



DOLMEN CITY REIT

Pakistan's First Listed Shariah
Compliant Rental REIT

18th November 2019

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“To provide all investors with the same opportunity to invest in large scale commercial real estate that previously was open only to large financial institutions and wealthy individuals through direct investment in such real estate”.

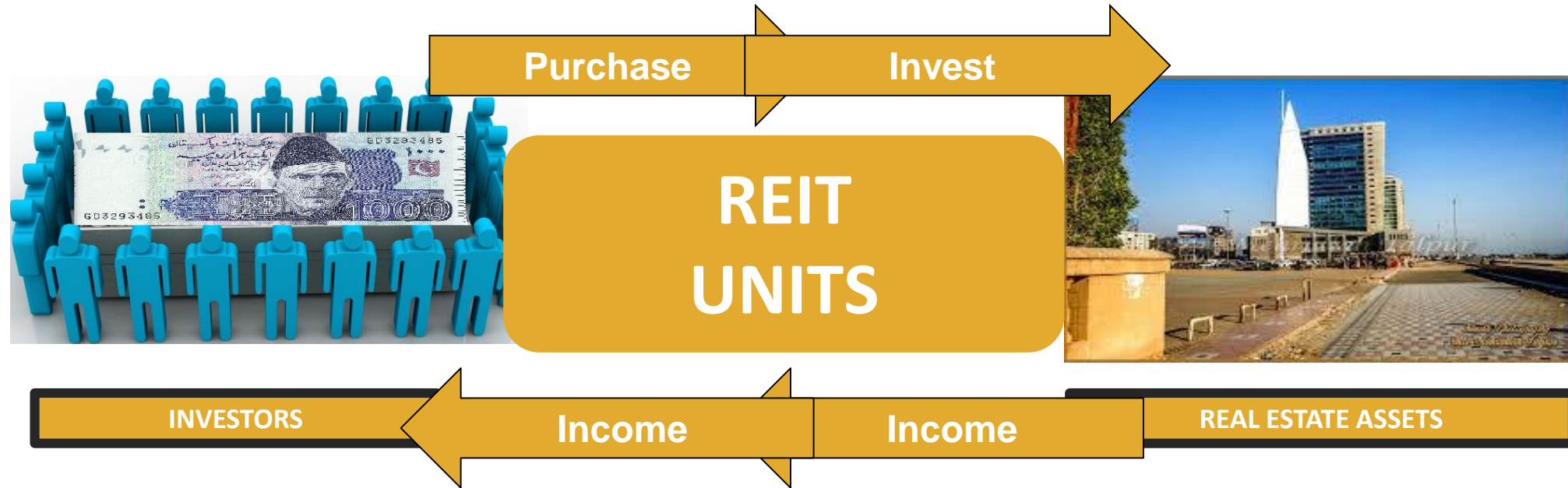


House Resolution
The US House of Representatives
President Dwight D. Eisenhower
September 14, 1960



