



Real value in a changing world

World Winning Cities

Global Foresight Series

Abu Dhabi

A world winning city in the making



World Winning Cities

Jones Lang LaSalle's World Winning Cities programme is a multi-year research initiative designed to assess future city competitiveness and to predict the rising urban stars amongst the world's emerging markets in Asia, Central and Eastern Europe, North Africa, the Middle East and Latin America.

The programme was launched in 2002 and over the past six years we have assessed the city competitiveness of many of the world's emerging cities, based on rigorous and objective assessment of the key drivers of city success. Our research covers not only the standard measures of future performance (relating to the economy and demography), but we have also developed a framework for embracing softer metrics such as sustainability, quality of life, culture and city governance; issues that are just as crucial in determining a city's long term success.

In our first study back in 2002, we highlighted Dubai as being amongst a new wave of city winners, possessing many of the pre-conditions to develop into a "World Winning City". Dubai is now firmly established as one of 21 Emerging World Winning Cities; cities that have achieved success through a variety of attributes ranging from economic size, global influence, human resources and infrastructure investment through to socio-cultural dynamism, innovation capability and strong, visionary governance.

The World Winning Cities programme is now seeking to identify the next wave of rising urban stars; cities which we believe will be on the radar screen of the real estate industry over the coming decade. This is based on our on-going monitoring and analysis of city potential in over 130 emerging cities in China, India, CEE, Latin America and the Middle East.

Abu Dhabi stands out as offering amongst the most favourable prospects of any of the Emerging World Winning Cities. The city offers shining possibilities for long term growth through substantial wealth creating opportunities, massive infrastructure investment, a clear vision, strong governance and the availability of capital.



Cover: The Abu Dhabi skyline

Abu Dhabi is in a strong position to punch well above its weight in terms of influence on the world stage. We believe the city is on its way to becoming a city of substance by 2010, a regional hub by 2015 and a World Winning City by 2020, sitting alongside the likes of Shanghai, Mumbai and Dubai in terms of global reach and influence.

Emerging World Winning Cities





Abu Dhabi

A World Winning City in the Making

Many of the world's most exciting city building initiatives are now found in the Gulf, a region that is redefining the very essence of 21st century city competitiveness. Over the past decade the focus of global interest has been firmly on Dubai, a city that has set a new benchmark for visionary, supply-led city growth strategies. Attention is now starting to shift to neighbouring Abu Dhabi, the federal capital of the United Arab Emirates, which has its own impressive vision for the future

Abu Dhabi has ambitious plans to become a truly sustainable world class city, based on massive infrastructure investment, large scale real estate development, world leading cultural facilities and major events, underpinned by significant population and employment growth.

Uniquely for the region, the city is fully embracing urban master planning, with the launch of "Plan Abu Dhabi 2030". This plan has created a structured and clearly articulated framework for the city's long term growth. Significantly, the city also has the vision, governance and the funds to deliver on its promise, and to make the plan work.

Abu Dhabi has entered a new era of leadership and the city epitomises a fresh spirit of city building which is almost unmatched anywhere in the world. The city has learnt from the successes and challenges facing neighbouring Dubai, to create a complementary vision and strategy for Abu Dhabi's long term success. Abu Dhabi is offering a rare opportunity to rewrite the accepted standards of city competitiveness, unencumbered by the weight of what already exists.

Jones Lang LaSalle believes that Abu Dhabi

is a city to watch over the next decade, with an importance and influence that is expected to extend well beyond its immediate geography. Abu Dhabi is unique in its potential to create a new definition of urbanity for emerging cities based on influence rather than size. Its success in this regard will be closely examined by city strategists and real estate practitioners the world over.

Abu Dhabi epitomises a fresh spirit of city building

| Abu Dhabi | Key Facts |
|-----------|---|
| | Population Total, 2007: 930,000 ⁽¹⁾ Growth, % pa, 2007-2015: 6.2% ⁽¹⁾ |
| | Economy Total, USD Millions, 2007: 59,800 ⁽¹⁾ GDP/Capita, USD, 2007: 64,300 ⁽¹⁾ Real GDP Growth, % pa, 2007-2011: 7.7% ⁽²⁾ |
| | Real Estate Offices, Million sq m, 2007: 1.4 ⁽¹⁾ Retail, Million sq m, 2007: 0.86 ⁽¹⁾ Hotel Rooms, Number, 2007: 10,000 ⁽¹⁾ |
| | <small>(1) Metropolitan Region Estimate (2) National Projections</small> |
| | <small>Source: Abu Dhabi Plan 2030, EIU, April 2008 Jones Lang LaSalle April 2008</small> |



The Concept of a World Winning City

Any scholar of city building and urban futures will have observed the substantial changes over the last decade in the defining characteristics of a winning city

Abu Dhabi is creating a new definition of urbanity for emerging cities based on influence rather than size

Success based on size, scale and position in the hierarchy has been heavily tempered by attributes of physical and virtual connectivity, creativity, quality of life and of course the many shades of sustainability which are leading the 21st century urban agenda. Underpinning these concepts, the issue of effective and efficient city governance has become a focal point in city success factors; the most inspiring visions are redundant without the capacity to implement change.

