



Real Estate



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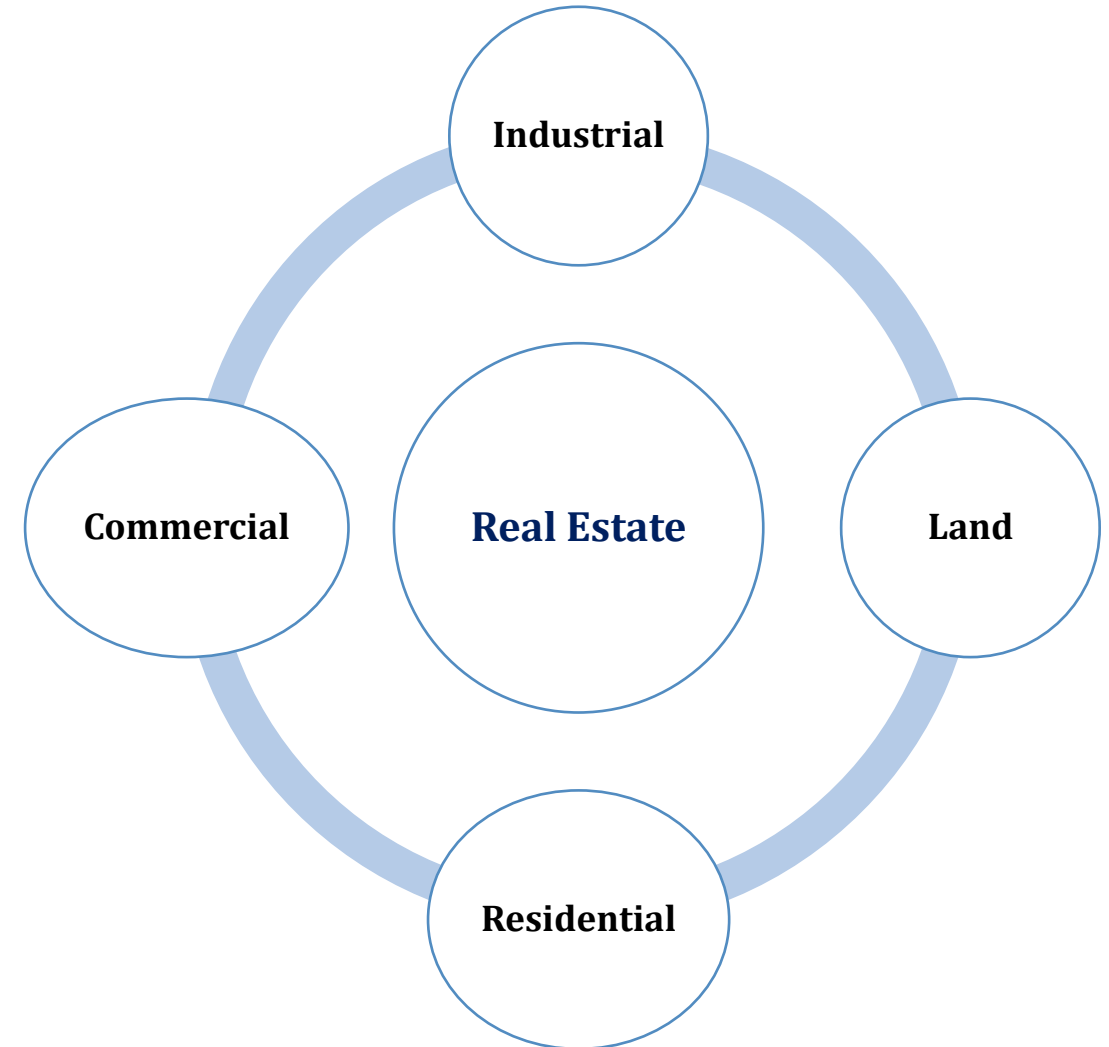
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Real Estate

Introduction

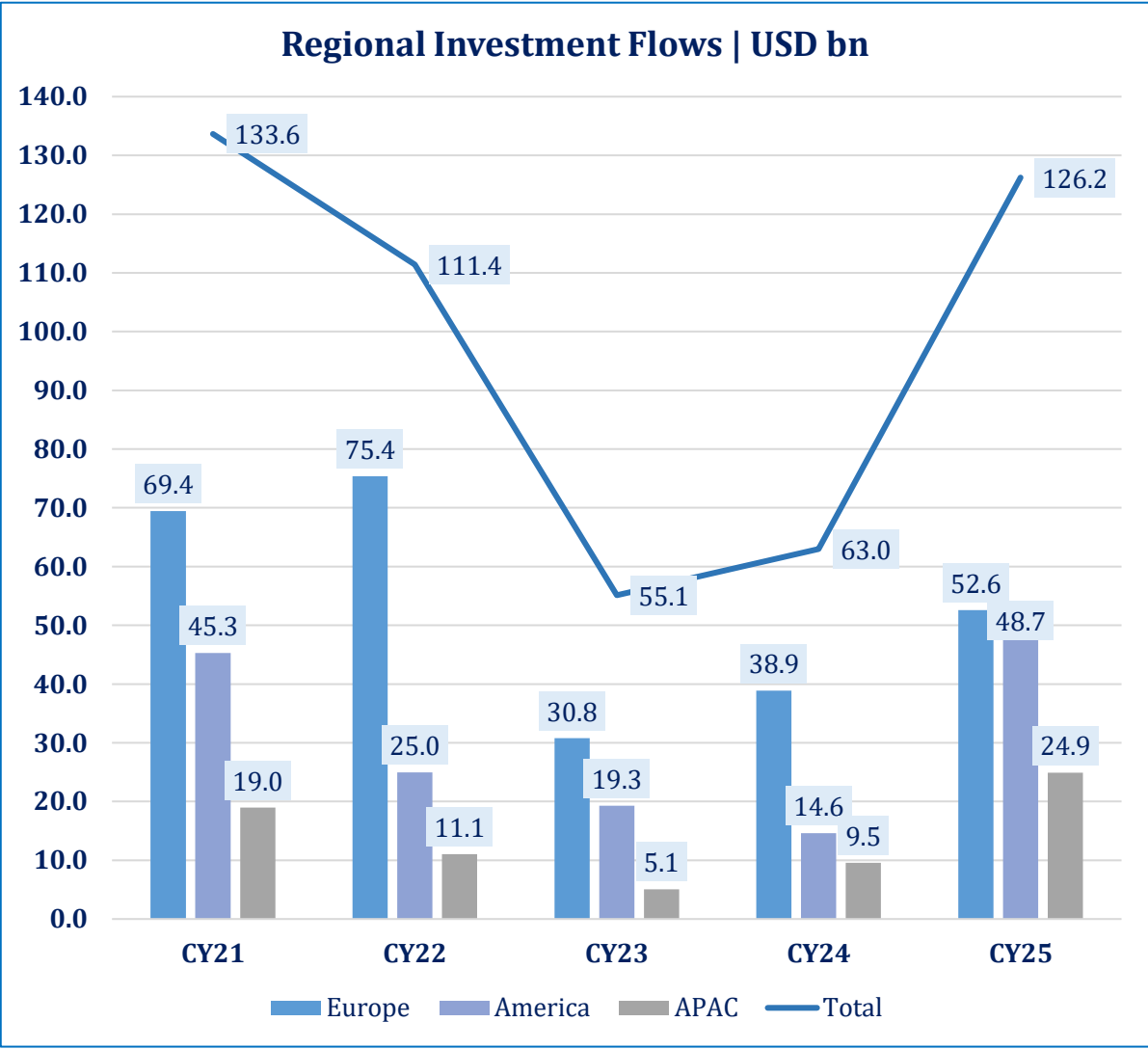
- Real Estate refers to physical property that consists of land and attached structures like buildings fixtures, roads, infrastructures, and utility systems. Property rights give a title of ownership of the land, improvements, and natural resources such as minerals, plants, animals, water, etc.
- Land** is the baseline for all types of Real property and typically refers to undeveloped property/vacant land. Developers acquire land and combine it with other properties (called assembly) and rezone it so they can increase the density and increase the value of the property.
- Residential** Real Estate consists of housing for individuals and families. This is the most common type of Real Estate and is the asset class that most people are familiar with. Within residential, there are single-family homes, apartments, condominiums, townhouses, and other types of living arrangements.
- Commercial** property refers to land and buildings that are used by businesses to carry out their operations. Examples include shopping malls, individual stores, office buildings, parking lots, medical centers, hotels and others.
- Industrial** Real Estate refers to land and buildings that are used by industrial businesses for activities such as manufacturing, mechanical production, research and development, construction, transportation, logistics, and warehousing.



Real Estate

Global | Overview

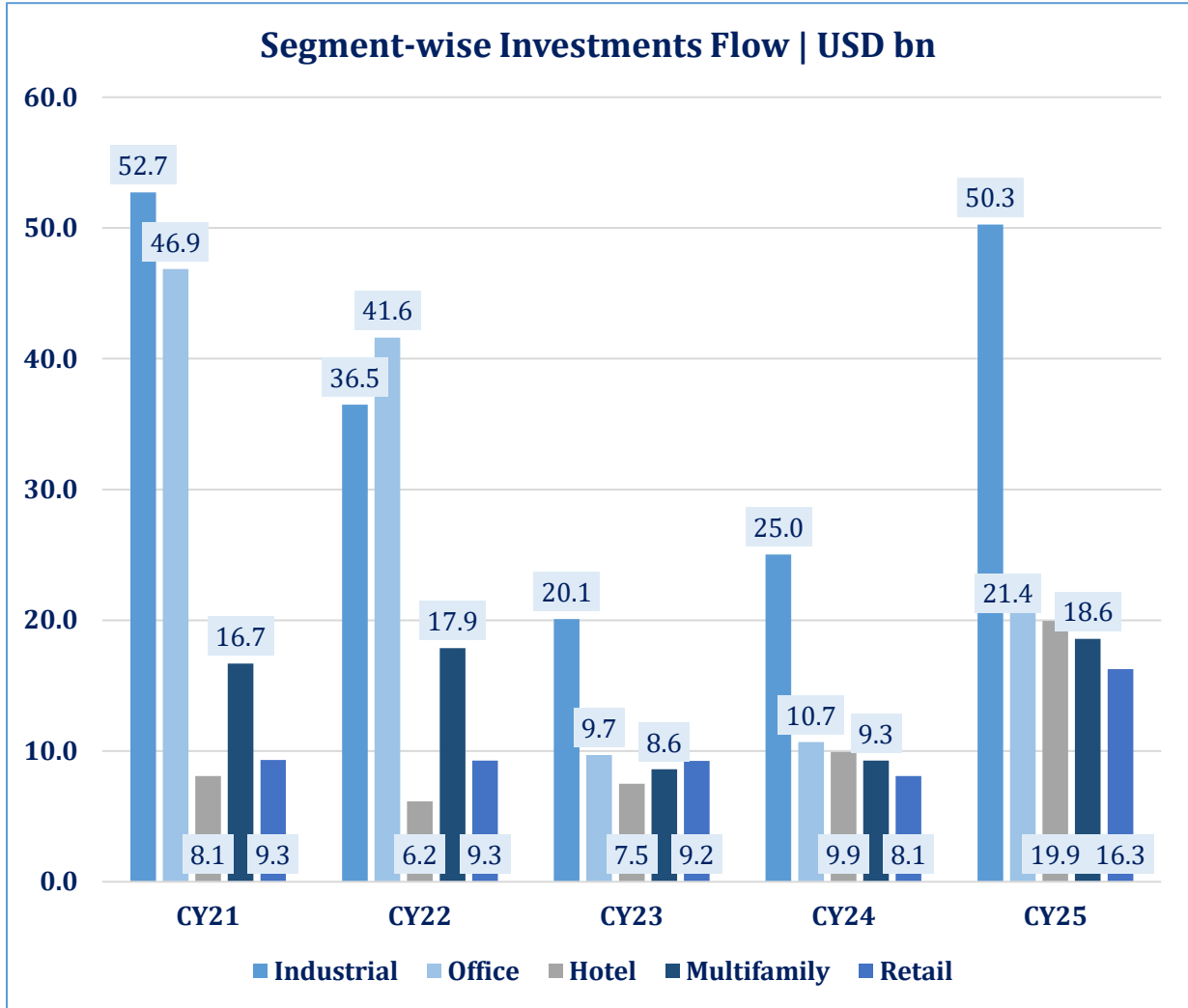
- Global commercial Real Estate investment volumes, which reflect capital deployed in transactions rather than underlying property values, exhibited significant volatility over CY21–CY25, driven primarily by the global interest rate cycle.
- Regionally, investment momentum strengthened across all major markets, underscoring a broad-based recovery in global commercial Real Estate. Europe recorded a ~35.2% YoY increase, while the Americas posted a sharp ~233.6% YoY rebound, reversing a multi-year declining trend of investment in Real Estate.
- Asia-Pacific also registered robust growth of ~161.6% YoY, reaching its highest investment level over the 6-year period. In terms of regional composition, Europe accounted for the largest share at ~41.7%, followed by the Americas at ~38.6% and APAC at ~19.7%.
- The recovery was supported by continued interest rate normalization, improving investor sentiment, and renewed capital deployment across core and alternative segments
- Asia-Pacific witnessed a sharp rebound in CY25, with investments more than doubling YoY. While China's construction Sector had faced challenges due to lower demand in CY24, a sustained recovery in Japan and improving conditions across the broader region are expected to have supported the significant uptick in APAC investments during CY25.
- The recent geopolitical events have created uncertainty in key markets. Interest rate reduction cycle has been paused by several central banks as inflation increases globally, especially energy costs. This could impact the investments in Real Estate sector as well.



