



*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



# One Company. One Experience. Around the Globe.

- 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

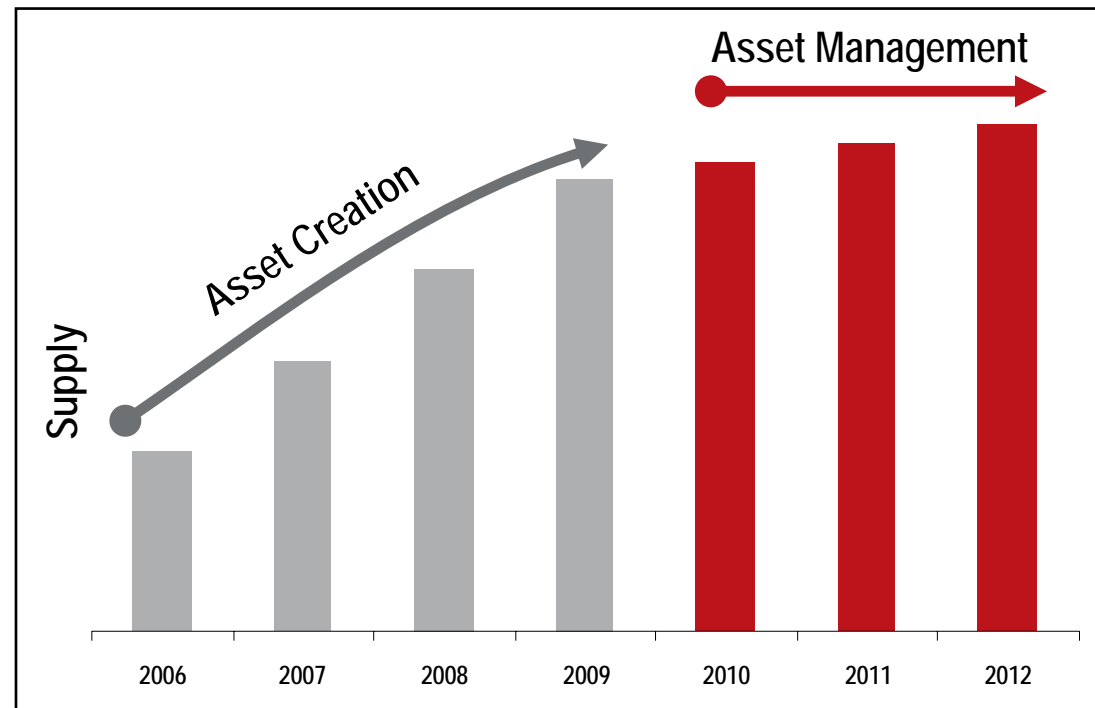


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# 9. From Landlord to Tenant Market

