



Real value in a changing world

Jones Lang LaSalle's

Top 10 for 2010

Defining the 'New Normal'
for UAE Real Estate

15 February 2010



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- Jones Lang LaSalle (NYSE:JLL) is a specialised **real estate** professional and financial services firm.
- With 2009 global **revenue of \$2.5 billion**, Jones Lang LaSalle serves clients in 60 countries from 750 locations worldwide, including 180 corporate offices
- We are the only real estate services firm to have been named by the *Ethisphere Institute* as one of the “**World’s Most Ethical Companies**” and *Ethics Inside certified*, both in 2008 and 2009

Jones Lang LaSalle MENA

- The largest real estate services firm in the MENA region with over 150 professionals working in 23 markets
- US\$ 200 billion Real Estate Advisory
- US\$ 1+ billion Real Estate Fund / Transactions
- Full service offices in **Dubai, Abu Dhabi, Jeddah, Riyadh, Cairo** and **Istanbul**



Top 10 for 2010

10. 'From Asset Creation to Asset Management'

With tightening demand developers need to reconsider how their assets are managed

- 2006-2009 was period of development and asset and value creation
- 2010 onwards will be focused on asset management and value retention
- Better managed assets will retain value in a more competitive, quality driven market

Quality Management

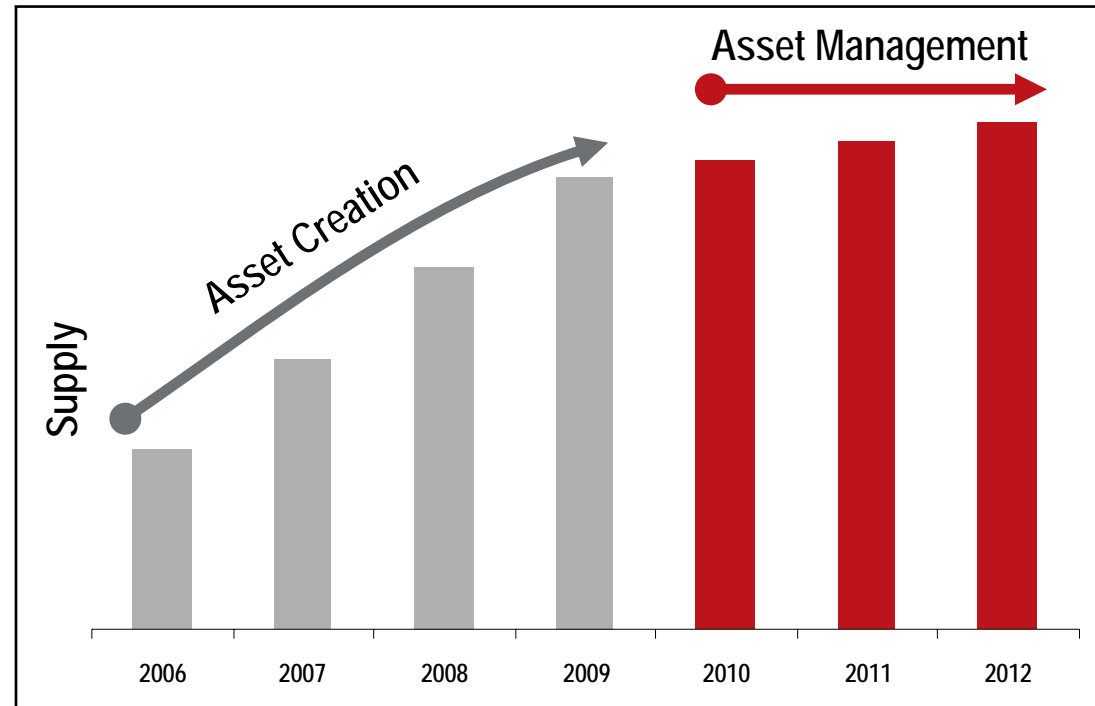


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9. From Landlord to Tenant Market