This already challenging context for the city maker is further exacerbated by the severe pressures that inevitably sit alongside the world's current rates of urbanisation; concerns over resource constraints and environment fragility are focusing attention on the efficient use of our cities

and on the balance of demands made upon them by their many and varied stakeholder communities.

All of this is occurring against a backdrop of unprecedented competition for the status of world city where the traditional winners are working hard to re-invent themselves and where globalisation is enabling the emergence of a striking new breed of bold aspirational cities. Such youthful city making is unafraid of inventing new rules, and with little of the weight of historical problems of mature cities, stand to offer the world not just a modern vision of a future proofed city, but the framework within which to deliver it. It is in this context that we believe Abu Dhabi promises a revelation to the world's city makers.

Principles of City Competitiveness

“Abu Dhabi – A World Winning City in the Making” aims to capture and understand Abu Dhabi’s future competitive position, articulated through our 10 principles of city competitiveness. This report argues that Abu Dhabi offers amongst the most favourable combination of winning ingredients to become an Emerging World Winning City. While the city has a great opportunity, we also identify a number of challenges that must be addressed and overcome if this potential is to be realised.

So what are the factors that lead us to our prognosis that Abu Dhabi has the potential to be an Emerging World Winning City?

1. Performance

From Petro Dollars to Global Partnerships

Economic growth is clearly the fundamental marker of a city’s current position and potential. In many emerging cities the economics are transitional; from materials and manufacturing to services, knowledge and eventually even to cultural economies. In Abu Dhabi’s case, oil-based wealth will be the instrument of an evolution from resource dependence to a diversified economy that will not just add income, but colour, flavour, depth and a level of maturity to its commercial standing.

Abu Dhabi, as the federal capital of United Arab Emirates, accounts for about 60% of the national economy. Over the past five years, the city has witnessed robust economic growth, with real national GDP growth averaging over 9% per year, and double digit nominal growth recorded over the past three years. This growth has been underpinned by a combination of a stable political environment, sound macro-economic policy, high oil earnings and the gradual expansion of the non-oil economy.

Oil and gas has clearly brought considerable wealth to the city. Abu Dhabi is amongst the world’s richest cities, with GDP per Capita levels that are now in the same league as the world’s high-order business centres such as New York, London, Paris and Tokyo.

While its oil and gas reserves will continue to drive the economy, Abu Dhabi’s diversification strategy is expected to bear fruit as the city’s role and stature as a capital city are further enhanced, and its tourism, cultural and commercial functions are extended.

Most economists are predicting continued strong growth within a range of 7-9% per year, with Abu Dhabi’s performance boosted by further economic reforms, economic diversification and massive public and private sector investment.

Economic growth rates in Abu Dhabi compare

favourably with most of the world’s major emerging market business hubs. Only the main business hubs in China and India, which possess strong internal growth drivers, are expected to record higher rates of economic growth than Abu Dhabi over the next five years.

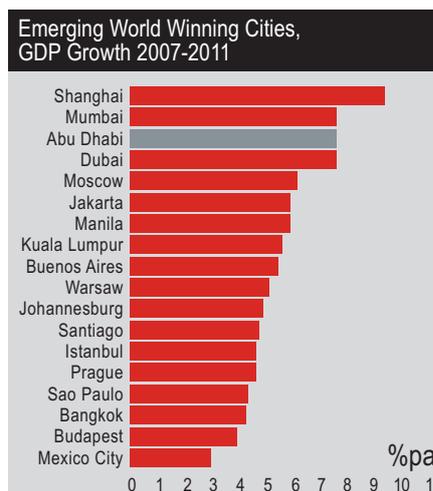
The city is in the rare position of having strong economic growth prospects and very high wealth levels, a combination virtually unmatched anywhere else in the world.

2. Population

Where Scale meets Society

While small by mega city standards, Abu Dhabi has the potential to punch far above its weight on the global arena. Its intention to grow through attracting a cadre of new residents to fulfil its promise as a diversified, culturally rich and continuously stable environment, gives a vision of a harmonious society which would be the envy of many a city. The provision of world class services for this population in a meticulously managed urban environment underpins this growth policy.

Abu Dhabi’s future growth strategy is underpinned by rapid population growth and in-migration.



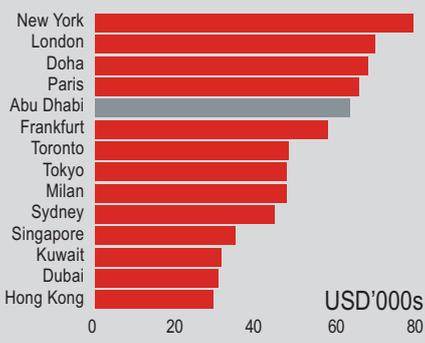
Source: EIU, Experian-BSL

The Ten Principles of City Competitiveness

- 1 **Performance**
*Economic Growth
Diversification, Partnerships*
- 2 **Population**
*Growth, Age,
Distribution*
- 3 **Planning**
*Controlled Growth
Vision, Regeneration*
- 4 **Power**
*Governance, Influence
Connectivity, Funding*
- 5 **Place Making**
*Events, Culture,
Meeting Places*
- 6 **Purity**
*Sustainability, Quality of
Life, Environment*
- 7 **People**
*Skills, Education,
Entrepreneurship, Creativity
Innovation, Inclusion*
- 8 **Physical**
*Architecture, Skylines
Infrastructure*
- 9 **Processes**
*Business Friendliness
Structures*
- 10 **Property**
*Regulation, Transparency
Stock, Performance*

