



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### TPL REIT Fund I

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##### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Dec-2025	RFR 3+	-	Developing	Maintain	Yes
23-Dec-2024	RFR 3+	-	Stable	Maintain	-
23-Dec-2023	RFR 3+	-	Stable	Maintain	-
23-Dec-2022	RFR 3+	-	Stable	Initial	-
23-Dec-2021	RFR 3+	-	Stable	Preliminary	-

##### Rating Rationale and Key Rating Drivers

TPL REIT Fund I (the "Fund") is a perpetual, closed-end, Shariah-compliant hybrid REIT scheme. The Fund was initially proposed with a size of approximately PKR 80bln (~USD 350mln), with the targeted investment envisaged at 60% from foreign investors, 30% from domestic investors, and 10% from the strategic investor, TPL Properties Limited. The domestic portion of the Fund completed its first close at PKR 18.35bln in three tranches and was subsequently listed on May'2024 on the Pakistan Stock Exchange. TPL Properties holds 38.02% of the Fund, while other investors (eight banks) collectively hold 60.24%. The proceeds from the Fund's first close were invested in three projects housed in separate Special Purpose Vehicles (SPVs) namely: i) The Mangrove (Waterfront mid-rise community); ii) Technology Park (Commercial Office & Business Hotel); and iii) One Hoshang (Luxury residences), with The Mangrove being the primary project comprising more than 90% of the envisaged built-up area. As of now, the Fund has announced divestment from One Hoshang, while the project land for Technology Park has been divested and the project has been relocated to The Mangrove Project site, in view of a more feasible value proposition. As a result, the Fund's operations would be concentrated in its primary project, The Mangrove, which remains the only active development in the portfolio. With investors' consent, the Fund intends to reinvest the Technology Park sale proceeds into Mangrove to support its ongoing development and construction.

The Mangrove is expected to generate cash flows in a phased manner, with project completion planned across six phases. The Fund's projects are primarily financed through a mix of equity and customer advances from pre-sold inventory, with minimal reliance on debt. The Mangrove is the current focus, with construction and associated developments continuing in line with planned timelines. Pakistan's real estate and construction sector would be gradually improving in FY25, supported by easing inflation, lower interest rates, and a more stable macroeconomic environment. Recovery would gain momentum with rising RMC registrations, stabilized investment flows, stronger PSDP spending, and government measures, including anticipated tax relief, driving a steady rebound in sector activity. On the financial front, during FY25, the Fund reported a PAT of PKR 758.3mln (FY24: PKR 376.4mln), reflecting higher unrealized gains on investment properties. During FY25, the per unit NAV of the Fund stood at PKR 18.28 (FY24: 17.87).

The ratings are contingent on the Fund's ability to maintain a strong profile amid competition, with prudent management of financial and operational risks remaining crucial. Sensitivity would be on a single remaining REIT Fund project, making its timely execution and performance critical. Adherence to robust governance and regulatory standards will continue to be essential. The Rating Watch and Developing Outlook reflect PACRA's expectation that the Fund will successfully execute the ongoing sale transactions, while sustaining financial stability and ensuring steady progress on the ongoing project within the defined timelines.

##### Disclosure

Name of Rated Entity	TPL REIT Fund I
Type of Relationship	Solicited
Purpose of the Rating	REIT Fund Rating Rating
Applicable Criteria	Methodology   Rating Modifiers(Apr-25),Assessment Framework   REIT Fund Rating(Oct-25)
Related Research	Sector Study   Real Estate(May-25)
Rating Analysts	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504

## Profile

**Portfolio Mix** TPL REIT Fund-I (the "Fund") comprised three projects, namely: i) The Mangrove (Waterfront mid-rise community); ii) Technology Park (Commercial Office & Business Hotel); and iii) One Hoshang (Luxury residences), with The Mangrove being the primary project comprising more than 90% of the envisaged built-up area. As of now, the Fund has announced divestment from One Hoshang, while the project land for Technology Park has been divested and the project has been relocated to The Mangrove Project site, in view of a more feasible value proposition. As a result, the Fund's operations would be concentrated in its primary project, The Mangrove, which remains the only active development in the portfolio.