1. Introduction - Sector Overview

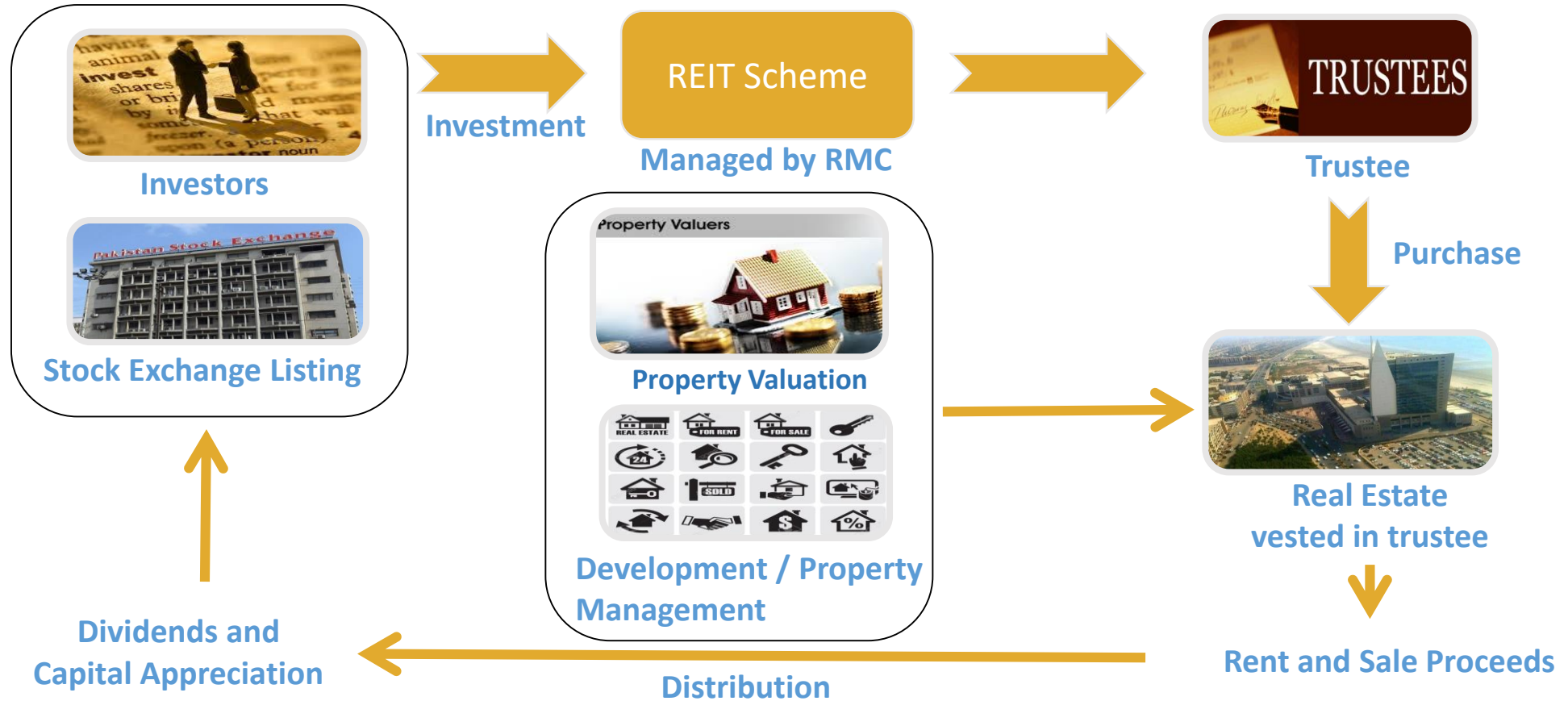
A highly regulated and disciplined corporate structure to pool funds for the purpose of real estate investment.



Ownership of the Real Estate is represented through REIT Units. Investors can invest according to their financial ability. Units can be converted in to cash through sale to other investors via stock exchange.

1. Introduction - Sector Overview

How REITs Work



1. Introduction - Sector Overview

REIT's in Pakistan

- REITs are regulated by the Securities & Exchange Commission of Pakistan 'SECP' under the REIT Regulations 2015 as amended in 2018.
- These regulations are comprehensive with principal focus on protection of the interest of general investors in a REIT Scheme.
- Six REIT licenses have been issued: **Arif Habib Dolmen** REIT Management Limited, **AKD** REIT Management Company Limited, **Orange** REIT Management Limited, **ISE Towers** REIT Management Limited, **SB Global** REIT Management Company Ltd. and **TPL** REIT Management Limited.
- **Dolmen City REIT** is the only Listed REIT launched in Pakistan; managed by **Arif Habib Dolmen REIT Management Limited** - RMC Rating AM2+



1. Introduction - Sector Overview

Types of REITs in Pakistan

- **Developmental REIT:** Established with the objective of development, construction or refurbishment of real estate for industrial, commercial, residential or a combination of uses.
- **Rental REIT:** Established with the purpose of generating rental income from Real Estate.
- **Hybrid REIT:** A REIT Scheme, which has both development and rental components.