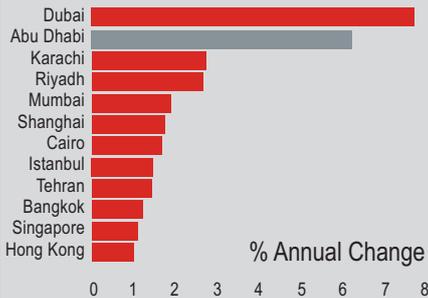
Strong economic growth rates and very high wealth levels are in a combination virtually unmatched anywhere in the world

GDP /Capita Comparisons 2007



Source: EIU, Miscellaneous National Sources, 2008

Population Change 2005-2015



Source: United Nations, Plan Abu Dhabi 2030, Dubai Statistics Centre (Dubai growth relates to 2005-2010)

One of the world's fastest growing rich cities over the next decade

Urban master planning is creating long term certainty

The government is planning for its population to grow from just under one million residents, to over three million by 2030 – implying 100,000 new residents in Abu Dhabi every year. The most bullish forecasts point to a population of up to five million by 2030.

Abu Dhabi's impressive population dynamics are clearly highlighted when put into an international context. The city's projected population growth rate at over 6% a year (to 2015) compares to rates of 2-3% per year in the world's most rapidly growing emerging cities. For cities in advanced economies, population growth rarely exceeds 2% per year. At over 6% a year, Abu Dhabi will be one of the world's fastest growing rich cities over the next decade.

3. Planning

Creating a Future History

Analysts of urban futures are encouraging city makers to be edgy and to take risks, to be experimental and to think of injecting excitement as well as efficiency into the urban form. Ultimately cities need a distinct personality and way of communicating with their residents that reflects the 21st century citizen. Building this kind of vibrancy into the master planned context that Abu Dhabi has set out may seem a challenge at first glance, but it will be the look, feel, functionality and flexibility of each of the plan's components and how they sit together in this new urban blueprint that will be the arbiter of long term success.

Abu Dhabi has fully embraced the concept of urban master planning and is mapping out its future in a structured way, an initiative which is unique amongst Middle Eastern cities.

The city has set out a clear vision and well planned strategy for growth, articulated through the "Plan Abu Dhabi 2030 - An Urban Structure Framework Plan", launched in 2007. The plan sets out a 25 year vision, and effectively lays the foundation for growth over the next 100 years.

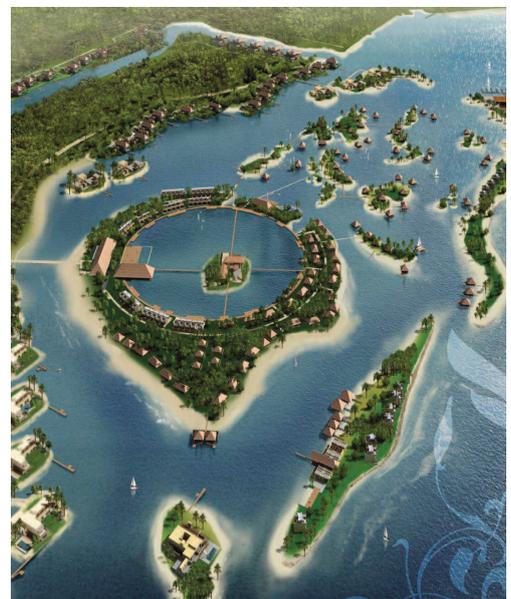
The emphasis is on sustainable, controlled development that is sensitive not only to the physical environment but also preserves and celebrates Abu Dhabi's cultural identity. This is in sharp contrast to many other emerging cities, which have often been at the mercy of uncontrolled development, and any master planning has been difficult to enforce and the plans rarely extend beyond a five year horizon.

Abu Dhabi's urban planners have clearly watched Dubai's less controlled growth and, arguably, an erosion of its local heritage to formulate their own expansion agenda, one that puts culture and community ahead of pure commercialization.

The city's plan supports the diversification away from its oil economy, with an emphasis on culture/tourism, government/diplomatic, real estate and commerce (such as Islamic banking which is growing at a faster rate than conventional banking).

The plan allows for a new high density CBD development adjacent to the old core which will focus on commerce and finance. A second city centre - the "Capital District" – will provide complementary activities relating to government, national institutions and knowledge based sectors.

Ultimately such master planning is about creating long term certainty, which will serve to improve market transparency and generate and attract new business activity to Abu Dhabi. However, in this context, the city planners need to ensure that the plan is enforced and landowners adhere to the zoning and development regulations.



Above: Proposed developments of Danet Abu Dhabi and right, Al Gurm Resort

4. Power

Connection, Control and Constancy

The role of the City and its relevance in a globalising world is a perennial debating point in the cities' community. While it is true that international cities often have more commonality with each other than with other cities in their own countries, it is also true that, to be successful, any city must be an active contributor to its own region. Cities that have a natural influence beyond their boundaries while successfully nurturing quality growth within them are those that manage the balance between their very different roles in the local, regional and world contexts.