Tenant is king in an increasingly competitive market

- 2006 – 2009

- Under-supply

- Annual leases
- 1 cheque payment
- Annual rent increases

- No bargaining power

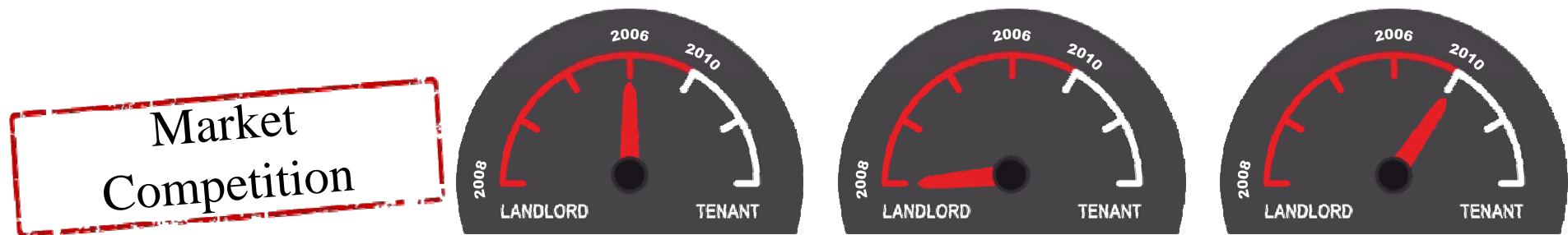
- 2010 onwards

- Increased attention to tenant retention

- Longer lease terms
- Decreased rates
- Better payment terms

- Greater competition for new tenants will require landlords to provide

- Fit out concessions / subsidy
- Rent-free periods
- Longer leases

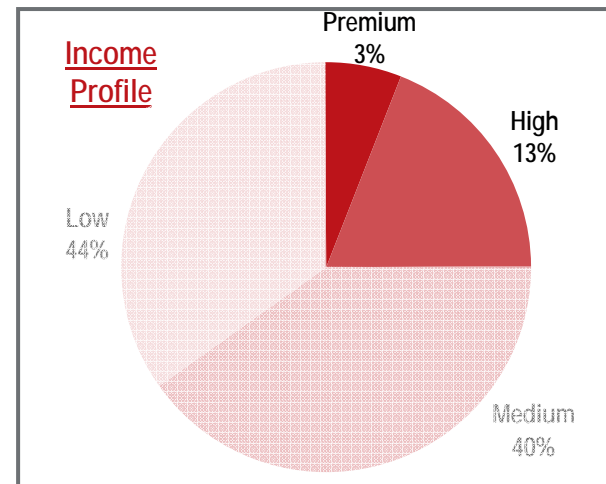
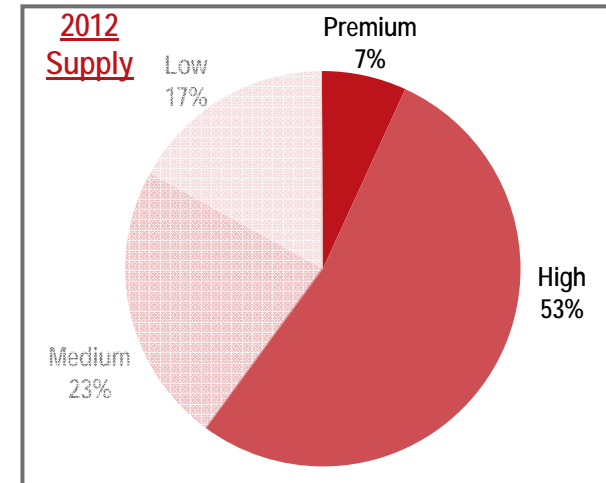


8. Real Homes for Real People

Moving from investors to end users

- Past 5 years:
 - Supply led
 - Investors / speculators
 - High end / secondary home markets
 - 60% of stock for 16% of the market (excl. labour)
 - Majority of supply built for average monthly salary of above AED 30,000
- Next 5 years:
 - End User Demand
 - Re-positioning of all asset classes
 - Quality and availability of services key
 - Transit, Schools, Parks, Neighbourhood Retail