Real Estate

Global | Overview

- The Industrial segment investments picked up pace in CY25, as the dominant driver of overall investment growth. Other segments also experienced relatively larger growth, compared to preceding years.
- Commercial Real Estate broadly comprises five segments: Industrial, Office, Hotel, Multifamily and Retail.
- The share of Industrial, Retail, Hotels, Multifamily and Office in total global commercial Real Estate investment during CY25 stood at ~39.7%, ~16.9%, ~15.8%, ~14.7%, ~12.9%, respectively.
- Industrial property investments were also up, clocking in at USD ~50.3bn (SPLY: USD ~25.0bn), while retail investments registered at USD ~16.3bn (SPLY: USD ~8.1bn).
- Multifamily property investments witnessed a sharp surge of ~103.2% YoY and clocked in at USD 18.9bn (SPLY: USD ~9.3bn), emerging as the single largest segment in CY25 and contributing the majority of overall investment growth during the year.
- Office segment investments also experienced an increase at USD ~21.5 bn (CY24: USD ~8.1bn).
- Hotel investments also moderated at USD ~35.0bn (SPLY: USD ~9.9bn), suggesting a possible post-pandemic hospitality recovery seen through CY23–CY24.



Note: CY25 total investment flows taken from Colliers

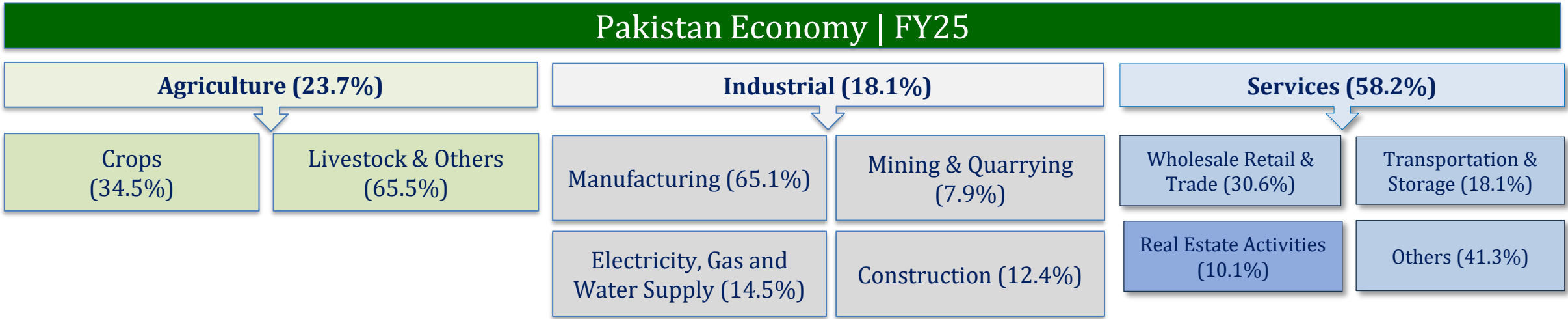
Global | Outlook

- Global growth is projected at ~3.1% for CY26, due to lower effective tariff rates and fiscal expansion in some major jurisdictions. Global inflation continues to decline, reaching ~4.2% in CY25 and ~4.4% in CY26. In 1HCY25, central banks across advanced economies continued to ease policy interest rates following the peak tightening cycle, providing some relief to rate-sensitive Sectors including Real Estate.
- Home price growth slowed and even regressed in certain markets in CY25, with supply of for-sale homes rebounding. After rates climbed to 23-year highs in CY23, mortgage rates gradually descended in CY24 and again in CY25 with added stability. In the US, fixed-rate mortgage rates are projected to stay elevated at ~6%, keeping affordability pressured and homes out of reach for many first-time buyers. In Europe, rental demand remains sticky above pre-COVID levels as high ownership costs continue to push households into the rental market.
- Global Real Estate deal value reached ~\$873bn in CY25, up ~12% YoY, signaling a recovery in transaction activity. Office deal volumes rose ~17% YoY, driven by a continued “flight to quality,” with Class A office volumes up ~34% YoY. Supply constraints are further supporting prime assets: in Europe, new office construction starts are at their lowest level since 2010, while office deliveries are expected to decline by ~5%. As a result, shortages of high-quality office space are likely to persist across key global cities, including Tokyo, New York and London.
- China's property downturn is estimated to have reduced annual Real GDP growth by ~2% per annum in CY24 and CY25, though this drag is expected to narrow to ~0.5% annually over the coming years. In CY25, housing prices continued declining on a YoY basis, with highly leveraged developers remaining the hardest hit as falling sales and restricted cash flows deepened the Sector's distress. China's Real GDP growth is projected to moderate to ~4.2% in CY26, with ongoing US tariffs adding pressure to the near-term outlook.
- Business confidence improved across major regions in CY25, though geopolitical instability, particularly ongoing conflicts, remains a leading source of uncertainty globally. Global Real Estate total value exceeded USD ~393Tn at the start of CY25. In North America property prices remain elevated, continuing to weigh on affordability.
- US tariff impositions remain a key risk, with current tariff rates estimated to increase construction materials costs by ~6.0% relative to a 2024 baseline and total project costs by ~3.0%, directly inflating key inputs such as steel, aluminum, and lumber. Beyond cost pressures, tariff-related policy uncertainty has delayed leasing and investment decisions across major markets. Combined with geopolitical instability and a potential pause in central bank rate-cutting cycles, elevated construction costs and financing uncertainty could temper the momentum in global CRE investment flows witnessed in CY25 in the near term.

Real Estate

Local | Overview

- In FY25, Pakistan’s GDP (nominal) stood at PKR~113.8Tn, increasing, in nominal terms, by ~8.2% YoY (FY24: ~24.2% growth). Industrial activities during the year held ~18.1% share in the GDP while services made up ~58.2%. In 2QFY26, GDP (real) stood at PKR~43.6Tn, rising in Real terms by ~3.8% YoY.
- During FY25, Real Estate Activities held ~5.9% share in the GDP (FY24: ~5.84%) and contributed ~10.1% to the overall service segment (SPLY: ~6.9%). The Real Estate Sector witnessed growth of ~3.8% YoY (SPLY: ~3.7%).



Real Estate

Local | Overview

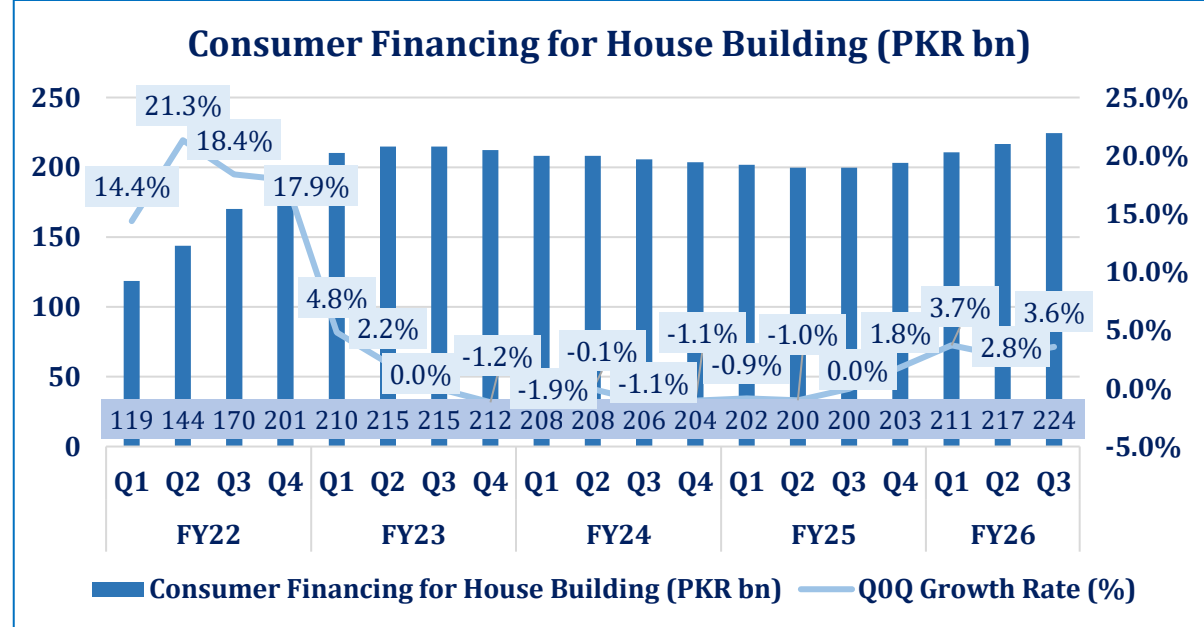
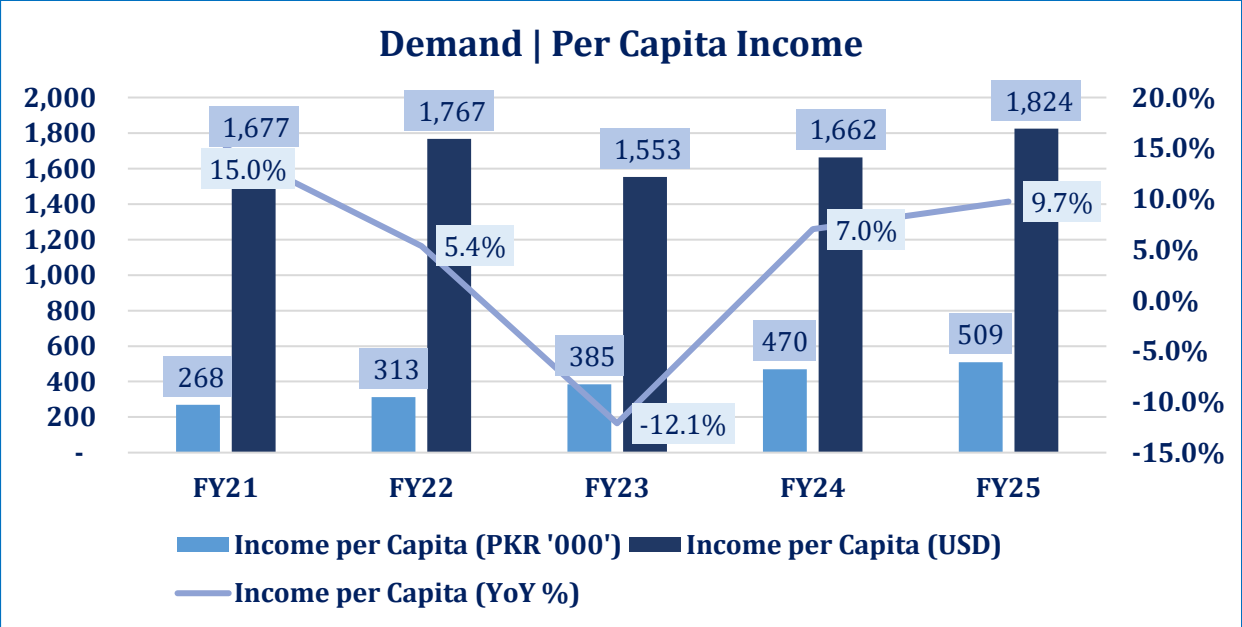
- The Sector encompasses buying, selling, development, management, and financing of land, buildings, and properties. It also includes companies offering Real Estate related services and Real Estate investment trusts (REITs).
- Pakistan’s Real Estate Sector contributed ~3.7% to the national GDP in FY25, with estimated market size recorded at PKR ~3,706bn (FY24: PKR ~3,366bn). The Sector grew by ~10.1% YoY in FY25. However, growth slowed down to ~6.7% YoY in 1HFY26 (SPLY: ~10.7% YoY).
- Net FDI towards the Sector stood at USD ~36.0 mn in FY25 (FY24: USD ~70.5 mn), recording a ~48.9.0% decrease YoY. For 1HFY26, this further decreased by ~20.0% YoY.
- Foreign-backed projects such as Emaar’s developments and ORA Developers’ “Eighteen” in Islamabad have helped raise Sector benchmarks by bringing capital, international design standards and stronger overseas buyer appeal. However, fresh entry by major foreign developers remained limited in FY25/1HFY26, with Sector activity more influenced by domestic policy support, easing financial conditions and selective demand for premium, well-planned projects.