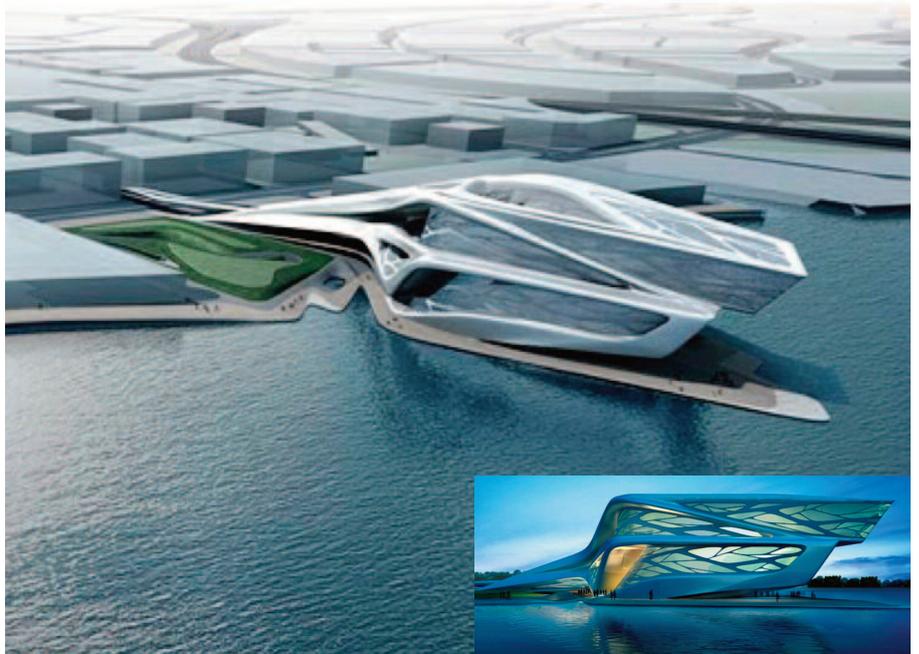
Abu Dhabi is the economic powerhouse and the central player of the United Arab Emirates. It is the ultimate "power city" measured in terms of its energy resources, with an estimated 10% of the world's proven oil reserves and 5% of gas reserves.

However, power is also measured in terms of political leadership and influence, which our research has identified as a critical factor in a city's success. Some of the world's dynamic cities such as Dubai, Moscow and Shanghai have succeeded on the back of dynamic and visionary leadership whose sphere of influence extends well beyond their city limits.

Abu Dhabi has entered a new era of city leadership through His Highness Sheikh Khalifa bin Zayed Al Nahyan (Ruler of Abu Dhabi and President of the UAE) and His Highness Sheikh Mohammed bin Zayed Al Nahyan (Crown Prince of Abu Dhabi). Their vision of transforming Abu Dhabi into a sustainable and authentic global city has guided the creation of Abu Dhabi's outward-looking development strategy. This strategy will build on Abu Dhabi's historic paternal role that actively supports overseas community and social projects.

Abu Dhabi's sphere of international influence is also being extended through its position as a major source of global capital flows, not only from its sovereign wealth funds but also substantial private family capital. The Abu Dhabi Investment Authority (ADIA), for example, is the world's largest sovereign wealth fund, and one of the world's largest institutional investors.

Whilst Abu Dhabi is extending its influence globally, it still needs to work hard to integrate the city into the global and regional networks, not only physically but also technologically and in terms of corporate, cultural and academic connectivity.



5. Place Making

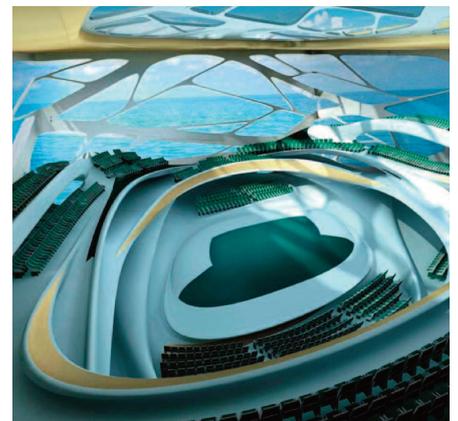
From Oil to Opera

The art of place making has taken centre stage in the armoury of city strategists. In Abu Dhabi, place-making is embedded in its growth strategy through an emphasis on developing social, cultural, religious and leisure destinations, whilst both cultivating and celebrating the city's cultural heritage

Abu Dhabi has a unique opportunity to create the authentic modern Arabic and Islamic city, unlike Dubai which is showing some traits of a global Asian city. The government intends to combine traditional and modern, utilizing themes, patterns and structures that are unique to Arabic society. Maintaining the social, religious and cultural values of the Arab community are a key aim, and mosques form an integral part of the plan, as represented by the Grand Mosque District which will be a key focal point for the city.

A Cultural District is to be developed on Saadiyat Island, which will be transformed into an international tourist destination. The district is expected to house five international museums, including the Guggenheim Museum, the Louvre Abu Dhabi and the new Performing Arts Theatre.

