

# PROSPECTS OF REAL ESTATE INVESTMENT TRUST IN PAKISTAN



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## **ABSTRACT**

A REIT is a real estate company that offers common shares to the public. The pattern of ownership is similar to other stocks but its unique features include managing groups of income producing properties and its profit distribution.

**"A special type of security that sells as a stock on the major exchanges and invests in real estate directly, either through properties or mortgages"**

A country needs large scale investment to support its economic growth and this objective cannot be achieved without boosting investment in productive activities. A common man can invest directly in a business by contributing to an intermediary company like bank, mutual fund or investment trust. Historically, people used to keep their investment in National Saving Schemes or in the saving accounts of the commercial banks. Other modes of savings were currencies mostly U.S \$ and affluent people also tend to invest in real estate. However, with the recent declining trend in the NSS and bank deposits with the effect of shooting inflation, people are desperate to search for other alternatives. Real estate sector of Pakistan is highly over priced and it is impossible for a common man to invest in real estate.

REIT's receive special tax considerations and typically offer investors high yields as well as a highly liquid method of investing in real estate.

Individual investors can choose to more broadly benefit from the opportunities in the REIT market by investing in

the REIT Mutual fund. These mutual funds are run by portfolio managers with a high degree of expertise in the real estate industry.

As far as creating portfolio of real estate in concerned, Pakistan is rich in land. With the development of Gawadar port, the prices of land in Baluchistan would also increase due to development activities. Site areas of Karachi and Hyderabad can also be included in the portfolio of REIT.

## TABLE OF CONTENTS

CHAPTER	PAGE NO.
<b>I. INTRODUCTION</b>	
<b>I.1</b> Broad problem area/Background	1
<b>I.2</b> Problem Statement	4
<b>I.3</b> Rationale of Study	5
<b>I.4</b> Scope and limitations	6
<b>II. LITERATURE REVIEW</b>	7
<b>III. METHOD</b>	
<b>3.1</b> Research design	11
<b>3.2</b> Research Method	11
<b>3.3</b> Research Instrument	11
<b>3.4</b> Respondent of study	12
<b>3.5</b> Treatment of Data	12
<b>IV. RESULTS AND DISCUSSION</b>	13
<b>V. CONCLUSION AND RECOMMENDATIONS</b>	44
<b>BIBLIOGRAPHY</b>	55