Particulars	Units	FY24	FY25	1HFY25	1HFY26
GDP Contribution Construction	%	2.7%	2.5%	2.5%	2.4%
Est. Market Size Construction	PKR bn	2,190	2,498	1,332	1,316
GDP Contribution Real Estate Activities (OD)	%	4.2%	3.7%	3.6%	3.7%
Est. Market Size Real Estate	PKR bn	3,366	3,706	1,814	1,936
Real Estate Activities (OD) (YoY Growth)	%	9.1%	10.1%	10.7%	6.7%
Net FDI Real Estate Activities	USD mn	70.5	36.0	21.5	17.2
Population	mn	235	242	238	245
Market Structure		Competitive			

Real Estate

Local | Consumer Financing

- In FY25, per capita income in Pakistan increased to USD ~1,824 (FY24: USD ~1,662), a YoY increase of ~9.7%. However, this remained lower than regional economies (India: USD ~2,695; Sri Lanka: USD ~4,519; Bangladesh: USD ~2,620).
- Consumer financing for house building declined through FY25, with outstanding financing reaching PKR ~203bn by 4QFY25 (4QFY24: PKR ~204bn), reflecting continued subdued demand on the back of elevated prices and economic uncertainty. However, financing began to recover from 4QFY25 onwards, with QoQ growth turning positive recording ~1.8%, ~3.7%, ~2.8% and ~3.6% in 4QFY25, 1QFY26, 2QFY26 and 3QFY26, respectively, as interest rates eased and consumer sentiment improved. As of 3QFY26, outstanding consumer financing for house building stood at PKR ~224bn, surpassing the FY23 peak level, supported by declining interest rates, subsidized financing schemes for housing from provincial and Federal Government, and expectations of a more favourable tax environment in the upcoming budget.

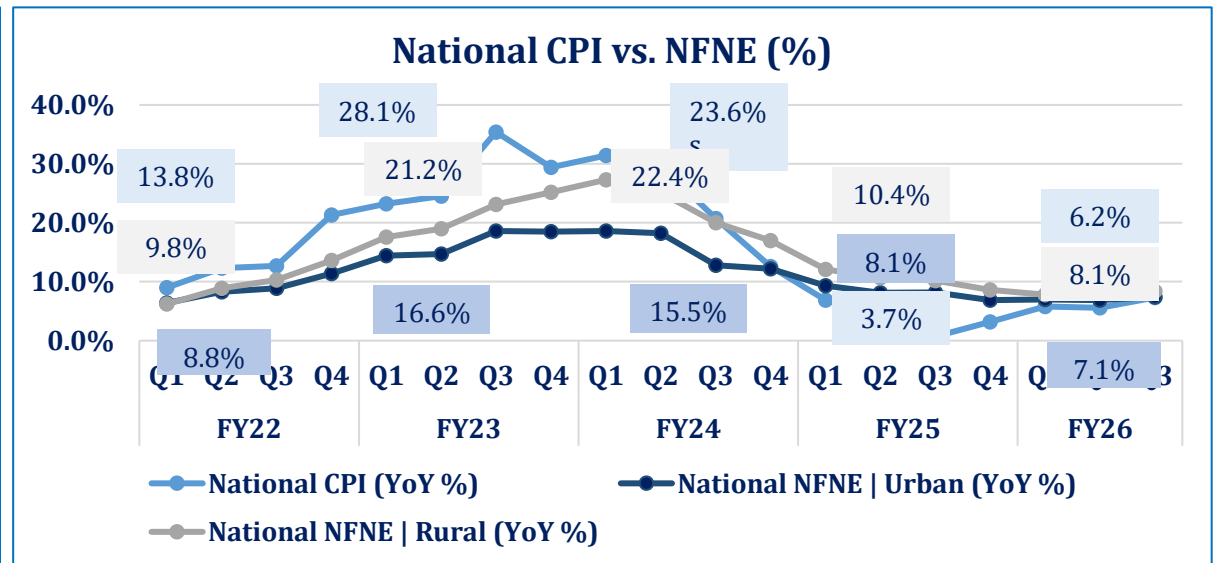
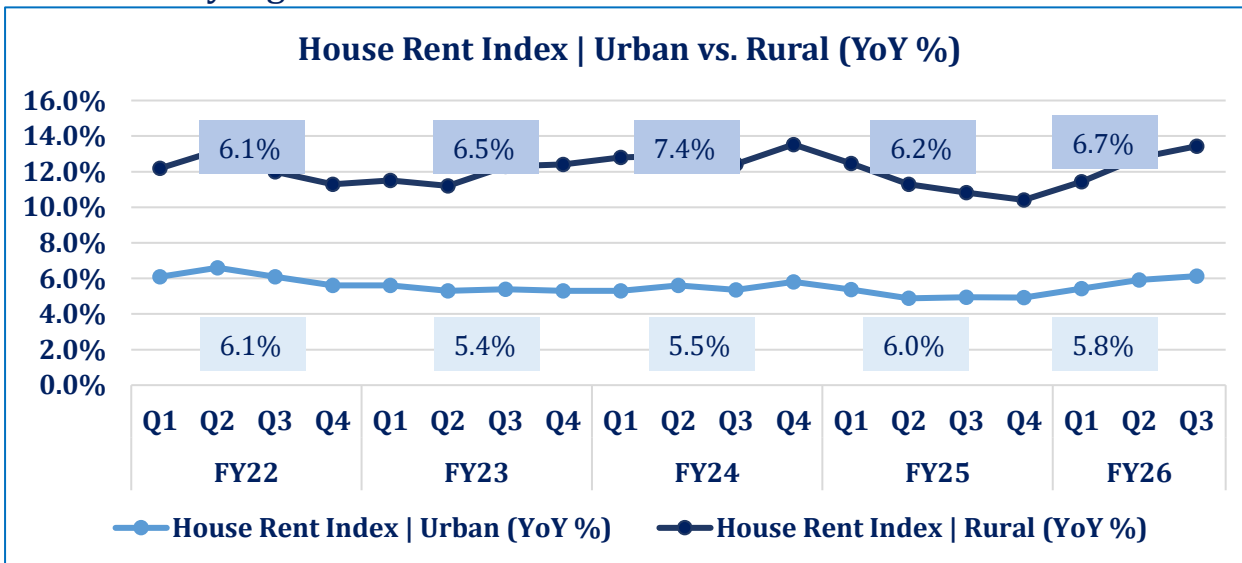


Note: Consumer financing represents outstanding balances.

Real Estate

Local | CPI & House Rent Index

- The House Rent Index and National CPI/NFNE are important for the Sector as they help assess housing affordability, rental cost pressures, investor returns, and the broader inflation environment influencing property demand and pricing decisions.
- The house rent index for urban and rural areas moved broadly in tandem, though rural markets showed stronger rental increase, likely reflecting limited housing availability and higher competition among renters. During 10MFY26, the rural house rent index increased by ~7.9% YoY, compared with ~6.1% YoY for urban areas. In 3QFY26, the index rose by ~7.3% YoY in rural areas (SPLY: ~5.9%) and ~6.1% YoY in urban areas (SPLY: ~4.9%), indicating rental price increase across both geographies.
- CPI averaged ~6.2% in 3QFY26. The gap between headline inflation and Non-Food Non-Energy/Core inflation (NFNE) widened to ~0.9% by 3QFY26 (SPLY: ~-2.2%). NFNE continued to moderate through FY25, with urban NFNE declining from ~11.7% at the start of FY25 to ~6.9% by year-end, while rural NFNE eased from ~16.9% to ~8.6%. This reflects broad-based disinflation in core prices, although rural NFNE remained relatively higher than urban.



Real Estate

Local | House Prices

- Among Group 1 cities, property prices recorded sustained growth during FY21–25, with average CAGRs of ~13.5% in Lahore, ~10.7% in Karachi and ~14.7% in Islamabad. In FY25, average prices stood at PKR ~20,900/sq.ft., PKR ~21,400/sq.ft. and PKR ~31,100/sq.ft., respectively, reflecting Islamabad’s premium positioning and stronger price appreciation relative to other major urban centers.
- Among Group 2 cities, Rawalpindi recorded the strongest price momentum, with average house prices rising at a CAGR of ~17.3% during FY21–25. In FY25, average prices stood at PKR ~19,150/sq.ft. in Peshawar, PKR ~12,940/sq.ft. in Multan, PKR ~19,580/sq.ft. in Rawalpindi and PKR ~17,390/sq.ft. in Faisalabad. Gujranwala and Sialkot averaged PKR ~14,480/sq.ft. and PKR ~18,910/sq.ft., respectively. However, higher transaction costs, including FED on property transactions, may weigh on affordability and market activity.
- In 10MFY26, average prices stood at PKR ~25,800/sq.ft. in Karachi and PKR ~20,300/sq.ft. across other cities, up ~27.1% and ~2.0% YoY, respectively. Lahore declined ~4.6% YoY to PKR ~20,600/sq.ft., while Islamabad remained flat at PKR ~31,100/sq.ft. Elevated prices amid low per capita income may constrain housing demand, despite population growth and rising migration.