The city's strategy is to firmly place Abu Dhabi on the upmarket international tourist map. The creation of Abu Dhabi Tourist Authority and the formation of the national airline, Etihad, have been pivotal to the city's development as a major tourist destination. Annual tourist visits which stood at 1.8 million in 2007 are projected to virtually double to 3.3 million by 2013. Publishers Conde Nast, has identified Abu Dhabi as one of the world's top 10 future tourist destinations, unsurprising as it increasingly attracts the best artists with the opulent Emirates Palace Hotel



Above: New Performing Arts Theatre on Saadiyat Island

A unique opportunity to create the authentic modern Arabic and Islamic city

The ultimate new "power city" in terms of energy resources, political leadership and global influence



Above: ADNEC, the Abu Dhabi National Exhibition Centre. Below: The Masdar City development



Abu Dhabi has an opportunity to become the global showcase of a sustainable city in terms of all its property assets

hosting world class theatre and opera. Events such as FIA's Formula 1 World Championships in 2009 and the Abu Dhabi Golf Championship will further boost tourism, whilst the opening in 2007 of ADNEC (Abu Dhabi National Exhibition Centre) will help position the city as a conference destination.

6. Purity

Quintessentially Sustainable

The extent of the built environment's contribution to climate change is now well established. The quest of the property market to create buildings that minimise harmful emissions sits alongside the quest of the city maker to create cities that also enable climate friendly behaviour. The green or eco city movement is much discussed but still in its infancy. While Shanghai's Dongtan initiative has led the headlines, Abu Dhabi's commitment and delivery would be a vital showcase for the rest of the world on integrating policy and practice and on enabling behaviour change through the efficiency of the built environment.

One of the key pillars of the Abu Dhabi 2030 plan is sustainability. The city is committed to creating the "sustainable city" by respecting its natural and cultural resources, and is putting in place measures to protect and conserve its ecological systems.

The plan speaks to the need for the creation of green spaces, a "sand belt" (an adaption from "green belts") has been designated and all future

development will be guided by a Green Gradient.

The Abu Dhabi Future Energy Company has been set up to develop the Masdar Initiative, which is committed to identifying alternative energy sources such as solar and wind power, promote sustainable development and develop an exemplar project. The Masdar city development will be the world's first zero-carbon, zero-waste city. This new six sq km community, when completed in 2013, will house up to 50,000 residents and use 75% less power than a conventional city.

Abu Dhabi has a huge potential to take the lead in addressing sustainability in emerging cities. Sustainability initiatives in emerging cities, such as the Dongtan Eco-City in Shanghai, are still an exception rather than a rule.

The city is also advocating green building practices. Unlike established cities, Abu Dhabi is unencumbered by the need for the retro-fitting of existing buildings, so it has a rare opportunity to become the global showcase of a sustainable city in terms of all its property assets.

7. People

Populating the Vision

One of Abu Dhabi's greatest challenges is in growing its people alongside its physical environment. The city needs talent to foster its ambitions but also needs to be tolerant with regards to the needs of those new companies and operations who it hopes will help deliver that vision. The policy interventions needed to ensure balanced growth will no doubt be sensitive and require careful management.

Abu Dhabi has a large expatriate community. Currently around 80% of the population of Abu Dhabi city are non-UAE nationals, a proportion that will undoubtedly rise as immigration increases. Even the most cosmopolitan of world cities such as London and New York have no more than around 40% of their residents born overseas. Abu Dhabi will need to adapt to a very different demographic model than that found in well-established cities, and its strategy will need to focus on managing and facilitating population flows. Whilst rapid population turnover can create incredible dynamism and is a feature of some of the world's most vibrant global cities, it also brings challenges relating to community soul and social cohesion.

On the innovation front, the city is taking steps to capture and cultivate the innovation capabilities of its workforce, and to attract footloose knowledge workers. The Capital District has been designated as the "city brain" which will focus of knowledge based sectors, research institutions and universities. The

establishment of campuses of Paris-Sorbonne and New York University will help improve linkages with the global academic network, and their alumni will act as future global “ambassadors” for Abu Dhabi.

Abu Dhabi has recognized that an overhaul of the education system and population policy is needed to bring more young Emirati citizens into the labour force and reduce reliance on foreign workers. However it will be impossible for Abu Dhabi to realise its ambitious growth strategy without imported labour, and the greater use of Emiratisation labour quotas could discourage firms from locating in the city.

8. Physical

Building The Future

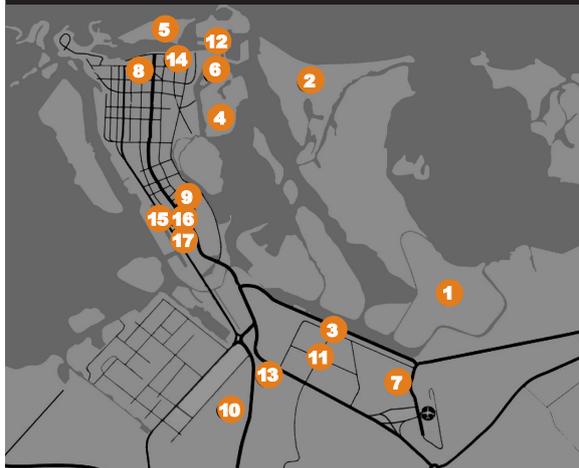
If the pressures of urbanisation in most of the world are forcing the city maker to rethink the shape and functionality of the city, Abu Dhabi’s plans have already anticipated the pressure points and factored them into their blueprint. While minimising uncertainty has been central to the city planning objective, the question of how the world’s companies will operate in 30 years and the types of space, buildings and even cities they will chose to operate in is in itself a difficult uncertainty to manage.