## Economic & Industry Risk

**Economic Overview** Pakistan's real estate and construction sector showed improvement in FY25, supported by easing inflation, lower interest rates, and a more stable macroeconomic backdrop. While early-year activity was subdued due to high costs and weak demand, recovery is progressing as investment flows stabilize, PSDP (Public Sector Development Programme) spending strengthens, and government measures— including expected tax relief—boost sector activity. Overall, improving financing conditions and sentiment are driving a steady recovery through FY25. Going forward, the real estate sector in the country is entering a new era shaped by sustainability, technology and government-driven reforms. At the same time, mixed developments that combine residential, commercial and retail spaces are becoming common to attract investors.

**Industry Dynamics** As of Sep'25, ~34 RMCs are registered with the SECP with total assets amounting to PKR~15.06bln (~0.2% NBFCs' total assets) (Jun'25: ~32 RMCs with PKR~15.04bln in assets or ~0.3% of NBFCs' total assets). TPL RMC launched Pakistan's first hybrid Non-PPP REIT, "TPL REIT Fund I", in Dec'21. The Fund completed its first close at PKR 18.35bln, which was fully drawn by June 2024, firmly establishing its market presence.

## Asset Quality Risk

**Market Position** The Fund would be concentrated in its primary project, The Mangrove, following the divestment of the other two project SPVs and relocation of Technology Park Project to The Mangrove Project site; this translates in increased exposure and potential sensitivity to fluctuations in salability and occupancy. The NAV and Fund size are expected to change following the sale of One Hoshang and the Technology Park. The property's market position would depend on the quality of its services, maintenance, and available amenities, while its development would follow established standards for safety, sustainability, and environmental compliance.

**Tenancy Risk** Upon completion, the project may face tenancy risk, which also applies to TPL REIT Fund-I as a hybrid REIT. However, the rental REIT portion constitutes a minimal share of the total hybrid fund, rendering its risk impact negligible.

**Legal Risk** The land acquired for the project is clear from any lien mark, stay orders against the transfer of the legal title, availability of complete documentation, and approvals obtained from relevant authorities for real estate development.

**Third-Party Service Provider Risk** TPL - RMC is working with several highly qualified and renowned third-party service providers who have a history of delivering timely and top-quality products. However, there will always be a risk that the third-party service providers fail to deliver or the quality is not up to the standards. In the case of TPL REIT, TPL Developments (Private) Limited is the development advisor, which is a subsidiary of TPL Properties Limited. TPL Properties Limited, through its property management arm, has expertise in the property management of rental assets. The independent valuator appointed for the valuation of properties is Savills Pakistan, which is on the list of approved valuers maintained by the Pakistan Bank's Association. This ensures the independence of the valuator. The auditor of the TPL REIT FUND -I is KPMG Taseer Hadi & Co., which falls under category "A" on the panel of approved auditors maintained by SBP, has audited the Fund's FY25 financial statements and issued an unqualified opinion. The Fund Administrator for the offshore feeder fund of TPL REIT is MAPLES GROUP, a leading international fund administrator. Digital Custodian Company has been engaged as the Trustee of TPL REIT.

**Event Risk** There is an event risk of unexpected cash outflows. Insurance arrangements can mitigate this risk.

## Financial Risk


**Cashflows** The Fund has completed its first funding round of PKR 18.35bln in tranches. Following disbursement, TPL Properties (strategic investor) holds 38.02%, while other investors collectively hold 61.98% of the Fund. Currently, cash flows are expected from the sale of Technology Park and the advance sale process of The Mangrove Phase-I. The Mangrove will generate cash flows in a phased manner, with project completion expected across six phases.

**Coverages** TPL RMC plans to meet the capital requirement of the projects from advances against the off-plan sale of inventory, in addition to proceeds raised in its Financial Close. There is a risk that the quantum and stability of the cash flows are not according to expectations. The REIT Fund proposes to distribute at least 90% of its profits (excluding unrealized gain) as dividends to its unitholders. The Fund may retain minimal liquidity that it would invest surplus funds in liquid assets approved by the investment committee. Liquid assets may include Government securities, money market funds, or deposits with commercial banks having at least AA long-term rating.

**Capital Structure** Going forward, the Fund may avail borrowing from financial institutions either at the Fund or SPV level (as necessary). All borrowing shall be availed with the approval of the REIT Manager's Board of Directors and the Trustee, or the Board of Directors of the SPV, as applicable.