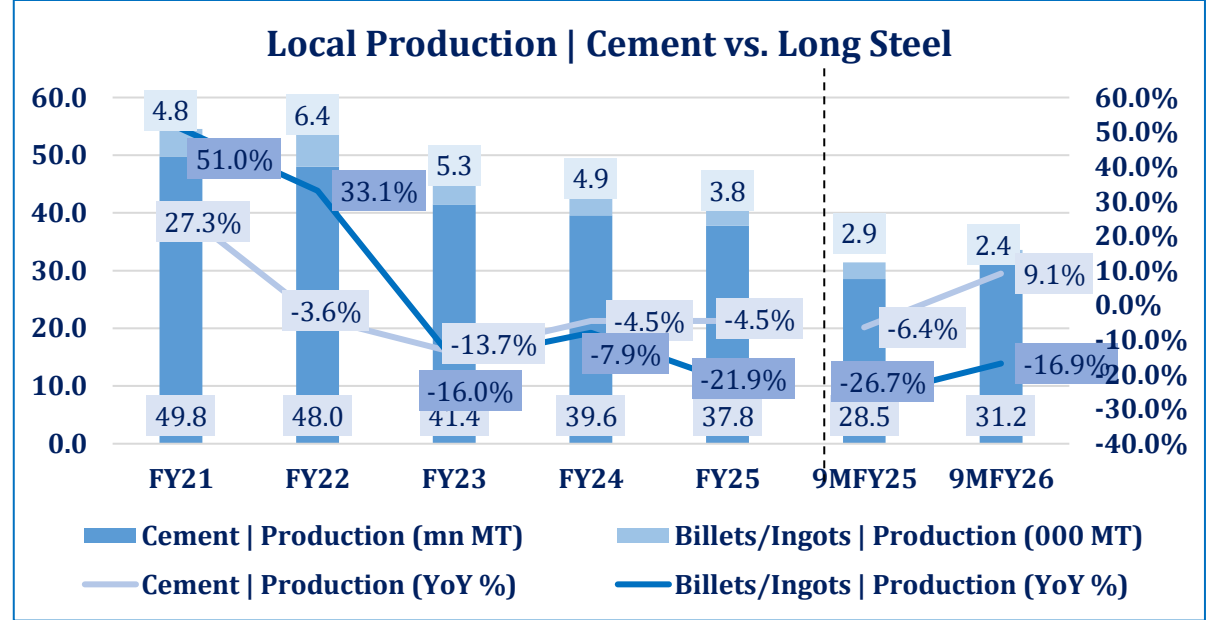
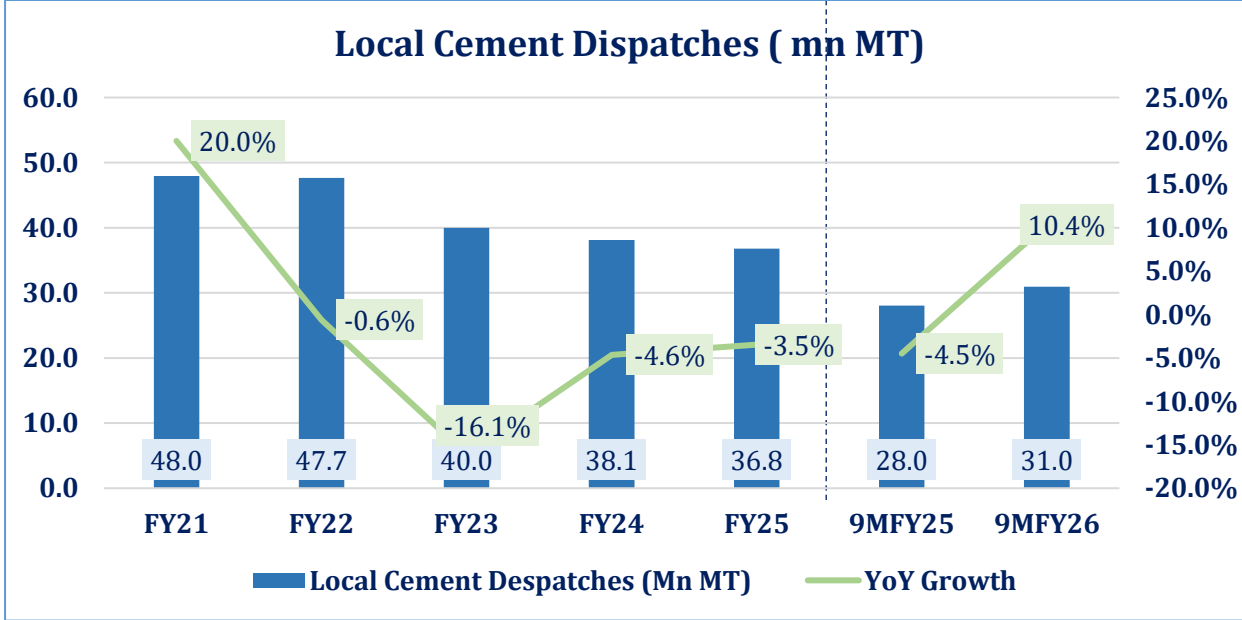
Group 1 Cities	Unit	FY21	FY22	FY23	FY24	FY25	10MFY26
Karachi	'000 PKR/Sq.Ft.	12.8	13.8	16.7	19.6	21.4	25.8
Lahore		12.3	13.6	17.9	19.8	20.9	20.6
Islamabad		17.6	18.6	25.3	34.3	31.1	31.1
Group 2 Cities	Unit	FY21	FY22	FY23	FY24	FY25	10MFY26
Multan	'000 PKR/Sq.Ft	7.3	8.3	10.5	11.7	12.94	14.3
Faisalabad		9.4	10.5	13.5	16.6	17.39	20.3
Peshawar		13.1	15.9	16.2	17.5	19.15	21.3
Rawalpindi		9.9	11.6	15.8	18.7	19.58	17.5
Gujranwala		8.7	10.4	12.6	13.9	14.5	17.4
Sialkot	9.7	12.1	15.2	18.4	18.9	20.0	
Group 3 Cities	Unit	FY21	FY22	FY23	FY24	FY25	10MFY26
Gujranwala	'000 PKR/Sq.Ft	8.7	10.4	12.6	13.9	14.5	17.4
Sialkot		9.7	12.1	15.2	18.4	18.9	20.0

Note: Group 1 includes Karachi, Lahore and Islamabad (1Marla= ~225sq ft), Group 2 includes Multan, Faisalabad, Peshawar and Rawalpindi (1Marla= ~272sq ft), Group 3 includes Gujranwala and Sialkot (1Marla= ~272sq ft)

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Local | Allied Sectoral Production

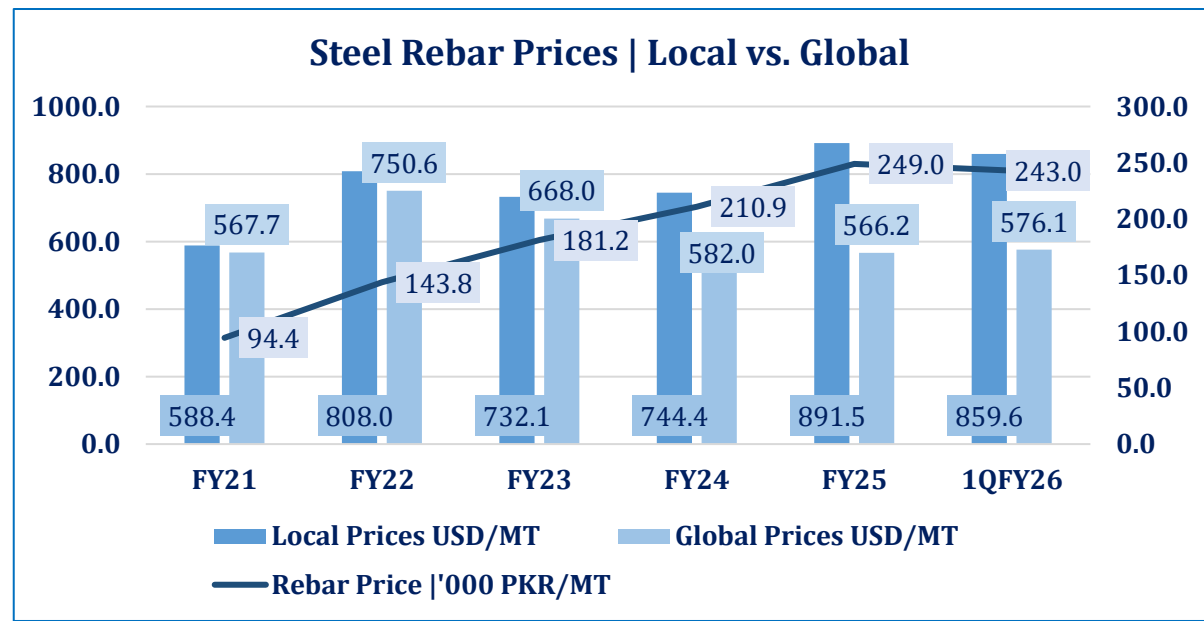
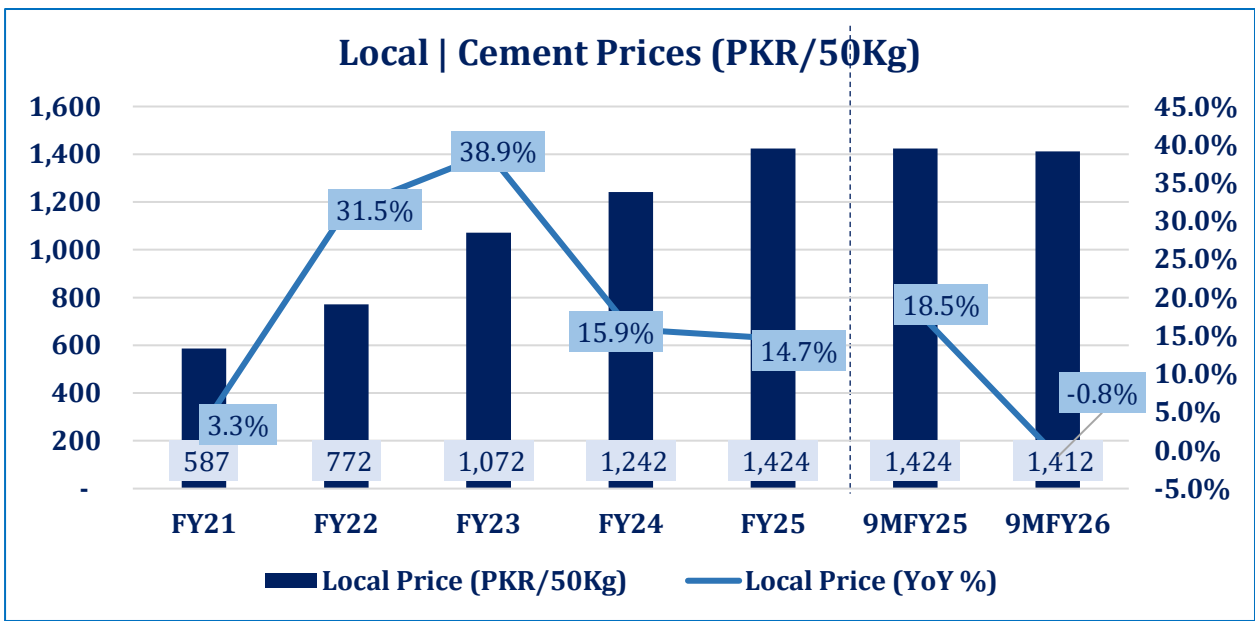
- Cement remains a key input for both commercial and residential Real Estate, making local dispatches a useful leading indicator of construction and development activity. In FY25, local cement dispatches declined ~3.4% YoY to ~36.8 mn MT (FY24: ~38.1 mn MT), reflecting subdued construction momentum.
- Cement dispatched experienced a 10.4% growth recorded at 31.0 mn MT in 9MFY26, showing recovery from SPLY where dispatched settled at 28.0 mn MT.
- Local cement production reached ~37.8 mn MT in FY25, reflecting a ~4.5% YoY decrease, while long steel (Billets & Ingots) production declined ~21.9% YoY to ~3.8 mn MT.
- In 9MFY26, cement production rose ~9.1% YoY to ~31.2 mn MT (SPLY: ~28.5 mn MT), whereas Billets & Ingots output fell a further ~16.9% YoY to ~2.4 mn MT, indicating uneven recovery across key construction inputs.