The government’s strategy of focusing on culture, environment and people is being underpinned by massive infrastructure investment. The city has had the foresight to plan for infrastructure ahead of time, and an estimated USD 200 billion is earmarked for future projects.

Abu Dhabi has been a strong advocate of private sector involvement in the development of infrastructure and real estate, with a number of mega projects being led by the private sector. Several of Abu Dhabi’s islands are poised for massive real estate development. They include Yas Island, one of the largest projects in the Middle East; Saadiyat Island which is being developed as a cultural island; Suwwah Island and Reem Island which are emerging as main commercial areas; and Lulu Island which will include residential, resorts and commercial space.

Through the extensive transport infrastructure investment, the city is ensuring world-class international connectivity, as well as an advanced multi-modal transport network within the urban region. The expansion of Abu Dhabi Airport is underway which will increase capacity to 20 million passengers by 2010. A metro system is planned which will be linked to the Dubai Metro, and work is underway to enhance and extend the road network.

Major Real Estate Projects



- 1 Yas Island
- 2 Saadiyat Island
- 3 Al Raha Beach
- 4 Reem Island
- 5 Lulu Island
- 6 Suwwah Island
- 7 Masdar Development
- 8 Central Market
- 9 Danet Abu Dhabi
- 10 Mohammed Bin Zayed City
- 11 Khalifa City A
- 12 Mina Zayed
- 13 Building Materials City
- 14 Saraya Abu Dhabi
- 15 Al Gurm Resort
- 16 Capital Centre
- 17 Zayed Sports City

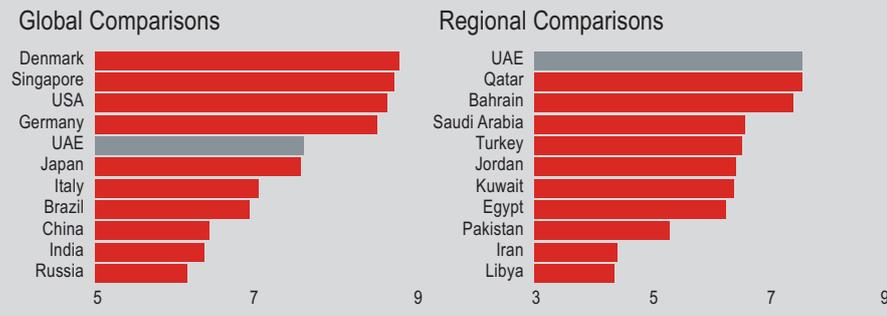
Source: Jones Lang LaSalle, 2008

| Projects | Developer | Value USD | |
|----------------------------|--|--------------|--|
| 1 Yas Island | ALDAR | 40 Billion | Covering 2,500 hectares, housing the Ferrari Theme Park and various other leisure attractions. |
| 2 Saadiyat Island | TDIC | 27 Billion | Covering 2,700 hectares, the master planned development will house the Louvre Abu Dhabi, the Guggenheim and a mix of residential, commercial and leisure. |
| 3 Al Raha Beach | ALDAR | 15 Billion | A master planned development, housing 120,000 residents. Consists of 11 precincts, each with a distinct theme and appeal. |
| 4 Reem Island | Sorouh 20% Reem Investments 20% Tamouh 60% | 8 Billion | Covering over 6 million sq m, a master planned development – Main districts include: The Gate on Shams Abu Dhabi developed by Sorouh, Najmat Abu Dhabi developed by Reem Investments and City of Lights developed by Tamouh. |
| 5 Lulu Island | Sorouh | - | A 3.5 million sq m development that will include residential villas & apartments, 7 luxury hotels, including 5 and 7-star hotels, first class resorts, offices, shopping malls, international schools and various sports facilities. Will house a population of 20,000 people. |
| 6 Suwwah Island | Mubadala (part) | - | Envisioned to be the new commercial and financial CBD of Abu Dhabi, ultimately offering around 2.1 million sq m. The CBD will cover Suwwah Island as well as adjacent parts of the main Abu Dhabi island and Reem Island. |
| 7 Masdar Development | Mubadala | 22 Billion | Masdar Initiative is the world's first zero carbon, waste and car free city. It aims to encourage renewable energy research and development. |
| 8 Central Market | ALDAR | - | Covering 5 hectares the project is located in the heart of Abu Dhabi Island, featuring a mix of residential, souk retail and commercial components. |
| 9 Danet Abu Dhabi | AL Qudra | 9.3 Billion | A master planned community, featuring a 210 room Holiday Inn located on the main island of Abu Dhabi. |
| 10 Mohammed Bin Zayed City | AD Government | 4 Billion | Comprises 347 residential towers, divided into five sectors. The project will house 50,000 people. |
| 11 Khalifa City A | AD Government | 1.6 Billion | About 70 plots comprise the development area which is located 25 kilometres from Abu Dhabi's city centre and the timeframe for completion is about five years. |
| 12 Mina Zayed | - | 55.7 Million | Port Mina Zayed comprises 21 berths with a total quay length of 4,300m and capacity to handle about 900,000 tons of general cargo annually. A \$765 million two phase development programme is currently well under way. |
| 13 Building Materials City | Manazel | 817 Million | A 230,000 sq m development will be the hub for commercial services and trading activities related to construction and building materials. Will include the first building materials exchange in the Middle East. |
| 14 Saraya Abu Dhabi | Sorouh | - | Extends along Abu Dhabi's Corniche, comprising of high rise residential & commercial towers. |
| 15 Al Gurm Resort | ALDAR | 272 Million | A residential and tourist destination, comprising 59 private homes and a 161 suite 5 star resort. |
| 16 Capital Centre | ADNEC | 2.2 Billion | Upon completion in early 2011, Capital Centre will house a new micro-city of 23 towers, including 6 branded hotels, 4 commercial buildings, 8 residential and serviced apartment complexes and 5 mixed use developments |
| 17 Zayed Sports City | Mubadala | - | A master planned community with various sports facilities, in addition to schools, residential and office components |
| 18 Al Ghadeer | Sorouh | - | A mixed-use, self sustained community hosting a variety of educational, recreational, social and commercial amenities |