Example: Dubai



Repositioned
for End-User

7. From Global to Local

The localisation of real estate

- Capital focuses on domestic priorities
 - Sovereign Wealth Funds / Government Related Entities / Family Wealth Funds
- MENA investors and developers will shift focus to local and regional rather than global markets
- Emphasis on markets with a large domestic demand base
 - KSA
 - Egypt
 - Morocco

Localisation of
Real Estate

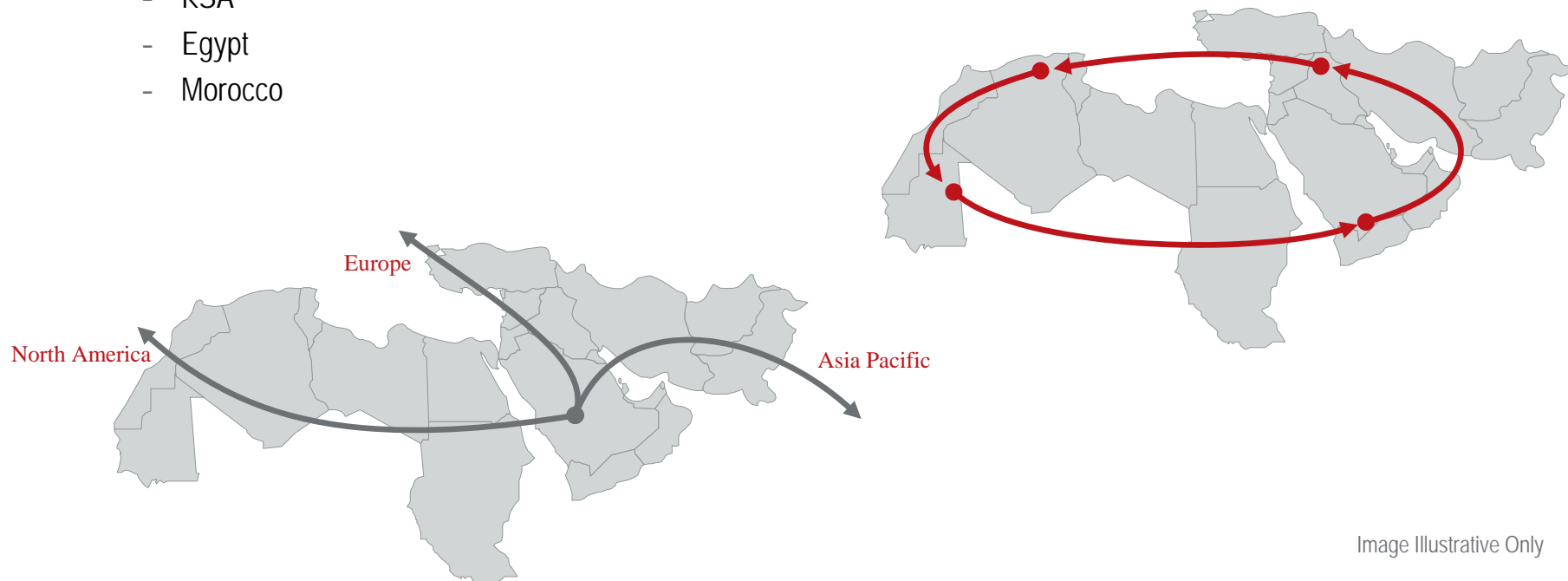


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6. Defining Real Value

Need to accurately reflect current value

- Problem in defining real 'value' in a market with few transactions
- Professionalisation of the valuation industry
- Valuations codes and practices to become more aligned with international best practice

Confidence and Professionalism

Investors



Owners



Banks



5. New Financing Model for Real Estate

Limited debt creates need for co-investment

- Limited debt will require larger equity investment "Cash is King"
- Co-investment and consolidation will lead the way forward
 - Family Wealth Funds
 - Investment Houses
 - High Net Worth Individuals
 - Private Equity
- Prioritisation of projects and focused investment activity
- Focus on completing projects under development
- Innovations in project financing: ie sale and lease back

