

RATING REPORT

Dolmen City REIT

REPORT DATE:

August 10, 2016

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	REIT Rating	
REIT Rating	RR1	RR1
Rating Date	July 25, '16	May 26, '15

COMPANY INFORMATION

REIT Name: Dolmen City REIT	Shariah Advisor: Mufti Muhammad Ibrahim Essa
RMC: Arif Habib Dolmen REIT Management Limited	Scheme: Perpetual, listed closed-end Rental REIT
Chairman of the Board: Mr. Nasim Beg	Listing: Pakistan Stock Exchange (PSX)
Chief Executive Officer: Mr. Muhammad Ejaz	Valuer: NESPAK
Property Manager: Dolmen Real Estate Management (Pvt.) Limited	
Trustee: Central Depository Company of Pakistan Limited (CDC)	

APPLICABLE METHODOLOGY(IES)

Real Estate Investment Trusts (January 2015) (<http://www.jcrvis.com.pk/Images/RentalREITs-Methodology%202015.pdf>)

Dolmen City REIT

OVERVIEW OF THE FUND	RATING RATIONALE
<p>DCR is a perpetual, listed, close-end rental REIT and was established on 20th January 2015 under Trust deed between Arif Habib Dolmen REIT Management Limited, as the REIT Management Company and Central Depository Company of Pakistan Limited as the Trustee of the fund. DCR is governed under the REIT Regulations 2015. The fund received the approval of the scheme on 29th May 2015 and subsequently got listed on Karachi, Lahore and Islamabad Stock Exchanges (Now Pakistan Stock Exchange) on 26th June 2015.</p>	<p>The assigned rating to Dolmen City REIT (DCR) takes into account the shopping mall plus office space combination of the property. Rating also reflects continuous increase in footfall, high occupancy levels and diversified tenant profile. The competitiveness of the property based on the established quality of services, provision of amenities and maintenance of the office and mall space in addition to its geographic location are other important rating drivers.</p> <p>Aggregate occupancy level of DCR posted an increase and reported at 98.93% at end-March'2016; 100% occupancy was noted at Harbour Front while occupancy at Dolmen City Mall was 98.43%. Moreover, leasable area also increased on the back of area optimization and revision in commercial terms with a dient at the Harbour Front. The Dolmen Mall features a strong mix of local and international brands that have a track record of timely rental payments. New tenant added during FY15 and FY16 feature reputed names. The Harbour Front building is predominantly occupied by multinational companies and high profile corporate tenants. Chevron, Phillip Morris, Mitsubishi Corp, Procter & Gamble, Asia Petroleum, Citibank and Engro Corporation, are few of the top dients occupying the building. The tenancy mix suggests financially sound corporations with extensive track records. Tenancy agreements are in place with a weighted average lease expiry of roughly 4.5 years. Greater competition in terms of availability of comparable facilities may affect occupancy rates and return for investors over the long term, particularly if economic growth faces slowdown. However, assurance of returns over the foreseeable horizon is considered high.</p> <p>Rental income generated by Dolmen City REIT has depicted growth on a quarter on quarter basis during FY16 on account of increase in occupancy rates and renewal of existing rental agreements at higher rates. Rental income generated during 9M16 has exceeded projections. On average around 70% of the rental income is generated from Dolmen Mall with the remaining being generated through The Harbour Front. While client concentration in terms of rental income is high, comfort is drawn from the volume of tenants, lengthy tenancy agreements in place with most dients and provision of state of the art facilities and services management by the Property Manager. Dividend yield for investors (based on June 30, 2016 dosing price) was 9.6%.</p> <p>Net equity of DCR stood at Rs. 25.9b at end-March'2016. All of the distributable income is proposed to be distributed, in view of which cash build-up in the fund will be limited. The assigned rating also takes into account the profile of Dolmen and Arif Habib Groups, which feature as shareholders in International Complex Projects Limited and the REIT Management Company. Both these groups are financially sound and have prior experience in the real estate sector.</p>

Dolmen City REIT**Appendix I**

BALANCE SHEET (Rs. In Millions)	9M16	FY15
Non-current Assets-Investment property	23,928	22,237
Paid up capital	22,237	22,237
Net Equity	25,901	22,688
Net Asset Value per unit	11.65	10.2
<u>INCOME STATEMENT</u>		
Rental Income	1,852	193
Total Income	1,938	199
Net Operating Income	1,703	181
Profit after tax	3,383	169
Dividend	2,312	169
<u>TOTAL RETURN ANALYSIS</u>		
Net Dividend Yield (%)	9.6%*	8.7%
Capital Appreciation (%)	-1.1%	-
Total Return	8.5%	8.7%

* Dividend yield calculated based on share price as at June 30th, 2016

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURE		Appendix II	
Name of Rated Entity	Dolmen City REIT		
Sector	Miscellaneous		
Type of Relationship	Solicited		
Purpose of Rating	REIT Rating		
Rating History	Rating Date	REIT Rating	Rating Action
	26-May-15	RR1	Initial
	25-July-16	RR1	Re-affirmed
Instrument Structure	N/A		
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.		
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