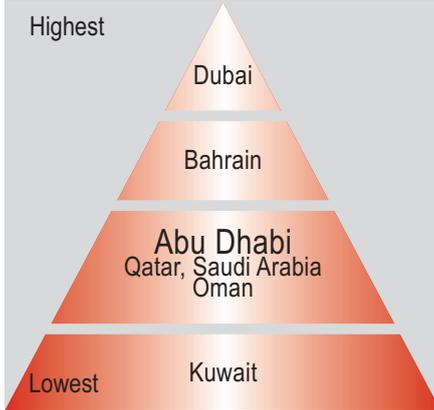
The Gate complex, part of Shams Abu Dhabi on Reem Island

Business Environment Attractiveness 2008



Source: EIU, April 2008; Score 10=High, 1=Low

Real Estate Transparency Regional Comparisons



Source: Jones Lang LaSalle Real Estate Transparency Index, 2008

Improved market transparency will be critical to creating an open and globally connected city

A more outward oriented business policy is being created

9. Processes

Policies to Please

Issues of market transparency and business friendliness are crucial to investors and occupiers. The many detailed questions of tax and regulation, of transparency and law and of information and procedure are a clear feature in city selection.

The UAE is ahead of its regional peer group in terms of its business processes and the quality of its business environment. Structural reforms and a more outward oriented business policy are expected to move the economy further into a more liberal trading environment.

However, Abu Dhabi in particular has been slower to liberalise its economy and continues to impose restrictions of foreign ownership and limits competition in key economic sectors. This is reflected in Abu Dhabi's capture of a relatively low proportion of FDI coming to the UAE.

To date freehold ownership for non GCC investors is limited to 99 year leasehold interests in approved 'Investment Zones' outside of Abu Dhabi Island (e.g. Reem Island and Raha Beach). There are proposals to allow freehold ownership in a number of upcoming projects (indeed the success of projects such as Yas Island and Saadiyat Island depends largely on this), but there are as yet no proposals to allow

freehold ownership on Abu Dhabi Island itself.

While Abu Dhabi currently has no operating free zones, the ICAD (Industrial City of Abu Dhabi) special economic zone has many of the characteristics of a free zone (e.g. business friendly laws and regulations). However, ICAD does not offer companies the additional benefit of exemption from duty on goods imported into the zone that is available within free zones.

Two proposed free zones have been announced to date, the Abu Dhabi Airport Free Zone and the Khalifa Port Industrial Free Zone. A new law enabling the establishment of these free Zones is imminent.

10. Property

The Future of Space

History reminds us of the inevitability of the property cycle. While these cycles take different forms, shapes and time periods in which to play out, the experiences of both new and mature cities attest to both the excitement of responding to demand but of the need to pace and temper that provision against constant revisions of market condition. With such scale and ambition evident over such a time period, the Abu Dhabi phased development plan will need to be every bit as prescient and flexible as any city that ever attempted to live by the "build it and they will come" principle.

The Abu Dhabi property market has entered a new era since 2005 when new regulations were introduced which enable UAE nationals to trade land and real estate, allow freehold ownership for GCC nationals in "Investment Areas" and permit leasehold ownership for non-GCC nationals.

The relaxation of ownership regulations has turbo boosted the property market and is contributing to a gradual improvement in market transparency. Nonetheless, the latest Jones Lang LaSalle Real Estate Transparency Index (2008) reveals that the city still lags Dubai, and in a global context, real estate market transparency is below advanced markets. Further improvements in market transparency will be needed to create more open markets through the better provision of accurate market information and performance benchmarks, greater enforceability of contracts and clarity over land title. The development of a fully accountable and publicly listed real estate sector will also force the pace of change.