Real Estate

Local | Allied Sectoral Prices

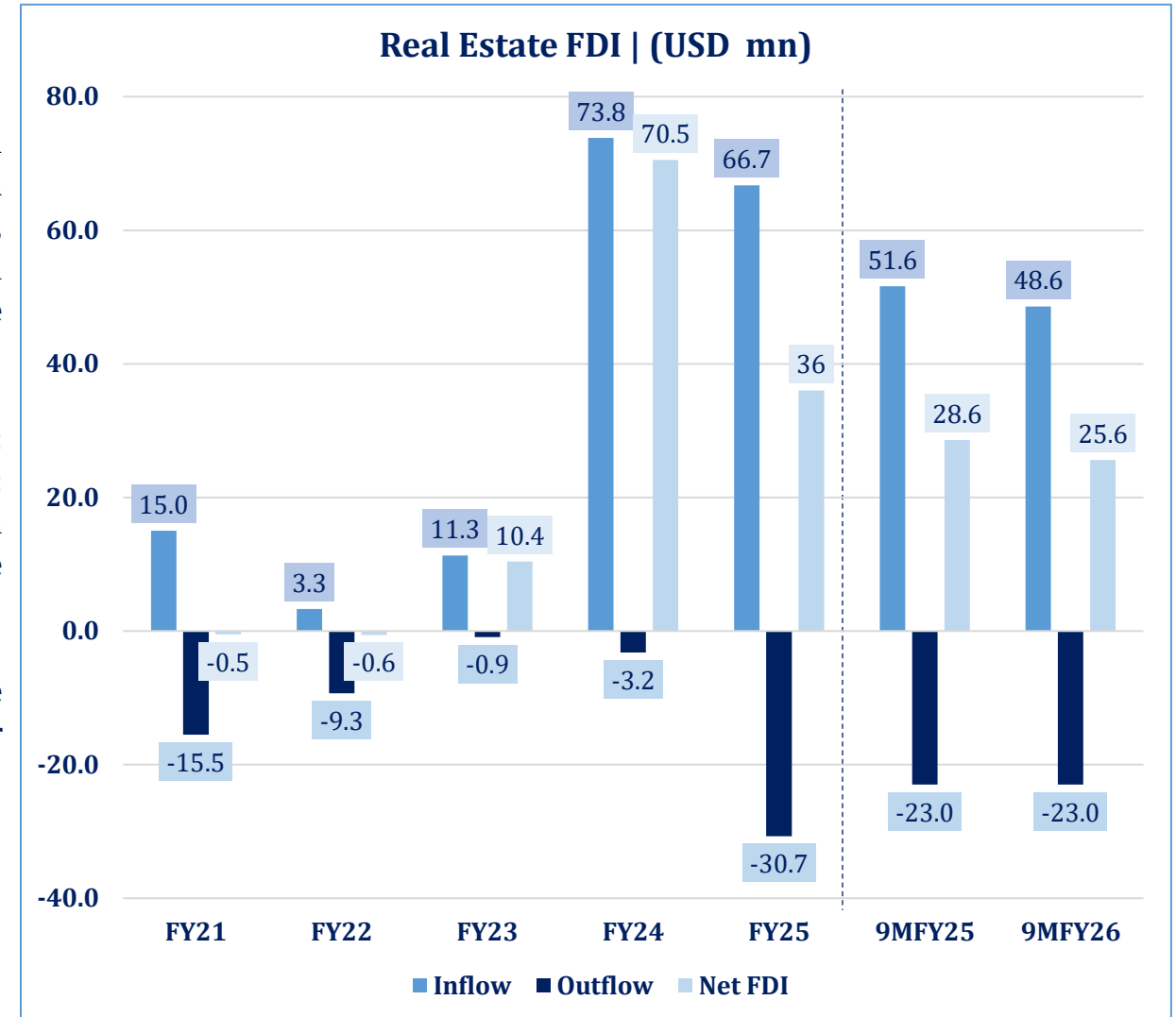
- Despite subdued construction activity and weaker demand in FY25, local cement prices rose ~14.7% YoY, reflecting elevated inflationary pressures.
- However, prices eased in 9MFY26, declining ~0.8% YoY to ~PKR 1,412/bag, indicating some relief as inflation moderated. Nonetheless, the cumulative rise in cement prices over recent years continues to increase homebuilding costs, weighing on housing affordability and project viability.
- Local steel rebar prices recovered strongly to USD ~891.5/MT in FY25 (FY24: USD ~744.4/MT), reflecting a ~19.8% YoY increase, driven by elevated domestic cost pressures including high energy tariffs and input costs. However, prices moderated to USD ~859.6/MT in 1QFY26, suggesting early signs of price correction in the current fiscal year.
- Global steel rebar prices stood at USD ~249.0/MT in FY25 (FY24: USD ~210.9/MT), rising ~18.0% YoY, before easing marginally to USD ~243.0/MT in 1QFY26. The broadly parallel movement between local and global prices in FY25 indicates that international price pressures also contributed to domestic cost inflation during the period.



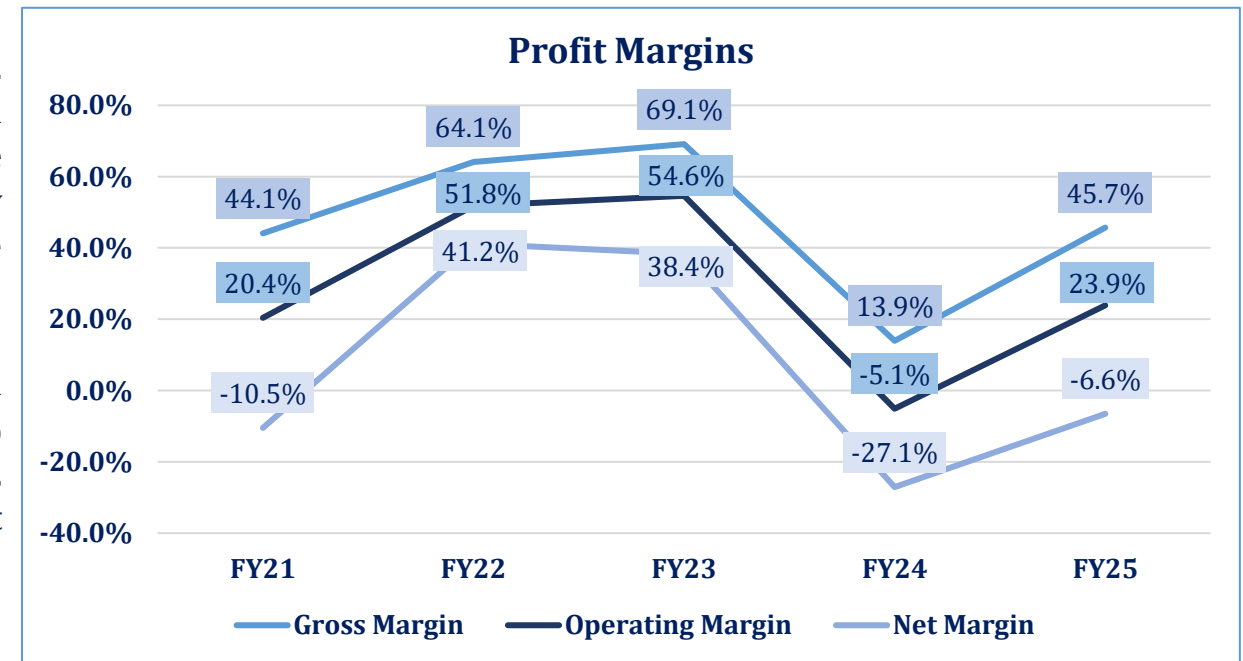
Note: Steel Rebar Prices for 1QFY26 is estimated.

Local | Foreign Direct Investment (FDI)

- FDI remains a key indicator of foreign investor confidence in the Real Estate Sector. In FY25, FDI inflows declined ~9.6% YoY to ~66.7mn (FY24: ~73.8mn), while outflows surged to ~30.7mn (FY24: ~3.2mn), resulting in a net FDI of ~36.0mn, a significant deterioration from ~70.5mn in FY24, reflecting growing repatriation pressure despite sustained inflow momentum.
- In 9MFY26, FDI inflows moderated ~5.8% YoY to ~48.6mn (9MFY25: ~51.6mn), while outflows remained flat at ~23.0mn (9MFY25: ~23.0mn), resulting in a net FDI of ~25.6mn, a decline from ~28.6mn recorded in 9MFY25, indicating a gradual softening in Real Estate Sector FDI flows amid persistent repatriation activity.
- Going forward, a meaningful improvement in the FDI would require lower repatriation, clearer policy direction, and stronger investor confidence.



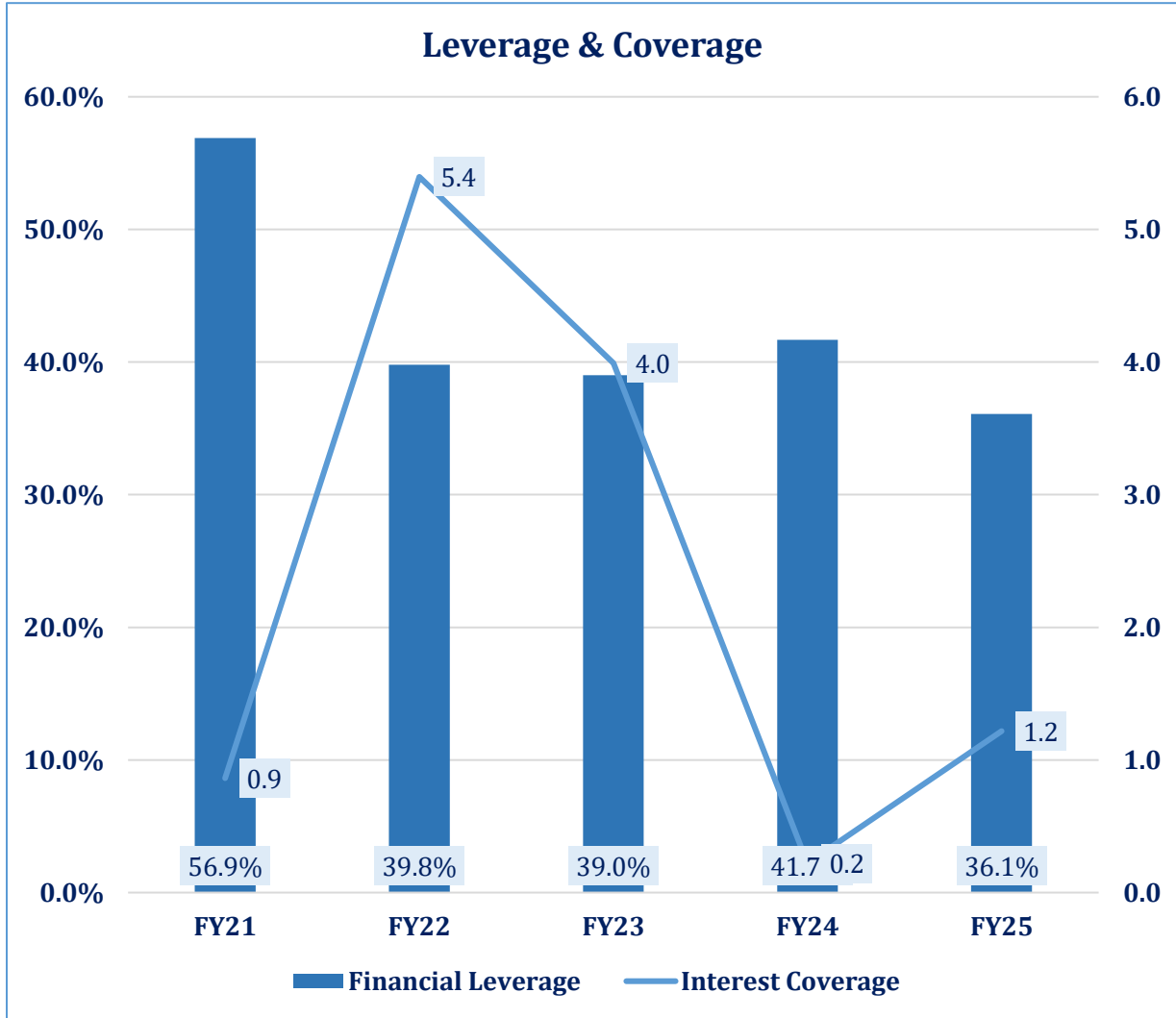
- Real Estate remains a high margin Sector, although profit realization takes time and Sector players have to build a continuous pipeline of projects. This results in periods of low or negative margins when projects are in construction phase. During FY25, Pakistan's Real Estate Sector revenue declined by ~15.6% YoY, while cost of sales contracted more sharply by ~46.7% YoY, supporting gross margins despite weaker topline performance.
- The Sector's profitability trajectory continued to improve at the gross and operating levels during FY25, with gross margins expanding to ~45.7% (FY24: ~13.9%) and operating margins rising to ~23.9% (FY24: ~-5.1%), driven by continued appreciation in property prices and improved cost management.
- Finance costs in the Real Estate Sector declined ~32.8% YoY in FY25, easing profitability pressure. However, borrowing costs remained elevated enough to keep net margins negative at ~-6.6%. This was despite a sharp improvement from ~-27.1% in FY24, while nearly doubled taxation further constrained margin recovery.



