

A decorative network diagram is located in the top left corner of the page. It features a complex web of interconnected nodes and lines. The nodes are represented by circles of varying sizes and colors, including light gray, dark gray, and blue. Some nodes are highlighted with a blue outline. The lines connecting the nodes are thin and light gray.

REAL ESTATE SECTOR

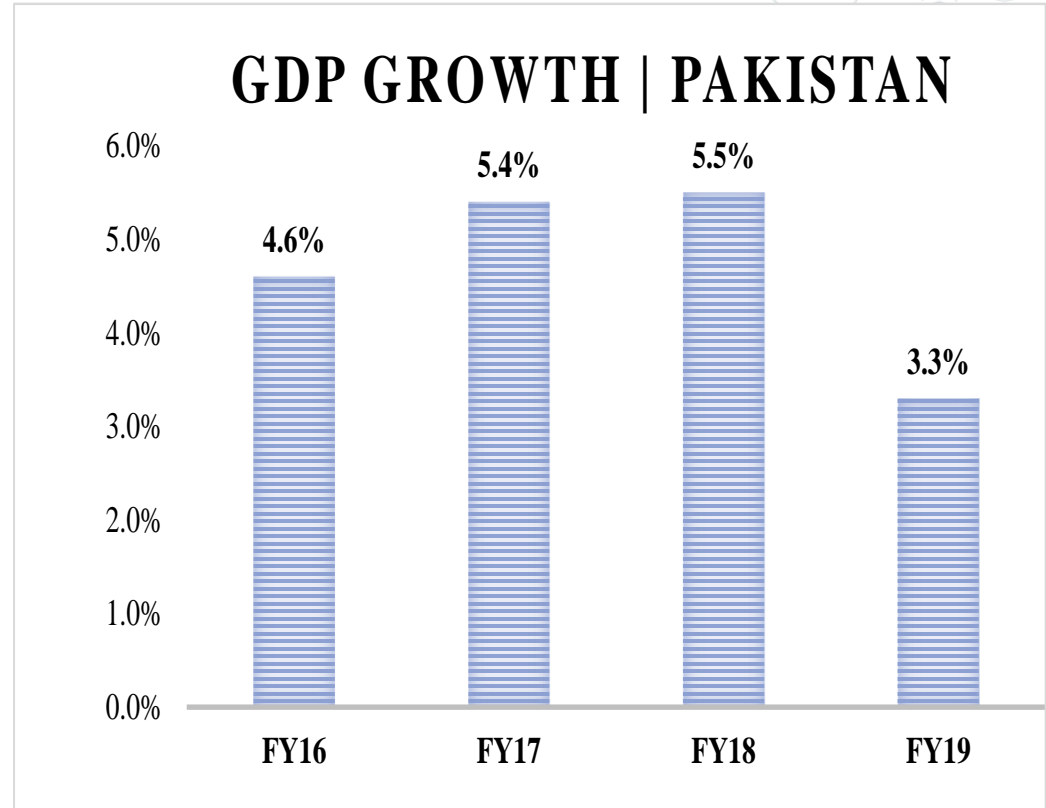
OFFICE BUILDING - KARACHI

May 2020

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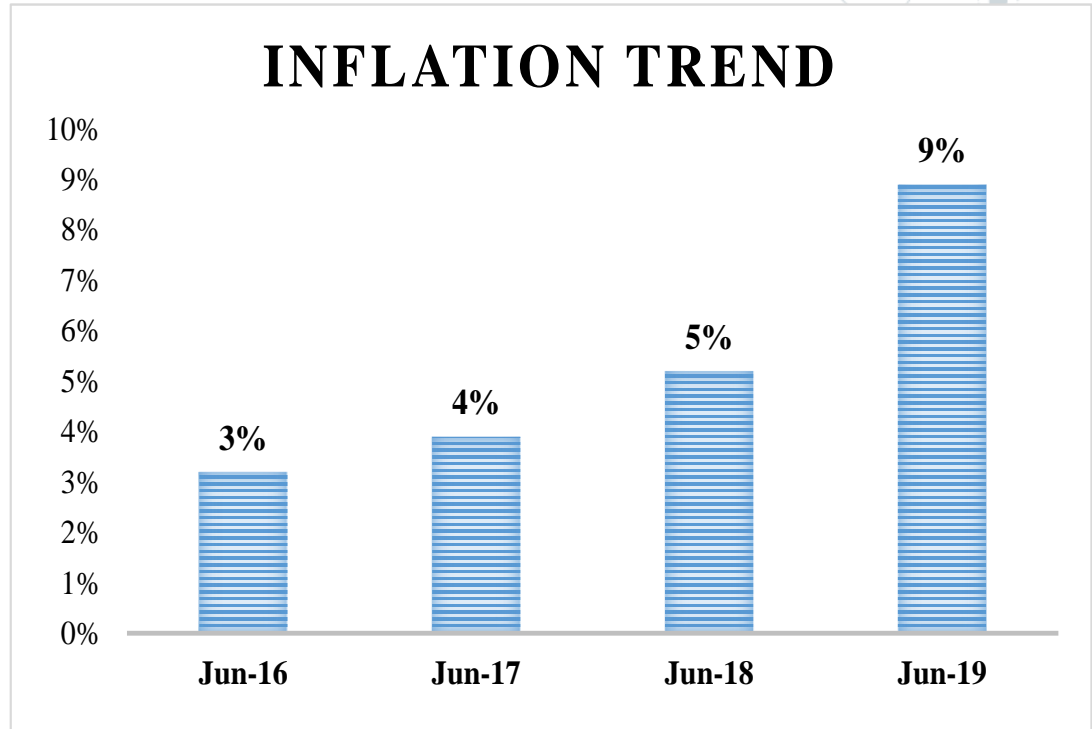
Pakistan | GDP Trend and Forecast

