



KARTARPUR CORRIDOR-REITS

Abstract

The historic moment of opening Kartarpur Corridor by Pakistani government officially allowed Indian Sikh pilgrims visa-free access to these religious sites in Pakistan. The Pakistani government aims to meet all the developmental expenses for both religious places and the connecting corridor. There was a need to develop Nankana Sahib (another holy site in Pakistan) and Kartarpur on the same level and pattern so that the younger and future generations do not feel any difference between the two holy places. Therefore, on behalf of the Pakistani government, the Sikh community based in Britain and other countries was invited to invest in educational, hotel and business industries so that huge profits could be availed out of their investments. In this context, the underlying study was carried out to identify the potential real estate investment opportunities available as a result of this initiative by analyzing the scope of real estate investment funds.

Key findings

Study findings addressed that the laid foundation of Kartarpur Corridor has given rise to an incredible investment opportunity for not only Sikhs, but also the general population of Pakistan. In Pakistan, three types of Real Estate Investment Trust (REIT) schemes were introduced by the Securities and Exchange Commission of Pakistan (SECP) including rental REITs in which investments are made in commercial and residential real estate to generate rental incomes, developmental REITs in which land is acquired by REIT for the development of commercial, industrial and residential real estate with the purpose to sell or rent it afterwards, and hybrid REITs in which investments are made in both properties and mortgages. Furthermore, the results identified certain benefits of REITs for the investors including investment diversification through which portfolio volatility and management risks can be reduced by adding REITs in the portfolio, debt free investment as REIT has a debt free structure and is free from related cash flow distress and default risks, transparency since REITs follow same disclosure policies as other public listed companies, and liquidity as REITs are listed at the stock exchange which provides investors the option to exit at any time.

Implications

The research suggests that construction businesses require a lump sum amount of initial investment upfront, and the payback period happens to take longer when compared to other projects. This is a major reason why people feel discouraged from investing in big construction projects. Hence, there is a need to devise ways through which even the smallest investor could participate to increase the investment pool and derive benefits. The study analysis further suggests that choosing REITs is the most practical and benefitting option. The areas around Nankana Sahib and along the entire route from Gurdwara Sri Janam Asthan in Nankana Sahib to the Gurdwara in Kartarpur need to be developed to cater to the influx of millions of Sikhs coming for their pilgrimage. Therefore, the need of the hour is to establish housing societies, malls, restaurants, hotels, apartments, recreational spots, petrol pumps, resting areas, commercial plazas, workshops and hospitals. Similarly, one of the areas in the vicinity of Nankana Sahib is Kalibair, which can be of immense interest for investors due to its high accessibility, visibility, traffic flow and footfall.

Citation

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SDGs



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