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Financial Risk | Leverage and Coverage

- In FY25, the Sector's financial leverage declined to ~36.1% (FY24: ~41.7%), reflecting a continued deleveraging trend as companies reduced reliance on debt financing. Interest coverage also improved to ~1.2x (FY24: ~0.2x), indicating a partial recovery in the Sector's ability to service its debt obligations, supported by improving operating profitability and project handovers.
- In FY24, the Sector's financial risk increased as financial leverage rose to ~41.7% (FY23: ~39.0%), while the interest coverage ratio dropped sharply to a critical low of ~0.2x (FY23: 4.0x). This compression reflects the period of negative or low margins typically seen when a high volume of projects are in the construction phase, combined with elevated financing costs.
- Overall, while the decline in leverage in FY25 suggests improved balance sheet resilience, the interest coverage remains significantly below the FY22 peak of 5.4x.
- This confirms that while the sector is exiting its most intensive construction-related margin dip, financial flexibility is still in a recovery phase as the pipeline of projects moves toward realization.

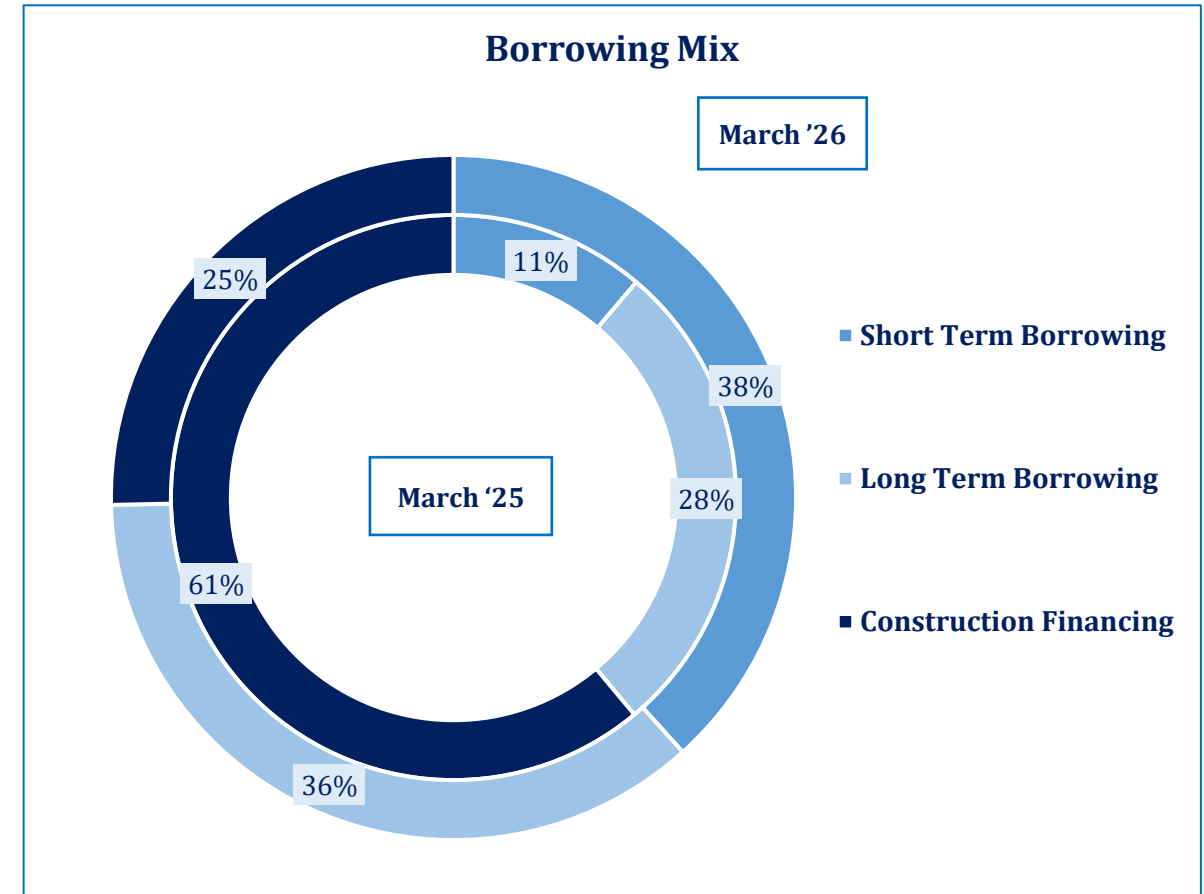


Note: Calculations are revenue-weighted and based on ~5 PACRA-rated clients.

Real Estate

Financial Risk | Borrowing Mix

- As of end-Mar'26, Sector borrowings stood at PKR ~45bn, up ~18.9% YoY (end-Mar'25: PKR ~37.9bn). The borrowing mix shifted notably, with construction financing declining from ~61% of total borrowings in Mar'25 to ~25% in Mar'26, as projects moved toward completion and facility drawdowns reduced. In absolute terms, construction financing fell to PKR ~11.4bn (SPLY: PKR ~23.1bn).
- Short-term borrowings rose sharply to ~PKR 17.3bn, up ~307% YoY, increasing their share to ~38% of total borrowings (SPLY: ~11%). This indicates higher near-term liquidity needs and refinancing of maturing obligations within the Sector.
- Long-term borrowings rose to PKR ~16.4bn, up ~55.6% YoY, increasing their share in overall borrowings to ~36% (SPLY: ~28%). This likely reflects the Sector's preference for longer-tenor funding to better match extended project development cycles, manage refinancing risk and lock in funding as interest rates began to ease.



Local | REIT Management Companies

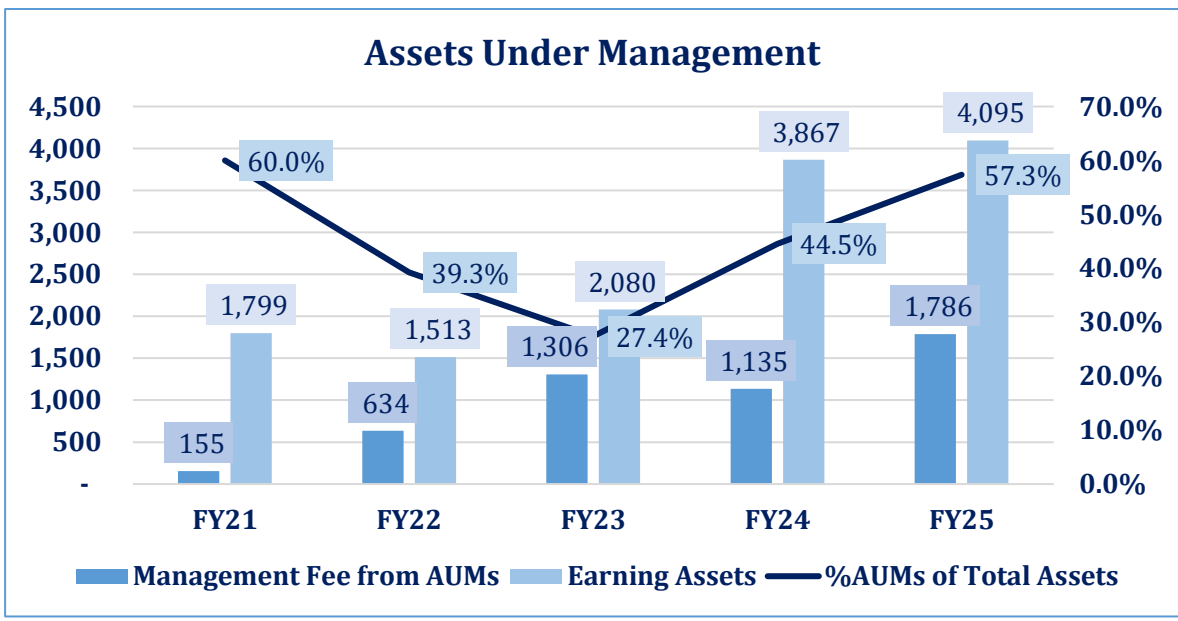
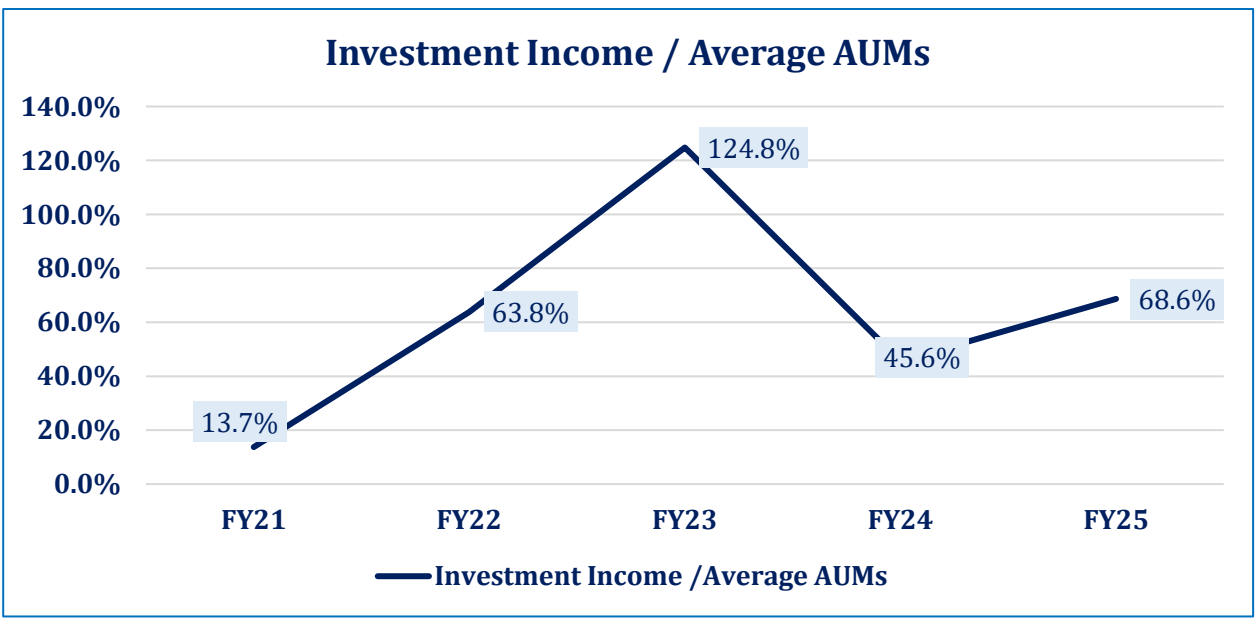


- REITs (Real Estate Investment Trusts) are an asset class that provide transparency with respect to the Real Estate Sector and adds depth to the capital markets. These provide investment opportunities, like a mutual fund, and own, operate or finance income-producing Real Estate.
- REITs can be classified as Development, Rental or Hybrid. Development REITs involve investing in the construction/refurbishment of residential, commercial or industrial properties. Rental REITs are schemes that invest in residential or commercial properties for the purposes of generating rental income. Hybrid REITs combine characteristics of both Development and Rental REITs.
- In Pakistan, REIT Management Companies (RMCs) represent a growing market. As at End-Dec'25, the total number of REIT Management Trust/Companies registered with SECP surged to 63.
- Out of the total size of PKR ~235bn (as at End-Dec'25) of 25 REIT schemes, 6 REITs are listed on the PSX, namely, Dolmen City REIT, Globe Residency REIT, TPL REIT Fund 1, Signature Residency REIT and JS Rental REIT with total fund size of PKR ~49.3bn.