Developmental



Rental



Hybrid



2. Introduction - Company Overview

- Country's Finest Mix-Use Development; revolutionized the retail landscape of Pakistan.
- Karachi's Favorite destination - the Dolmen Mall, Clifton integrates the best in food, fashion and leisure.
- Delighted Customers, Reputed Tenants, Growing Rents, Happy Unit-holders, and Vigilant Regulators



Components of Dolmen City Project:

- **Harbour Front:** Nineteen storeys state-of-the art office building
- **Dolmen Mall:** Three storey international standard mall
- **Executive Tower:** Sea-facing multi storey office building (**not included in Dolmen City REIT**)
- **Under construction Tower A and Tower B:** Two towers of thirty five storeys each to accommodate hospitality and office space (**not included in Dolmen City REIT**)

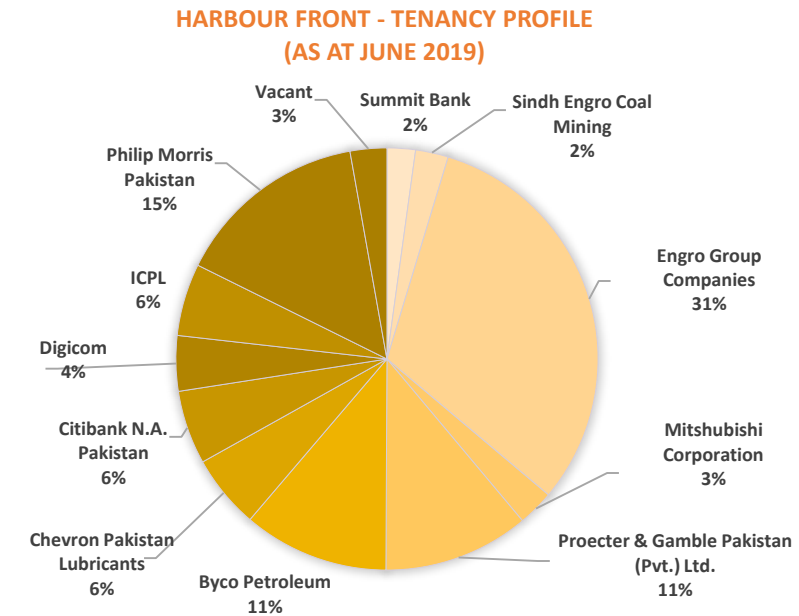
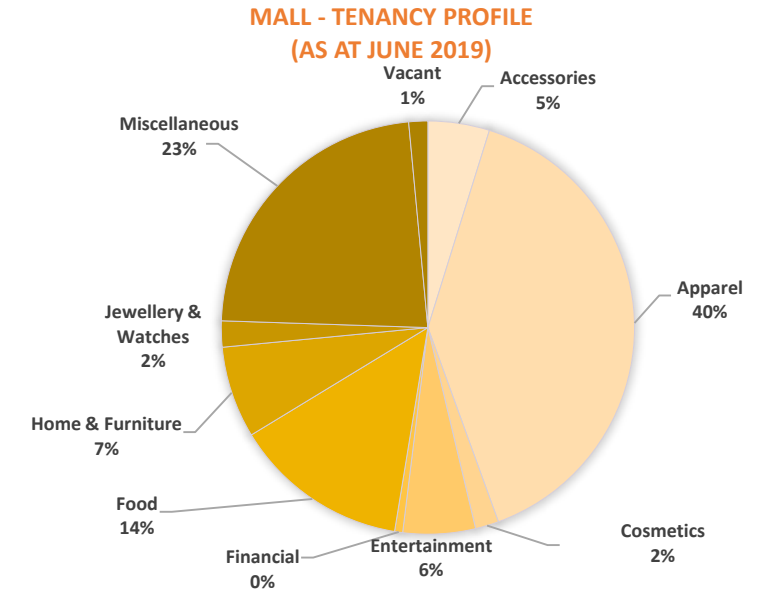
2. Introduction - Company Overview