The property market is currently characterised by shortages of high quality space across all main sectors. Whilst this under-provision is helping to provide a short-term boost to rents and values for real estate owners, these



shortages constrain the development of an efficient real estate sector and economy. Conversely, substantial new supply will be coming onto the market over the next five years, and the government needs to ensure effective planning mechanisms are in place to avoid over-supply, a scenario which has characterised many other emerging real estate markets.

Under-supply is a feature of all sectors:

Offices: Abu Dhabi currently has an estimated office stock of 1.4 million sq m but much of this space is of low quality and fails to meet the required standards of international occupiers. The office market is expected to remain under-supplied over the short-to-medium term putting further upward pressure on already high rents. The market is unlikely to move into balance until at least 2011.

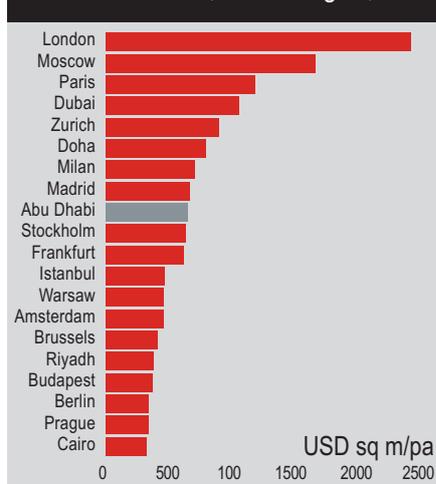
Residential: High population growth rates and high expatriate immigration is putting significant pressure on the residential market, causing rents to rise by as much as 40-50% over the past year. Several mega projects are underway, but significant supply is not anticipated until 2012-2013.

Retail: Compared to neighbouring Dubai, the retail market is small with four large malls and a total quality stock of approximately 390,000 sq m (compared to 1.7 million sq m in Dubai). The market is expected to remain undersupplied until 2012.

Hotels: Historically hotel supply has been limited, with the market currently totalling around 10,000 rooms, of which around 6,000 are 4 and 5 star quality. With several large scale projects announced (such as Saadiyat Island, Yas Island and Al Raha Beach), over 20,000 new rooms are likely to enter the market between 2008 -2013.

Industrial: The majority of industrial real estate in Abu Dhabi is located within ICAD (Industrial City of Abu Dhabi). This area is not currently built out and there are major plans to upgrade and expand the stock of industrial and logistics space over the next few years.

Prime Office Rents, EMEA Region, 2008



Data as at 1 January 2008. Source: Jones Lang LaSalle



Emirates Palace Hotel

This city has had the foresight to plan for infrastructure ahead of time

Abu Dhabi Strengths and Weaknesses

Strengths / Opportunities

Growth underpinned by clearly articulated urban master plan

Ability to deliver on promise due to governance, planning and financial resourcing

Dubai has helped to establish regional credibility and show ability to deliver on supply-led growth strategies

Opportunities to create the authentic modern Arabic and Islamic city

Potential to take global lead in addressing sustainability in emerging cities

Weaknesses / Challenges

Managing speed of change over a short time frame and creating a world winning city which respects local cultural history

Small existing population - lacks internal growth drivers of other dynamic emerging cities such as in India and China

Need to ensure sufficient differentiation in offer between Abu Dhabi and Dubai

Diversification - the economy will continue to be dependent on oil

Creating a transparent business environment to attract the best MNCs and labour skills

The Challenges Ahead

Like any city prepared to be single minded in its growth ambitions, Abu Dhabi will face many challenges of balance, timing, style, choice and disappointments. Unlike most cities its governance model and basic resources allow it a formidable platform from which to operate. How the ambitions of this rapidly emerging city are being translated into a built reality and moreover, how this reality is incrementally received by the market, will be a crucial process to assess over the coming years. But in achieving even part of the vision, Abu Dhabi would be in a good position to claim a new category of world city status – one judged by its potentially unique mix of city quality, sustainability, wealth, culture harmony and iconic style.

Abu Dhabi is a well governed city, it is being carefully planned, it has the funds to ensure those plans are deliverable; it has ambition and is creating a sense of place through events, buildings and cultural facilities. The city has learnt from the successes of Dubai to create a long term vision, which complements its neighbour's ambitions. Significantly the government has the backing and support of its population, by seeking to maintain the values, social arrangements and culture of the Arab community.

Abu Dhabi is breaking the mould of what constitutes a traditional model of city planning, but the city will need to tackle the challenges associated with very rapid growth. Abu Dhabi is seeking to create a new global city within a remarkably short time frame, and although it is adopting a more cautious approach to growth than Dubai, the city makers will need to carefully manage its ambitious expansion plans. The city will need to cultivate indigenous growth, and ensure sufficient differentiation in its offer with neighbouring Dubai.

From a property perspective, we believe the key challenge is about market transparency – not only because a more transparent market attracts global property investors - but crucially it is a key constituent of an open and globally connected city. The city has an imperative to attract top quality MNCs and people who will “feed” the city, particularly with intellectual capital - allowing it to grow. A transparent market will also project the city's vision and profile to the outside world.

If the city can tackle these challenges head on, Abu Dhabi will be on its way to becoming a city of substance by 2010, a regional hub by 2015 and a World Winning City by 2020.

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