Co-Investment &
Consolidation



4. New Real Estate Investment Paradigm

Focus on income producing assets

Sustainable
Income

- Longer term view on real estate
- Investors focusing on secure, predictable income streams rather than short term capital gains
- Little appetite for incomplete product without secure income stream
 - Tenant quality / credit worthiness and proven asset performance
- In line with global market practices



3. Rebuilding Trust and Confidence

Improvements in transparency and regulation

Transparency and Trust

- The need for greater transparency no longer optional but a necessity
- Return of trust essential in the race to competitiveness
- Both public and private sector responsibility
- Moving to greater maturity

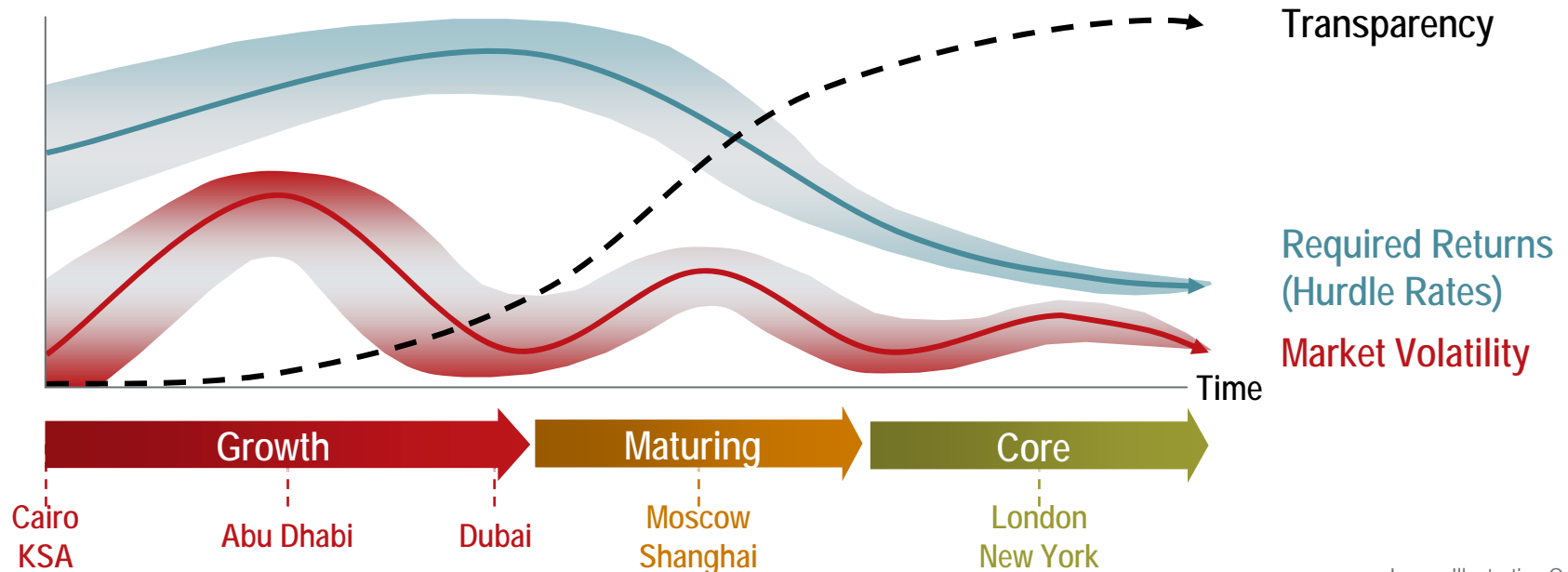


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2. Generating Demand

The key to recovery

- Stimulating end-user demand critical to timing of recovery
- Moving from transient visitor to long-term resident
- Shift from a supply-led to demand led market
- Initiatives aimed at employment generation
 - Sustainable job creation
 - Support for development of SMEs
 - Increased inward investment
 - Reduction of operating costs