Tenant is king in an increasingly competitive market

- 2006 – 2009

- Under-supply

- Annual leases
- 1 cheque payment
- Annual rent increases

- No bargaining power

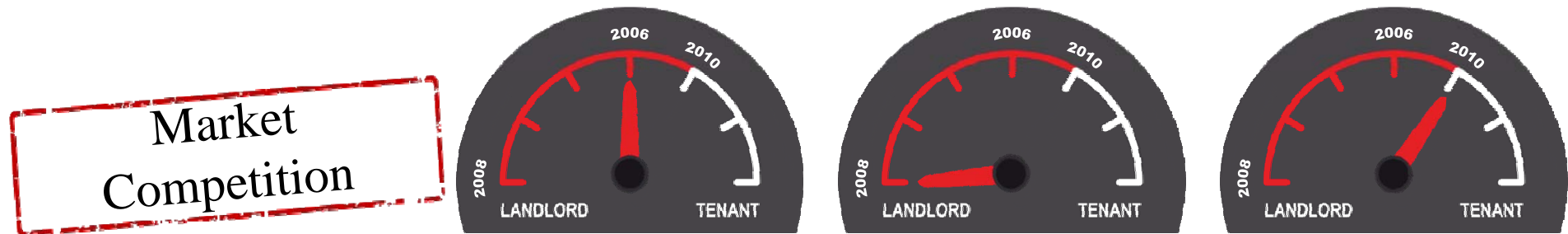
- 2010 onwards

- 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

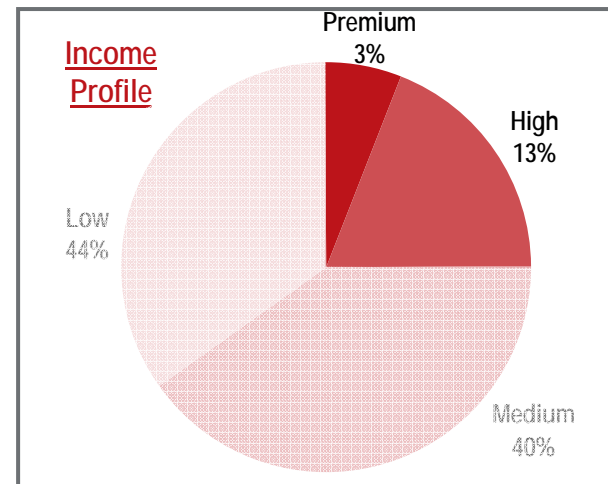
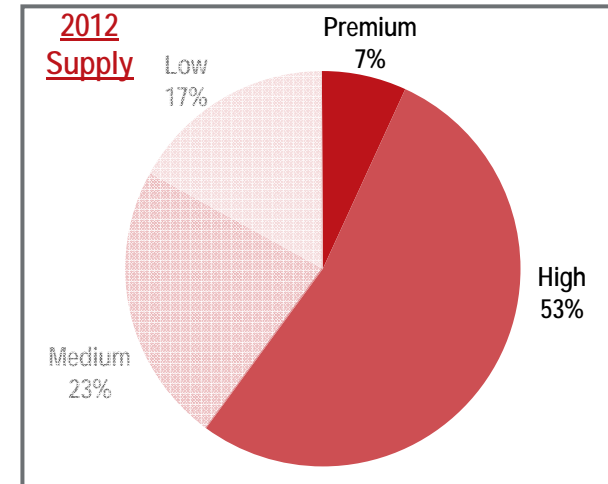


