10,000/- Per Sft.

Although the shopping mall can achieve the higher figure of pricing but considering some standard finishes in basement and common area a figure of Rs. 9,000/ per Sq.ft is considered as fair cost of construction.

Total Cost of shopping mall as per above
(Covered Area X Rate)

= 1,297,407 X 9,000
= Rs. 11,676,663,000/-
= Say Rs. 11,700.0 Million

Harbour Front Building

Although the building follows the same construction parameters as of shopping mall but some finishing items are on lesser side as due to requirement for Office Building.

Therefore, a reasonable cost between
Can be assumed as fair construction cost
(say Rs. 7,000/- per Sq.ft.)

Rs. 6,000/- to 8,000/- Per Sft.

Total Cost of Harbour Front as per above
(Covered Area X Rate)

= 270,271 X 7,000
= Rs.1,891,897,000/-
= Say Rs. 1,900.0 Million

Total Cost of Construction as per above
Specifications: (**for REIT**)

= 11,700.0 Mil. + 1,900.0 Mil.
= Rs.13,600 Million

Total Cost of Project as per above
Specifications: Cost of Land (for REIT) +
(Cost of Buildings Construction) = 4,561 Mil. + 13,600 Mil.
= Rs.18,161 Million

OPTION-II (SALE COMPARISON APPROACH)

This approach compares the subject property characteristics with those of comparable properties which have recently been sold to determine the value of subject real estate. The process adjusts the prices of comparable transactions according to the presence, absence, or degree of characteristics, which influence value.

The Harbour Front Office Building

No standard parameters for Sale were observed for the area. Buildings owned by various banks or some prestigious business houses with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 15,000 to 20,000 per Sq.ft.

Therefore, NESPAK has based its assessment of sale/lease on similar parameters and taken an average base cost of Rs. 20,000/- per Sq.ft.

Total expected sale/lease rate of Property
as per above facilities: (Covered Area X Rate) = (270,271 X 20,000)
= Rs. 5,405,420,000 /-
Say Rs. 5,400.0 Million

The Dolmen City Shopping Mall

No standard parameters for Sale were observed for the area. Buildings of different shopping arcades or some prestigious business houses in and around Clifton area with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 60,000 to 70,000 per Sq.ft.

The present property under consideration is with some unique features which has changed the shopping experience in the city. The shopping has also been made as recreation and a complete day spending at the Mall. This has been possible due to ample open spaces for roaming, comprehensive security, best finishing in the shopping area, well maintained air-conditioning system, modern interior architecture and other features of International Standards. Such facilities add a premium to the existing sale price trend in the area.

However, due to no sale policy by the Dolmen Group for its shopping area, no genuine rates have been observed for its property. Therefore, a sale price

around Rs. 50,000/- to 60,000/- per Sq.ft. is expected for the shopping area of the Dolmen Mall.

NESPAK has based its assessment of sale/sub-lease on similar parameters and taken an average base cost of Rs. 55,000/- per Sq.ft. which includes the factor of price for common facilities area

Total expected sale rate of Property
as per above facilities: Shopping area only
(net Covered Area of Mall X Rate) $= (836,969 \times 55,000)$
 $= \text{Rs. } 46,033,295,000/-$
Say Rs. 46,000.0 Million

Total Sale Price of Project as per above
Specifications: $= 5,400 \text{ Mil.} + 46,000 \text{ Mil.}$
 $= 51,400 \text{ Million}$

OPTION-III (INCOME CAPITALIZATION APPROACH)

(as per NESPAK)

RENTAL VALUE Per Sft.

No standard parameters for rent were observed for the area as no major building is available in the vicinity with such area for offices as well as shopping space.

Majority of offices in Karachi fall on the I.I. Chundrigar Road or with latest trend on Shahrah-e-Faisal. The variation in the rent per square foot in these areas is enormous. Rent varied from Rs. 40-70 per Sft. for ordinary buildings without any air conditioning and lift, while it was Rs. 100 – 150 per Sft. for buildings with good finishes and central air conditioning, lifts and offering parking facility for 10-20 vehicles also. Buildings owned by various banks or some prestigious business houses with prime finishes, air conditioning, on premises security, standby electricity generation and other standard facilities, offered space at Rs. 200 to 250 per Sft.

