

Privatisation of Services International Hotel Lahore



Privatisation Commission
Government of Pakistan

Transaction Teaser

September 2020



Introduction to the Transaction

- The Government of Pakistan (“GoP”) intends to sell the Services International Hotel (“SIH”) Property Lahore to a local / international interested party (Individual / Corporates, etc.) (the “Transaction”). The Privatisation Commission (“PC”) on behalf of the GoP thus invites Expression of Interest (“EOI”) from potential investors interested in purchasing the Property.
- GoP / PC has appointed the Financial Advisory Consortium comprising of Colliers International Pakistan (Private) Limited, Elixir Securities Pakistan (Private) Limited (Financial Advisors) and Mohsin Tayebaly & Co. (Legal Counsel) to conduct this Transaction.

Salient Features of the Transaction

- 1 ***Ideal Location - Central Locality and in Close Proximity to Demand Generators***
- 2 ***Sizeable Land Parcel measuring 15 Kanal, 3 Marlas & 113 sq. ft., ideal for a Commercial Development***
- 3 ***Commercialized Property; construction of any and all asset classes allowed***
- 4 ***1:16 Floor Area Ratio allowed by Lahore Development Authority***
- 5 ***Height Allowance of 310 Feet approved by relevant Authorities – to be one of the tallest developments in the City***

Transaction Next Steps

- Key next steps for the Transaction are as follows:

Expression of Interest

Pre-qualification
of Bidders

Pre-Qualified Bidders' Due
Diligence

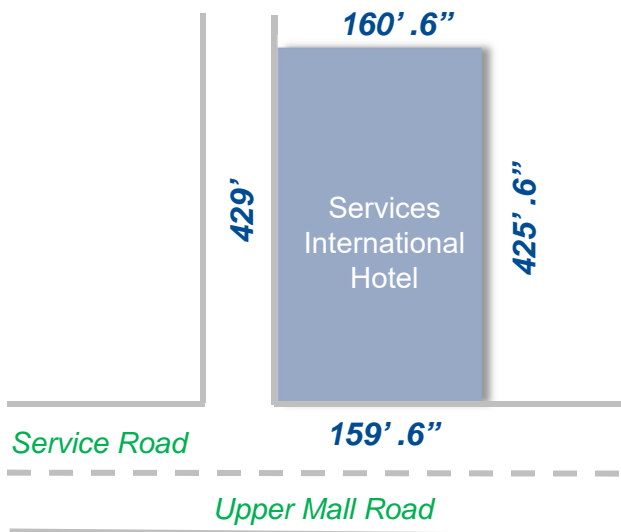
Pre-bid Meeting

Bidding

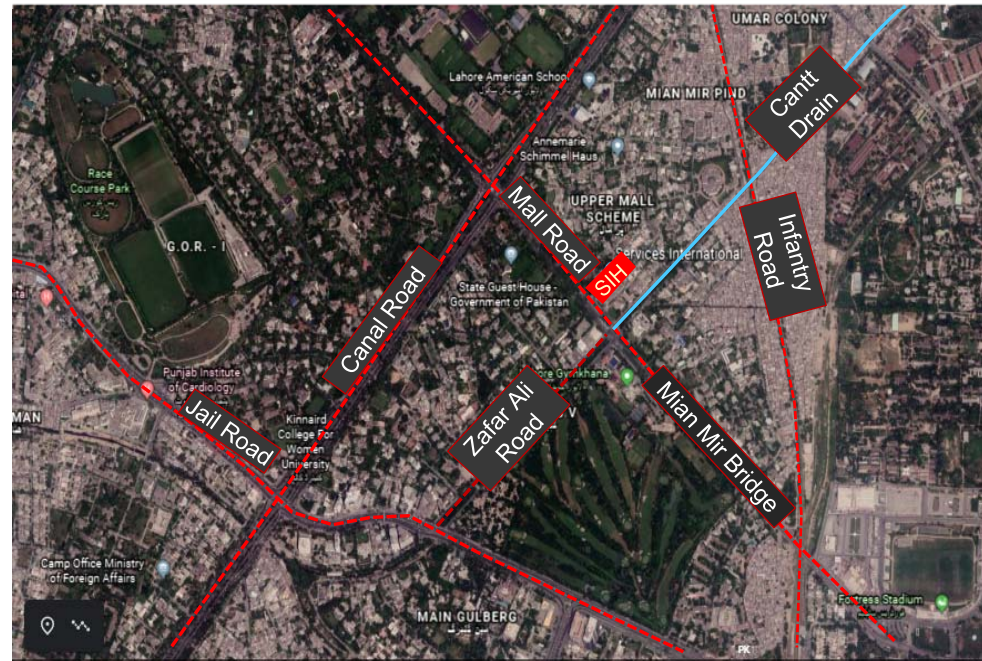
Services International Hotel Property Overview

- The Services International Hotel property is located Upper Mall Road, Lahore and is spread over an area of 15 kanal 3 marla and 113 sq. ft.
- The Property has a four storey structure with a built up area of approximately 93,850 sq. ft. and is presently occupied by National Insurance Corporation Limited (“NICL”) which is operating its office on the ground floor.
- The site is a corner plot surrounded by some of the primary traffic arteries of Lahore such as Canal Road, Mall Road and Jail Road making it a central location easily accessible from multiple routes and close to all local amenities.
- The plot measures approximately 68,269 sq. ft. or 7,585 sq. yds. with a front of 159’-6” and a maximum depth of 429’-0”.