## Management Review

**REIT Manager** TPL REIT Management Company Limited ("TPL-RMC" or the "Company") is a public limited company, regulated by the SECP. TPL-RMC was incorporated in 2018 to capitalize on the emerging REITs market in Pakistan. TPL-RMC holds the license to undertake REIT Management Services. The RMC is generating income from management and performance fees earned from providing REIT management services to TPL REIT Fund I. The RMC is charging an annual management fee @1.5% of NAV and a performance fee @ 15% of the change in NAV from the REIT fund. During FY25, the per unit NAV of the REIT Fund stood at PKR 18.28 per unit (FY24: 17.87 per unit).

 <b>The Pakistan Credit Rating Agency Limited</b> <b>TPL REIT Management Limited</b> <b>Public Limited</b>				
			<i>PKR mln</i>	
	<b>Jun-25</b>	<b>Jun-24</b>	<b>Jun-23</b>	<b>Jun-22</b>
	<b>12M</b>	<b>12M</b>	<b>12M</b>	<b>12M</b>
<b>A BALANCE SHEET</b>				
1 Earning Assets	1,162	1,120	867	337
2 Non-Earning Assets	1,370	1,068	1,213	523
<b>3 Total Assets</b>	<b>2,532</b>	<b>2,187</b>	<b>2,081</b>	<b>860</b>
4 Total Borrowing	-	-	-	-
5 Other Liabilities	853	699	718	217
<b>6 Total Liabilities</b>	<b>853</b>	<b>699</b>	<b>718</b>	<b>217</b>
<b>7 Shareholders' Equity</b>	<b>1,679</b>	<b>1,489</b>	<b>1,363</b>	<b>643</b>
<b>B INCOME STATEMENT</b>				
1 Investment Income	908	637	1,052	463
2 Operating Expenses	(449)	(398)	(493)	(129)
<b>3 Net Investment Income</b>	<b>459</b>	<b>239</b>	<b>560</b>	<b>333</b>
4 Other Income	-	-	-	(0)
5 Total Income	459	239	560	333
6 Other Expenses	(162)	(2)	(5)	(7)
7 Total Finance Cost	(2)	(0)	(0)	-
<b>8 Profit Or (Loss) Before Taxation</b>	<b>296</b>	<b>236</b>	<b>554</b>	<b>326</b>
9 Taxation	(105)	(111)	(190)	(98)
<b>10 Profit After Tax</b>	<b>190</b>	<b>126</b>	<b>364</b>	<b>229</b>
<b>C RATIO ANALYSIS</b>				
<b>1 Investment Performance</b>				
i. Investment Income / Average AUMs	N/A	N/A	N/A	N/A
ii. ROE	12.0%	8.8%	36.3%	43.5%
iii. ROA	8.1%	5.9%	24.8%	35.8%
<b>2 Financial Sustainability</b>				
i. Coverages				
a. Total Borrowing / EBITDA	N/A	N/A	N/A	N/A
b. EBITDA / Finance Cost	N/A	N/A	N/A	N/A
ii. Capitalization				
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	0.0%	0.0%	0.0%	0.0%

### REIT Fund Rating (RFR)

An independent opinion on a Development or Hybrid REIT fund's likelihood of successful implementation of REIT projects and risk factors impacting value of REIT assets.

Scale	Long-Term Rating
<b>RFR1</b>	<b>Exceptionally Strong</b> likelihood of successful implementation of REIT project. Risk factors impacting value of REIT assets are negligible over the foreseeable future.
<b>RFR2++ RFR2+ RFR2</b>	<b>Very Strong</b> likelihood of successful implementation of REIT project. Risk factors impacting the value of REIT assets are modest over the foreseeable future.
<b>RFR3++ RFR3+ RFR3</b>	<b>Strong</b> likelihood of successful implementation of REIT project. Risk factors impacting value of REIT assets may vary with possible changes in the economy over the foreseeable future.
<b>RFR4++ RFR4+ RFR4</b>	<b>Adequate</b> likelihood of successful implementation of REIT project. Risk factors impacting value of REIT assets are sensitive to changes in the economy over the foreseeable future.
<b>RFR5</b>	<b>Weak quality</b> likelihood of successful implementation of REIT project. Risk factors impacting value of REIT assets are capable of fluctuating widely if changes occur in the economy.

### Rating Modifiers | Rating Actions

<b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	<b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	<b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	<b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	<b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.
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**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

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### **Rating Team Statements**

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

### **Restrictions**

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

### **Conduct of Business**

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

### **Independence & Conflict of interest**

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

### **Monitoring and review**

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

### **Probability of Default**

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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