However, the mixed use development at property under consideration provide a unique experience for corporate sector offices with water front view, state of art security system, prime finishes and other valuable features. Similarly, the shopping mall also provide a secure shopping experience to its visitors with the commodities of international chains as well as international reputed local brands.

The valuation arrived through Income Capitalization Approach is based upon the expectation of future benefits from the property. It converts the anticipated cash flows from property into present value by "capitalizing" net operating income (which account for the operating expenses on the property) by a market derived "capitalization rate". Capitalization rate taken are based on our experience and

extracted from "sales" of other investment properties and applied to the net operating income of a subject property to determine its value.

Therefore, NESPAK has based its assessment of rent considering similar parameters, its experience, present trends of occupancy in the nearby areas, presently charged rents in the Harbour Front Building and Shopping Mall, etc.

Harbour Front Building

Although the building offer's some unique features and requirement for an Office Building, but due to its distance from main office hubs only major corporations with significant/ sizeable staff strength prefer offices in this area.

Therefore, a reasonable Rent between Rs. 200 to Rs. 250 Can be assumed as fair rental value. An average rent of Rs. 225/- is expected to be charming for intended occupants.

Total Rent of Harbour Front as per above	
(Covered Area X Rate)	= 251,263 X 225
	= Rs. 56,534,175/-
	= Say Rs. 56.50 Million

The projection of rent for the next five (05) years may be forecasted with an annual increment of 10% in the rent as prevailing in market. The projection is as below;

1st Year	= Rs. 56.50 Million
2nd Year (56.50 X 10%)	= Rs. 62.15 Million
3rd Year (62.15 X 10%)	= Rs. 68.365 Million
4th Year (68.365 X 10%)	= Rs. 75.20 Million
5th Year (75.20 X 10%)	= Rs. 82.72 Million

The Dolmen Mall

Although the building offer's unique experience of shopping and recreation under one roof with availability of daily use items from international chains as well as branded local chains. The food court is also value addition to the shopping mall as well as the kids play areas.

The survey of shopping arcade within the Dolmen Mall and vicinity indicated varied trend of rent. In Mall itself it has been observed that many shops were rented from Rs. 325 to Rs. 600 per square feet.

Some shops were available for rent in the Mall, but due to very selective approach for renting out the premises by the Dolmen Mall owners, steady increase has been observed in the rent of the building within past.

This type of restrictions on one side cause limited increase in earning but on other side attract better outlets for intended shoppers.

Considering above factors and the steady growth of rents in the market a price of Rs. 400/- per square foot is averaged as reasonable rate for rent. This price has been averaged considering the lower side rent for eatery outlets, play areas, storage facilities and the selective approach.

Total Rent of Shopping Mall as per above
(Covered Area of shops X Rate) = 558,866 X 400
= Rs. 223,546,400/-
= Say Rs. 223.55 Million

The projection of rent for the next five (05) years may be forecasted with an annual increment of 10% in the rent as prevailing in market. The projection is as below;

1st Year	= Rs. 223.55 Million
2nd Year (223.55 X 10%)	= Rs. 270.50 Million
3rd Year (270.50 X 10%)	= Rs. 297.55 Million
4th Year (297.55 X 10%)	= Rs. 327.31 Million
5th Year (327.31 X 10%)	= Rs. 360.05 Million

**Total Rent of both Harbour Front Building
and Shopping Mall for 1st year shall be:** = 56.50 + 223.55
= Rs. 280.05/- Million **per month**

In general it has been experienced in the market that an expenditure in range of 10% to 12% of Gross Rental Income is incurred as operating expenses for such type of facilities. Based on this experience it is fair to take a figure of 10% as operating cost for the properties under valuation.

It has been observed that Market capitalization rates range between 4 to 6% for real estate specially built-up houses and medium size office buildings in general in the market.