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Business Risk | REIT Management Companies

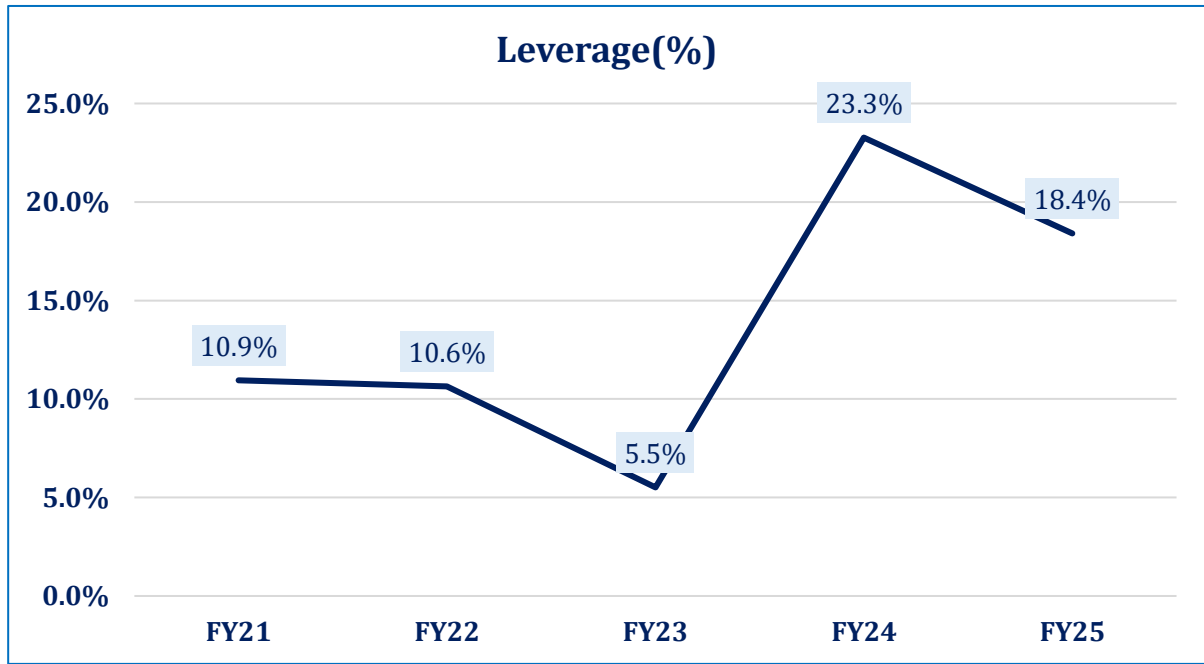
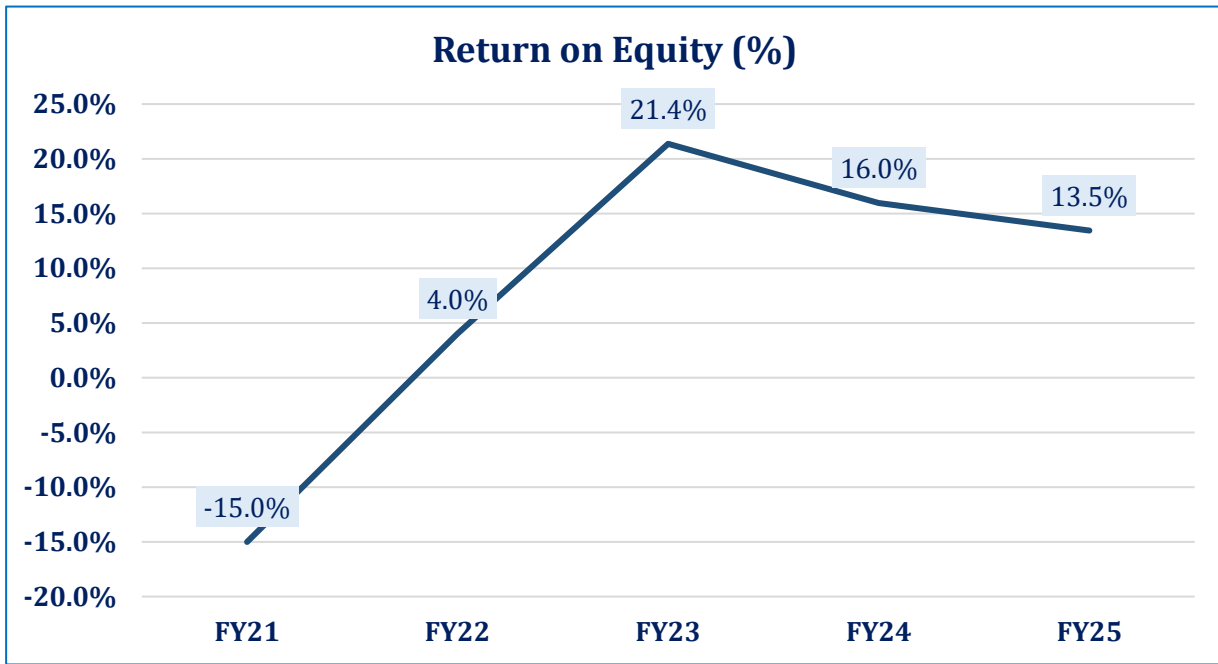
- In FY25, investment income as a percentage of average AUMs stood at ~68.6%, improving from ~45.6% in FY24, reflecting a recovery in returns generated by REIT management companies relative to their asset base. Despite this rebound, the ratio remained well below the FY23 peak of ~124.8%. Overall, the trend shows significant volatility across the period, rising sharply from 13.7% in FY21 to 63.8% in FY22 and peaking in FY23, before declining materially in FY24 and partially recovering in FY25.
- In FY25, earning assets of REIT management companies in Pakistan increased to PKR ~4,095mn, compared to PKR ~3,867mn in FY24, while management fee from AUMs also rose to PKR ~1,786mn from PKR ~1,135mn. Consequently, AUMs as a percentage of total assets improved to ~57.3% in FY25 from ~44.5% in FY24, indicating a stronger contribution of AUM-linked assets within the overall asset base. Across the period, the trend remained uneven. The ratio declined from ~60.0% in FY21 to ~39.3% in FY22 and further to ~27.4% in FY23, before recovering to ~44.5% in FY24 and ~57.3% in FY25. This suggests that, after a contraction in the relative share of AUMs during FY21–FY23, the Sector witnessed a notable recovery over FY24–FY25, supported by growth in earning assets and higher management fee income.



Note: Calculations based on ~4 PACRA-rated segment players.

Financial Risk | REIT Management Companies

- REITs' leverage ratio has shown a mixed trend over the past five years (FY21–FY25). In FY25, leverage moderated to ~18.4% (FY24: ~23.3%), suggesting some deleveraging, though the segment's reliance on borrowings remains notably higher than historical levels. The five-year average leverage stands at ~13.7% (FY21–FY25).
- ROE has moderated to ~13.5% in FY25 from ~16.0% in FY24, reflecting some compression in profitability despite the segment remaining comfortably in positive territory.

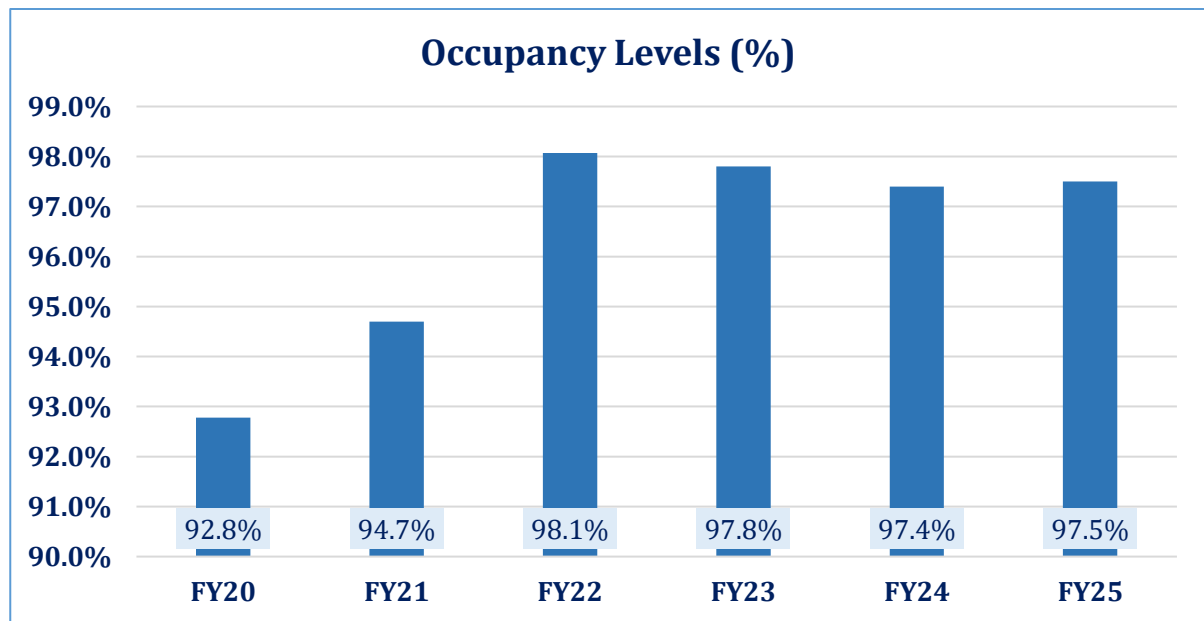
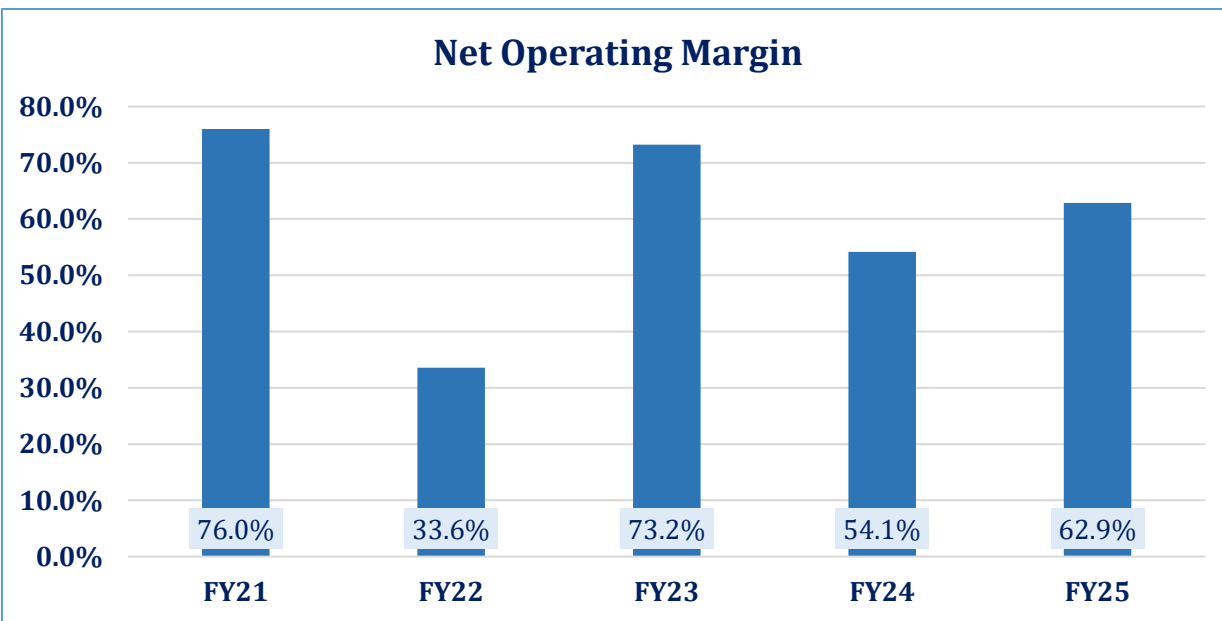


Note: Calculations based on ~4 PACRA-rated segment players.