# 8. Real Homes for Real People

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

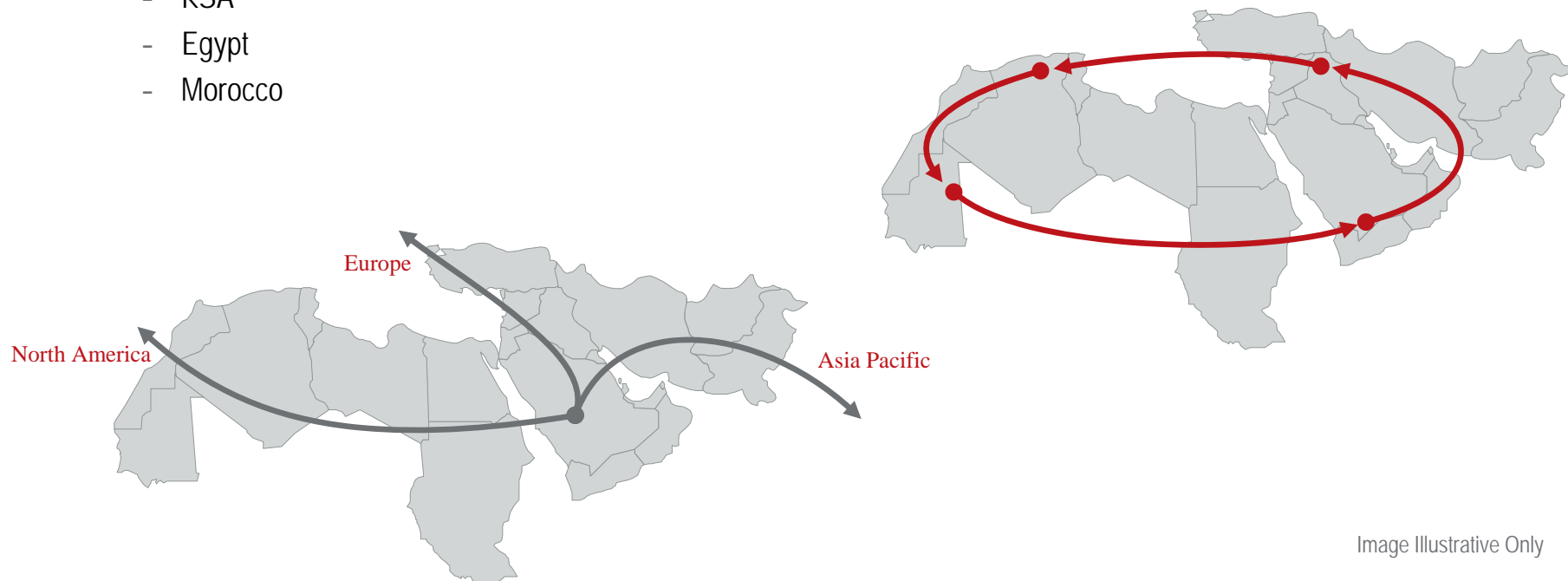


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# 6. Defining Real Value

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

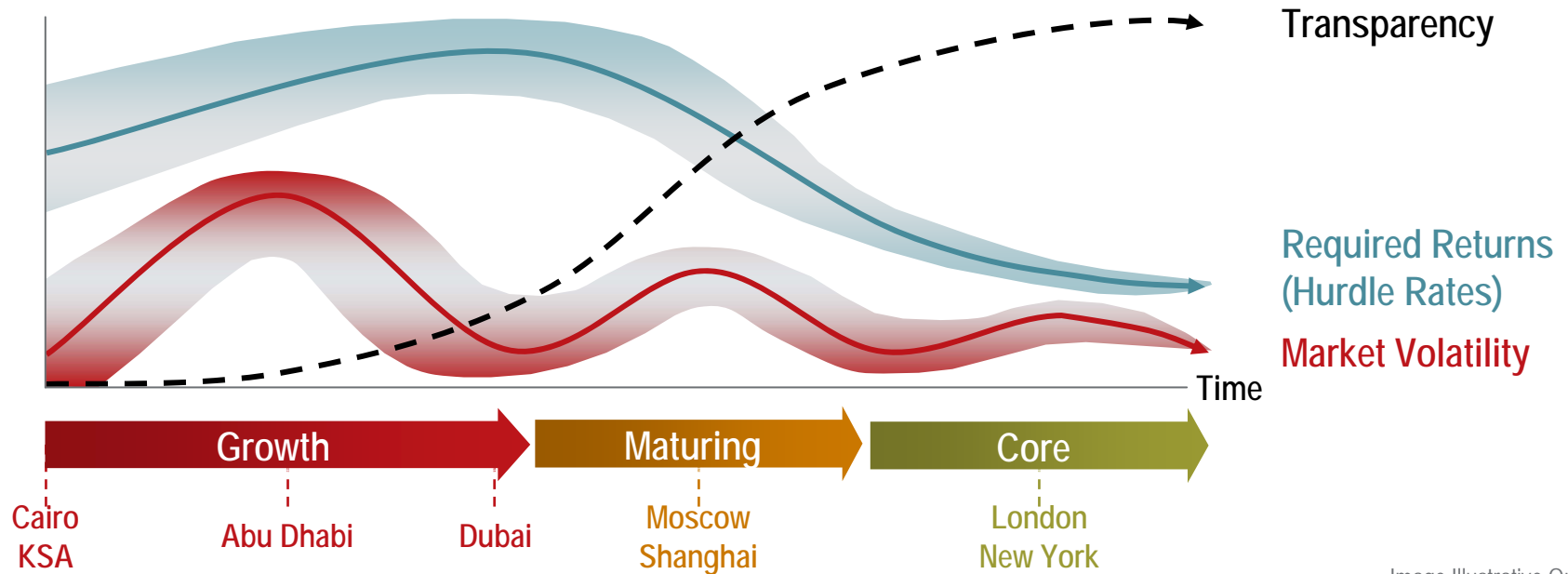


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## 2. Generating Demand

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

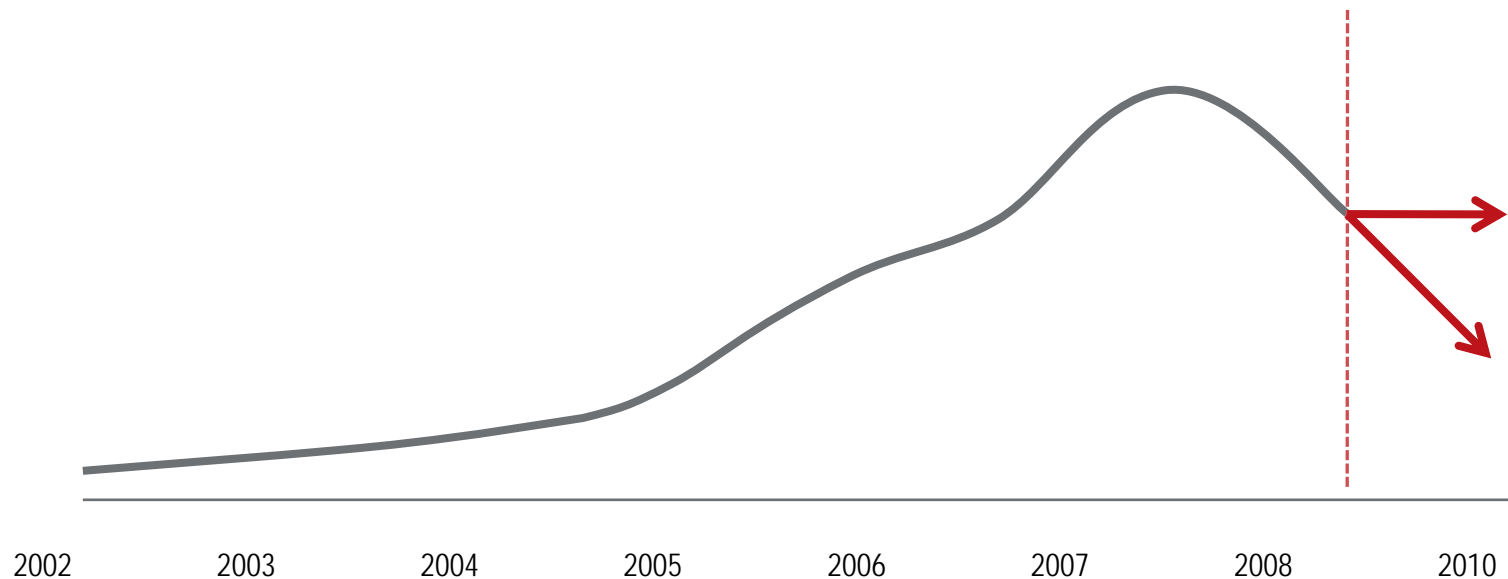


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# Our Top 10 Predictions for 2010

- 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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