Nature of the Scheme	Perpetual, Rated, Listed, Closed-end Shariah Compliant Rental REIT
Real Estate	<ul style="list-style-type: none"> • Dolmen Mall Clifton 547,875 sq.ft. • The Harbour Front 256,544 sq.ft. Total 804,419 sq.ft.
Fund Size	PKR 22,237 Million (at inception) PKR 46,233 Million as at June 30, 2019
Trustee	Central Depository Company of Pakistan
Rating	“ AAA (rr) ” by VIS Credit Rating Agency
Occupancy	<ul style="list-style-type: none"> • Dolmen Mall Clifton 98.32% • The Harbour Front 97.19%
Net Asset Value	PKR 20.82 per unit (September 30, 2019)
Market Price	PKR 11.36 per unit (November 13, 2019)
Dividend Yield (on face value)	10.40% (June 2016) 14.00% (Annualized 2020) 11.50% (June 2017) 12.00% (June 2018) 13.20% (June 2019)

3. Operational and Financial Performance

➤ Currently Operating with the finest brands and Companies in Pakistan.

➤ Tenants include:

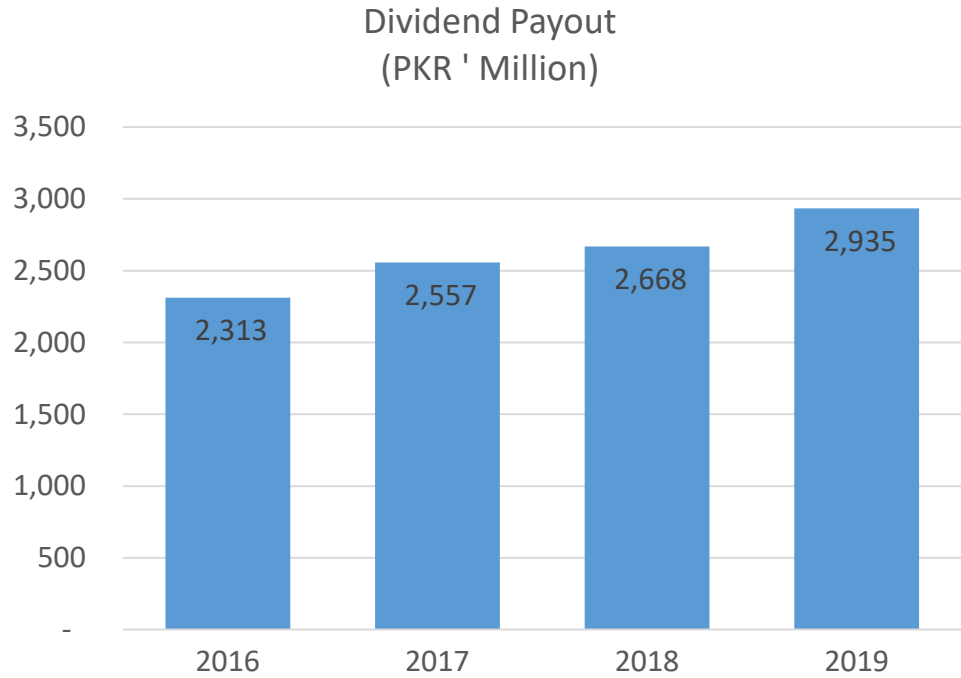


3. Operational and Financial Highlights

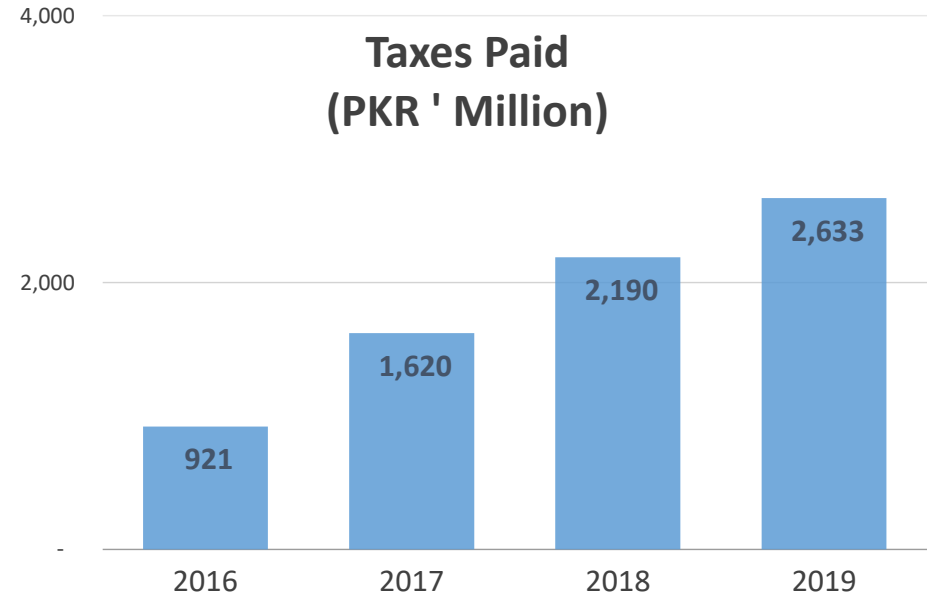
	30 June 2019	30 June 2018	%
	(Rupees in '000)		
INCOME			
Rental income	3,344,499	3,046,978	9.76
Marketing income	182,606	210,165	(13.11)
	3,527,105	3,257,143	8.29
Administrative and operating expenses	(513,267)	(484,207)	6.00
Net operating income	3,013,838	2,772,936	8.69
Other income - profit on deposits	139,613	112,842	23.72
	3,153,451	2,885,778	9.28
REIT Management fee	(90,415)	(83,194)	8.68
Sindh sales tax on REIT management fee	(11,754)	(10,815)	8.68
Trustee remuneration	(15,069)	(13,866)	8.68
Sindh sales tax on Trustee remuneration	(1,959)	(1,803)	8.65
	(119,197)	(109,678)	8.68
PROFIT BEFORE CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY	3,034,254	2,776,100	9.30
Change in fair value of investment property / unrealised gain	3,835,334	2,279,168	68.28
PROFIT BEFORE TAXATION	6,869,588	5,055,268	35.89
Taxation	-	-	
PROFIT AFTER TAXATION	6,869,588	5,055,268	35.89

3. Operational and Financial Highlights

Dividend Payout on the rise (YOY growth)



Cumulative Contribution to Government in terms of Federal and Provincial Taxes