Demand
Drivers

Job Creation



Residents



Tourism



1. Selective Stability

Markets cannot be assessed with a 'broad brush' approach

- Growth unlikely in 2010 in most sub-markets
- The rate of decrease however, will be much less steep than witnessed in 2009
- Timing of recovery will depend upon strengthening of investor and tenant demand
- Level of returns to become more stable and sustainable as markets mature

Selective
Stability

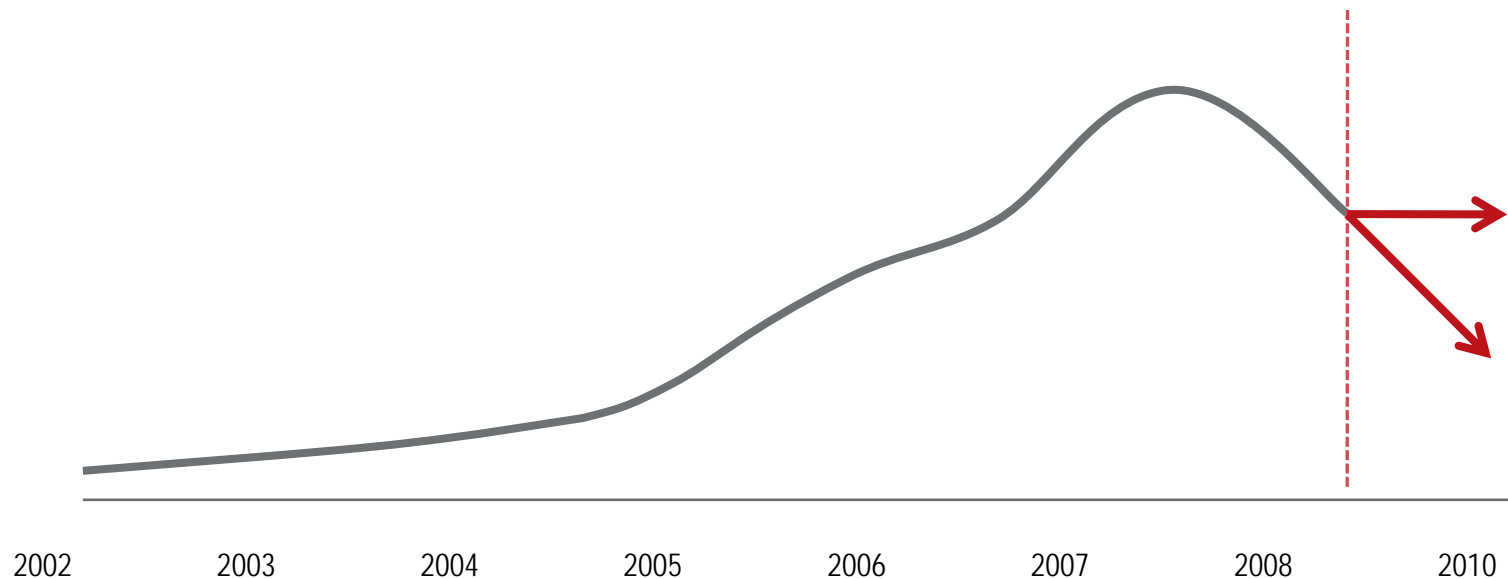


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Our Top 10 Predictions for 2010

- Owners will focus on the active management of properties versus new development
- Landlords will provide greater incentives to attract and retain tenants
- Luxury developments will be repositioned for the middle end user market
- MENA investors and developers will be more active in local and regional investments
- The valuations industry will become more professionally structured and regulated
- Limited debt will require investors to consolidate and prioritise investment activities
- Investors will accept stable rental yields as opposed to development profits
- Increased government regulation and improved corporate reporting will rebuild trust in the market
- Government policies will focus on creating long-term economic growth
- Growth unlikely in 2010. Selective markets to remain stable at best



Q & A



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Thank You

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