Real Estate

Local | REITS

- In FY25, occupancy levels for Rental Real Estate Investment Trusts (REITs) remained stable at ~97.5% (FY24: ~97.4%). Tenancy remains resilient with mall and office spaces continuing to operate near optimal occupancy, reflecting sustained demand for quality commercial Real Estate assets.
- Revenue growth, coupled with a reduction in operating costs, resulted in the segment’s average net operating margin improving to ~62.9% in FY25 from ~54.1% in FY24. Operating profit grew at a higher rate of ~26.3% YoY compared to revenue growth of ~8.8% YoY, reflecting cost efficiencies and a partial recovery from the reduced margin in FY24. This was supported by relatively stable occupancy levels.



Note: Calculations based on ~4 Listed segment player.

Real Estate

Local | Duty Structure

- In FY26 budget, the federal government introduced several new property taxes. These taxes are regulated by the Federal Board of Revenue (FBR), and it varies based on an individual’s tax status—whether they are a filer, non-filer, or late-filer.
- **Capital Gain Tax:** CGT is levied on the profit earned from selling immovable property. The revised rates for CGT effective from July 1, 2025, are as follows – Filers: ~15.0% and Non-Filers: ~15.0%-45.0% (FBR determines the exact amount based on property value).
- **Capital Value Tax:** CVT is charged on the transfer of immovable properties (land, houses, buildings) and is usually borne by the buyer. Rate for FY25: ~2.0% of the property value (fixed under the Federal Act 2006).
- **Advance Property Tax:** This tax applies to both the seller and buyer during property transactions, payable at registration or allocation.

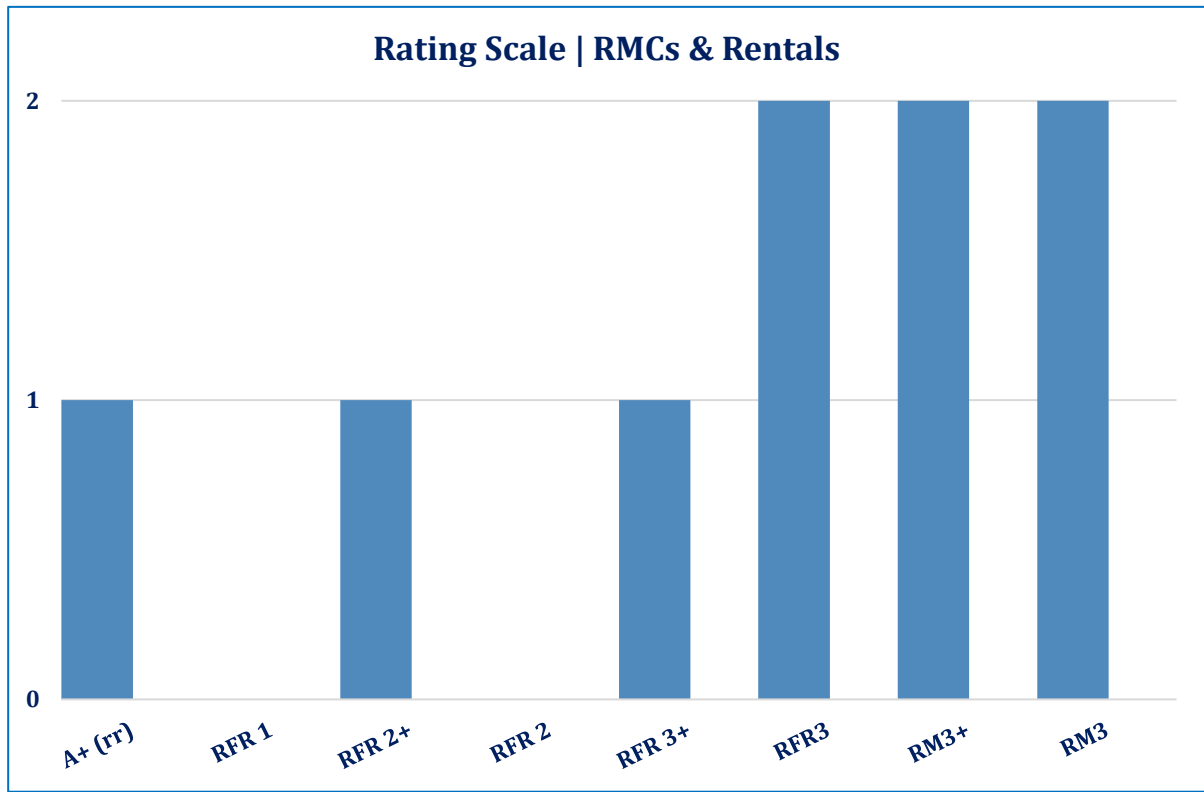
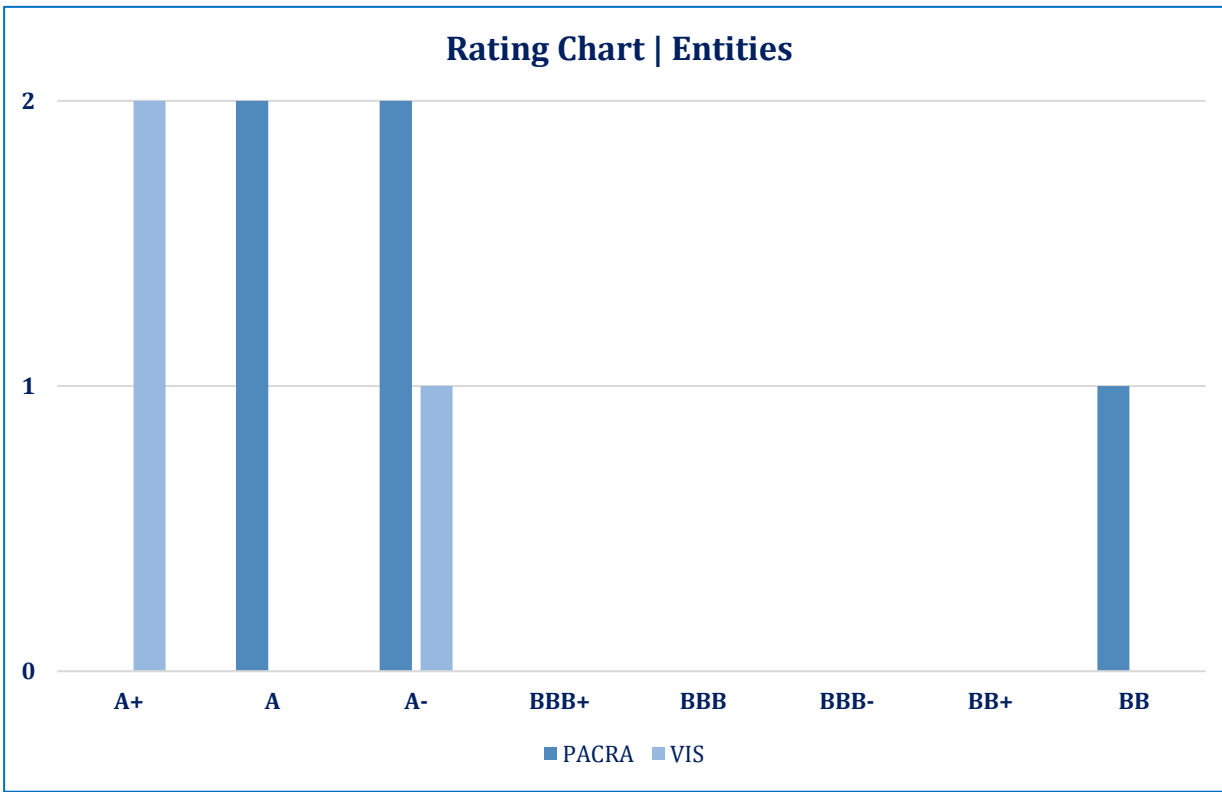
Advance Tax on Sale/Transfer of Property			
Value of the Property	Filer	Late Filer	Non-Filer
Up to 50 mn	4.5%	7.5%	11.5%
50 mn - 100 mn	5.0%	8.5%	11.5%
Over 100 mn	5.5%	9.5%	11.5%

Advance Tax on Purchase of Property			
Value of the Property	Filer	Late Filer	Non-Filer
Up to 50 mn	1.5%	4.5%	10.5%
50 mn - 100 mn	2.0%	5.5%	14.5%
Over 100 mn	2.5%	6.5%	18.5%

Real Estate

Rating Curve

- PACRA rates 5 Real Estate Entities, with long-term rating bandwidth of 'A' to 'BB'. PACRA also rates 4 REIT Management Companies along with 3 REIT Funds.



Outlook | Stable

- Pakistan's economy recorded real GDP growth of ~3.1% in FY25 (FY24: ~2.5%). The services sector grew by ~2.9% in FY25 (FY24: ~2.2%), while real estate expanded by ~3.8%. In 2QFY26, real GDP growth stood at ~3.89% versus ~2.18% in SPLY. In 2QFY26, services growth improved to ~3.69% (SPLY: ~2.8%), whereas real estate grew by ~4.17% (SPLY: ~3.65%). The GDP growth target for FY26 has been set at 3.75–4.75%.
- Pakistan's Real Estate Sector contributed ~5.9% to national GDP in FY25, with market size estimated at PKR ~4,067bn (FY24: PKR ~3,706bn). Growth was largely nominal, as persistent inflationary pressures, reduced real purchasing power, and elevated construction costs continued to weigh on affordability and housing demand. For FY26, Sector activity is expected to recover marginally, supported by targeted GDP growth of 3.75–4.75%. However, high inflation, increasing interest rates and affordability constraints are likely to keep near-term demand dampened.
- Input prices for key construction materials remained elevated in FY25, with long steel and cement prices rising by ~19.8% and ~14.7%, respectively. This continued to pressure project costs, weaken affordability, and limit new construction activity, suggesting that growth momentum in the real estate sector is likely to stay subdued in the near term.
- Public development spending remains an important impetus for construction-linked activity. The Federal PSDP allocation for FY26 was set at PKR ~1.0 tn, comprising PKR ~770.5 bn for federal ministries/divisions and PKR ~229.5 bn for corporations. As per the Planning Commission's latest accessible FY26 summary, PKR ~555.5 bn had been authorized and PKR ~272.8 bn utilized during 7MFY26, implying utilization of ~27.3% of the annual allocation and ~49.1% of authorized funds. This indicates continued development activity, although execution remains dependent on fiscal space and timely fund releases.
- Sector fundamentals are showing selective improvement. House-building consumer financing rose to PKR ~224 bn by 3QFY26, supported by earlier monetary easing, while sector borrowings increased to PKR ~45 bn by end-Mar'26, reflecting renewed working capital and long-term funding requirements. Allied construction indicators also improved, with local cement dispatches rising ~10.4% YoY in 9MFY26 and cement production increasing ~9.1% YoY; however, long steel production declined further, highlighting an uneven recovery across construction inputs
- The REIT segment remains a positive structural development for the Sector. As of end-Dec'25, 63 RMCs were registered with SECP, while 28 REIT schemes had a total size of PKR ~235bn, indicating increasing institutional participation and improved transparency in formal real estate investment channels.
- Going forward, Real Estate activity is expected to remain stable, with growth supported by public-sector development utilization, improving mortgage/house-building finance, and institutional REIT participation. However, elevated inflation, affordability constraints, high transaction costs, cautious FDI flows, and uneven construction material trends are likely to limit any sharp rebound in transaction volumes or new project launches in the near term.

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