Site Measurements



Ideal Location & Ease of Access



Development Parameters as per LDA By-laws

Parameter	Approved Metric
Plot size (sq. ft.)	68,269
Max Ground cover @ 50% (sq. ft.)	34,135
FAR	1:16
Allowable Height	310 feet
Allowed Maximum Built Area (sq. ft.)	1,092,304

Services International Hotel Property Overview

Central Location & Close Proximity to Demand Generators



Key Investment Highlights

Services International Hotel Property

1 Commercialization & Favorable Development Parameters

The Property has been awarded a Commercial Status by the LDA with further incentives of a Floor Area Ratio of 1:16 and a Height Allowance of 310 feet by Authorities qualifying the Property for any commercial development without restrictions on land usage.

2 Ideally Located for Enhanced Visibility & Accessibility

The Property is strategically located in close proximity to notable landmarks, demand generating sites and public amenities. The corner location and dual access points provide strong visibility further adding value for a potential development.

3 Strong Demographics and Altering Lifestyles Conducive to Real Estate Demand

Lahore's population has grown at a CAGR of 3% since 1998 and is expected to follow the same trajectory in the future. This coupled with smaller family sizes and higher disposable incomes is expected to drive property demand in particular for apartment buildings.

4 Socioeconomic Factors Driving Property Market in Urban Dwellings

With one of the highest Urbanization Rates in South Asia, urban population in Pakistan is expected to grow exponentially. An influx of migrants has been witnessed to metropolitan cities such as Lahore in search of improved job prospects, higher pay and better living standards; driving demand for real estate.

5 Government Incentives - Real Estate Tax Amnesty / Construction Industry Package

Relaxations provided to Real Estate Sector and Taxation amnesty for Builders and Developers announced by the Government of Pakistan acting as a major stimulus for the real estate industry; reducing development costs and attracting investment in the sector.

6 Shifting Corporate Cultures to Office Developments & Co-working Spaces

Increased demand for Office real estate has been witnessed as businesses look to shift to high quality buildings offering facilities to suit their business needs in the city.

7 Consistent Improvement in Infrastructure Attracting Development in Lahore

Quality infrastructure is an important consideration for real estate investment. Government's dedication to Placemaking has been attracting demand across all asset classes in Lahore.

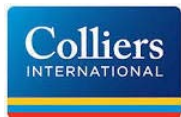
Special Incentive Package for Construction Sector

The GoP has introduced Tax Laws (Amendment) Ordinance, 2020 to provide a Special Incentive Package for promotion and support of the Construction Sector, starting April 2020. The Prime Minister also announced grant of industry status to the construction sector along with formation of Construction Industry Development Board.

Highlights of the package are as follows:

- Builders or Developers may opt to pay tax under the special tax regime.
- Fixed tax on the income and gains of any Builder or Developer which shall be calculated on the basis of area of a project. Builder or developer needs to be registered on project to project basis on FBR website.
- New projects set up between April 2020 and completed by September 2022 and existing projects set up prior to April 2020 and completed by September 2022 are eligible for the regime.
- Exemption / protection from probe into sources of funding i.e. provisions of Section 111 of Income Tax Ordinance 2001. Immunity from probe regarding sources of investments on:
 - *Amount invested (between 17 April 2020 to 31 December 2020) as capital in Building or Land subject to certain Conditions*
 - *To the first purchaser of a Building or a unit purchased from a Builder in respect of purchase price (may be settled up to 30 September 2022) of the Building or Unit*
 - *To the purchaser of a Plot (purchased between 17 April 2020 to 31 December 2020) who intends to Construct a Building thereon subject to certain conditions*
- Builders or Developers opting for the scheme shall be allowed to incorporate profits and gains accruing from such projects up to 10 times of tax paid under eleventh schedule of 2001 Ordinance.
- Dividend income received by a person from the Builder or Developer being a company out of the profits and gains derived from a project shall be exempt from tax.
- Builders and Developers exempted from withholding tax on purchase of building material except steel and cement and on services of plumbing, electrification, shuttering and other similar and allied services obtained from non-corporate service providers.
- Complementary Reduction in Stamp Duty / Taxes by Provincial Governments.

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Disclaimer

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