3. Opportunities and Challenges to REIT's

REIT's can offer the following:

➤ **Large scale development**

REIT's will bring the much needed respite to the commercial real estate sector and enable developers to both unlock value and create liquidity. Access to funds allows for quality development benefitting the economy, creating jobs and delivering a better habitat.



➤ **Professional Management of Real Estate aspects**

Professionals are hired to manage Development, Facilities, Administration, Marketing and Maintenance.



3. Opportunities and Challenges to REIT's

➤ Awareness of REIT's as new investor class

REITs bring real estate, which offers higher Alpha over risk free investments, within the reach of retail/common investors.



➤ Documentation of Real Estate Sector

REIT's are a critical instrument in governments hand to achieve reform agenda of documentation. With stringent reporting and regulatory oversight; REITs pave the way for documentation and transparency of the real estate sector.



3. Opportunities and Challenges to REIT's

Challenges to REITS in Pakistan :

➤ **Real Estate Sector under transition from informal sector to formal sector**

Absence of sound governance structure within the industry creates lack of good practices, unreliable construction quality, and legally protected purchase of units by the buyers.

➤ **Negligible Capital Allocation for Real Estate Sector by Financial Institutions**

“Cities are built as they are financed”. It is difficult for financial institutions to verify the character, capital, and capacity of potential clients. Risk assessment and portfolio valuation is also fragile, which is another factor for the lenders’ extreme caution for real estate transaction. As a result, financial institutions are reluctant to enter this market, which in turn causes scarcity of finance.

➤ **Absence of Tax Incentives by Government**

Policy reforms and balanced tax approach required to attract new investment in REITs.