- Pakistan's real GDP growth slowed to 3.3 percent in FY19 from 5.5 percent a year earlier, marking the downturn of the growth cycle. Attributable to marginal growth, the development spending was curtailed which impacted the construction sector (especially manufacturing activities).
- World's GDP growth is expected to record steep decline given impact of Covid-19 pandemic and lockdowns imposed worldwide. Moody's flipped its FY20 growth forecast for the global economy. The rating agency now expects real global GDP to contract by 0.5% in FY20 (3.2% in FY21). In early March, global growth was projected to hit 2.1% for the year, down from a 2.6% growth forecast in November 2019 ahead of the emergence of the coronavirus.
- For Pakistan, attributable to suppressed economic activity since March 2020, World Bank has revised real GDP growth projection to 1.1%, from an earlier projection of 2.4%.



Real Estate Sector | Key Trends

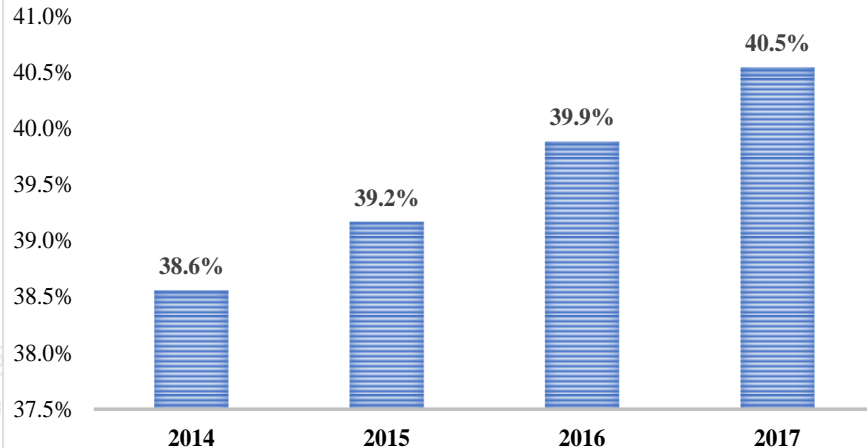
- Pakistan | People tend to park their savings in real estate sector as these investments are used as a hedge against inflation. In the last two months, sizeable cut in key policy rate has been witnessed, however due to COVID-19 pandemic major infrastructural activities are suspended.
- The annual inflation rate in Pakistan eased to 9.5% in April 2020 from 10.7% from the previous month. Inflation is expected to stay in single digit for FY20. World Bank projects the inflation rate would remain at 11.8pc for FY20 while at 9.5pc and 6.0pc by the end of FY21 and FY22, respectively.
- Curtailed key policy rate, reduced inflation and construction package will provide positive stimulus to construction activities once lock down eases.



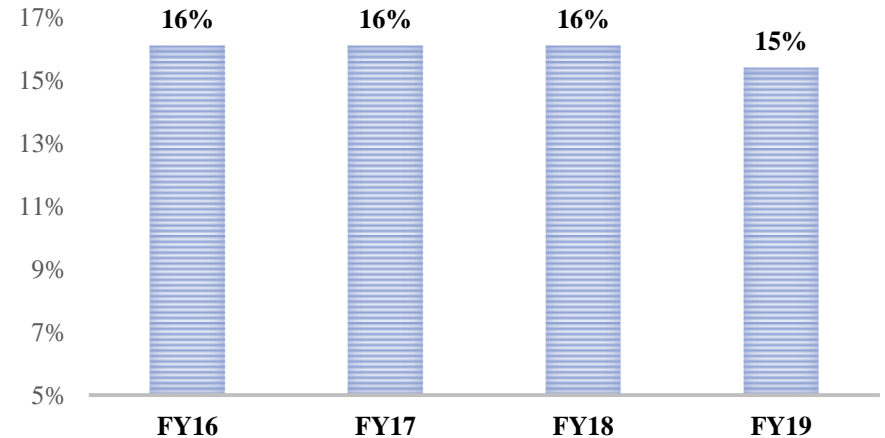
Real Estate Sector | Key Trends

- Investment to GDP is largely stagnant in recent years. Real Estate Sector | Fragmented with few established nationwide professional developers
- Trend towards urbanization creates a demand for real estate.
- Significant increase has been witnessed in housing activities near urban areas.
- ~41% of Pakistan's total population resides in urban areas with an increasing trend each year.

URBANIZATION TREND



INVESTMENT TO GDP



Karachi | Real Estate Sector

- Karachi – provincial capital – is the most populous city of Pakistan and one of the most populous city in the world.
- Karachi is financial and commercial hub of Pakistan.
- Lately, the offices have moved to other places than Central business place in the area of Saddar and I.I.Chundrigarh Road
- Due to improved security situation, the demand for commercial Real Estate properties in Karachi has spurred.

KEY RISKS

- Sustenance of improved security situation
- Decline in disposable income
- Risks associated:
 - ✓ Dip in occupancy rate
 - ✓ Decline in rentals yields
 - ✓ Rental increase would be a challenge

KEY OPPURTUNITIES

- Curtailed key policy rate
- Decline in inflation
- Construction package announced by government

Analysts

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