However, for the size of property under consideration, capitalization rate should range between 6% to 8%. This is assessed as the property is commercial and limited investors will be available in the market for investment for such big

property. A percentage of 7% is therefore assessed to be fair rate for capitalization.

Based on the combined capitalization rate of 7%, value of Harbour Front Building and Dolmen Mall comes to around as follows:

Per Month Income (Rent)	= Rs. 280.05 million
First Year Gross Income (Rent)	= 280.05 X 12 = Rs. 3,360.60 million
Less Operating Cost	= 3,360.60 X 10% = Rs. 336.06 million
First Year Income (Rent) less Ops Cost	= 3,360.60 – 336.06 = Rs. 3024.54 million
Capitalization Rate	= 7%
Value of Property	= Rs. 43,208 million

SUMMARY OF VALUATION

Average base cost of land	PKR 300,000 per sq yard
Construction cost of shopping mall	PKR 9,000 per sq foot
Construction cost of office block	PKR 7,000 per sq foot
Harbour Front Sales Market Value	20,000 per sq foot
Dolmen Mall Sales Market Value	55,000 per sq foot
Harbour Front Average Rental Rate Per annum growth	PKR 225 per sq foot 10%
Dolmen Mall Average Rental Rate Per annum growth	PKR 400 per sq foot 10%
Operating Cost	10% of yearly rental
Capitalization Rate (combined)	7%
Occupancy	100%

(INCOME CAPITALIZATION APPROACH)

(as per SECP letter No. SCD/PRDD/AHDRML/Dolmen Reit/58 dated January 13, 2015)

The SECP vide its letter No. SCD/PRDD/AHDRML/Dolmen Reit/58 dated January 13, 2015 desired that the valuation of the property shall be based on the actual number of revenue to be generated from the REIT Scheme.

Accordingly, AHDRML shared the current occupancy status of both Mall and Harbour Front Building with the areas and rent charged at present (copy of details attached as Annexure-E).

Through a separate assignment by International Complex Projects Limited, KPMG Taseer Hadi & Co. had reviewed the mathematical accuracy of the calculations used to determine estimates of revenue and expenses of Dolmen City REIT, the same was provided to us by Arif Habib Dolmen REIT Management Limited.

However, for the size of property under consideration, capitalization rate should range between 6% to 8%. This is assessed as the property is commercial and limited investors will be available in the market for investment for such big property. A percentage of 7% is therefore assessed to be fair rate for capitalization.

Based on the give data and combined capitalization rate of 7%, value of Harbour Front Building and Dolmen Mall comes to around as follows:

REIT - Income Statement	Year 1 (all costs in Rs.)
<u>Revenue:</u>	
❖ Gross Rental Revenue	2,475,044,876
❖ Ancillary Income	85,000,000
Sub-Total Revenue (A) =	2,560,044,876
<u>LESS Operating costs:</u>	
✚ Monitoring Fees	23,025,540
✚ Property Manager Fees	148,502,693
✚ Ancillary Income Collection Fees	12,750,000
✚ Insurance Expense	64,076,070
✚ Property Tax	21,368,876
✚ Other Recurring Expense	5,479,077
✚ Marketing Expense	49,500,898
Sub-Total Operating Costs (B) =	324,703,154
NOI A – B =	2,235,341,722

First Year Income (Rent) less Ops Cost = Rs. 2,235.342 million

Capitalization Rate = 7%

Value of Property = Rs. 33,362 million

FINAL VALUATION AS OF 14th NOVEMBER 2014

Below is the table itemizing the Final Valuation the under consideration property arrived after employing various valuation approaches defined in the report.

The user of this report can select a value as appropriate.

VALUATION APPROACH	VALUE (all costs in Pak. Rs. Billion)
Cost Approach	18.161
Sales Comparison Approach	51.400
Income Capitalization Approach	
<i>As per Valuer Assessment</i>	43.208
<i>As per SECP letter No. SCD/PRDD/AHDRML/Dolmen Reit/58 dated January 13, 2015</i>	33.362

DECLARATION OF VALUER

A declaration according to the format attached.