The New World of Real Estate

40,000 employees... 185 offices... 60 countries... 1 global platform...
Jones Lang LaSalle overview

Year-end 2010 Statistics:
- Employees: 40,300
- Revenue: $2.9B
- Square feet under management (s.f.): 1.8B
- Agency Leasing transactions (s.f.): 210M
- Tenant Representation transactions (s.f.): 69M
- Strategic Consulting (s.f.): 69M
- Project Management (s.f.): 162M
- Construction Management (s.f.): 400M
- Investment assets under management: 5M
- ** Only investment grade real estate firm services

America:
- 67 offices
- 672 cities
- 7 countries
- 40% of revenue

EMEA:
- 59 offices
- 188 cities
- 31 countries
- 36% of revenue

Asia Pacific:
- 57 offices
- 154 cities
- 13 countries
- 24% of revenue

185 owned offices
2,300+ brokers
300+ research staff
Capital values and leasing fundamentals

Q4 2007
Healthy Markets

Source: Jones Lang LaSalle
CMBS issuance since 1996

Source: Credit Suisse, JPMorgan, Jones Lang LaSalle
Cross Border Capital Flows

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Capital values and leasing fundaments

Q3 2011: Broad growth tempered with market sentiment

Capital Values
- Capital Value growth slowing
- Capital Value falling
- Capital Value growth bottoming out
- Capital Value growth accelerating

Leasing Fundamentals
- Rental growth slowing
- Rental growth falling
- Rents bottoming out
- Rents accelerating

The Jones Lang LaSalle Property Clocks™
Source: Jones Lang LaSalle
As of Q3 2011
Global Trends in Real Estate

- Global Investment Trends
- Occupier/User View of Real Estate
- Retail Trends
- Healthcare – Real Estate Cost Opportunity
- Industrial Real Estate- Global Supply Chain
- Winning Cities-Urbanization
- Sustainability
- Smart Buildings
Global Investment Trends
Distressed property tally

Source: Real Capital Analytics, Jones Lang LaSalle
CRE maturities 2011 - 2020

Source: ACLI, Federal Reserve, Wells Fargo, Jones Lang LaSalle
Quarterly transaction volume by market type

Source: Real Capital Analytics, Jones Lang LaSalle; properties $2.5 million and above

[Bar chart showing quarterly transaction volume by market type from 2005 Q1 to 2011 Q4.]

Billions

Primary
Secondary
Tertiary

[Source: Real Capital Analytics, Jones Lang LaSalle; properties $2.5 million and above]
Global Capital Flows for Investment Sales

2011 volumes expected to exceed $400 billion

Direct Commercial Real Estate Investment, 2005-2011

H1 2011 Highlights

- Volumes continuing cyclical recovery
- Demand high for core products; supply remains constrained
- Bank note sale activity increasing
- Global Hotels gaining momentum

Source: Jones Lang LaSalle

(1) Includes sell-side advice only. Includes transactions $10 million and above in the Americas; EUR 10 million and above in EMEA; and $5 million and above in Asia Pacific. Excludes casino sales. For more information on Jones Lang LaSalle Hotels, visit www.joneslanglasallehotels.com.
Top 30 Cities by RE Investment Volumes, 2010 – H1 2011

30 cities account for 50% of global real estate investment activity

Source: Jones Lang LaSalle
Occupier/User View of Real Estate
Global Corporate Real Estate Survey 2011
Jones Lang LaSalle Integrated Global Occupier Capabilities

- 400 consultants
- 150 M s.f. under occupancy planning

- 1,900 project managers
- 4,250 projects annually
- $37B volume

- 800 global experts on staff
- $43 B in capital markets transactions in 2010

- 800+ LEED APs - 130 US LEED projects and 51 international
- Documented $128 million in energy savings/ 563,000 tons of GHGs

- 3,000 transaction specialists
- 27,800 transactions managed
- 482 M s.f. transacted per year

- 280 lease admin professionals
- 63,000 leases managed
- $8 B in budgets managed annually
- $29.3 M in cost savings/avoidance

- 26,000 FTEs (includes Property Management)
- 1.8 B s.f. facilities under management

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Jones Lang LaSalle
Who did we talk to?

A global initiative: 504 responses across 36 countries

AM – 4 countries
Total: 188

EMEA – 23 countries
Total: 134

AP – 9 countries
Total: 182
Four overarching global trends for Occupiers

- **Higher demands on productivity**
  - CRE is now exposed to senior leadership and needs to perform to new expectations post global financial crisis

- **Balancing dual forces of growth and right-sizing**
  - Portfolio growth will be happening in different gears depending on market

- **Progressing towards partnerships**
  - Leveraging external resources and service providers will increase and accelerate

- **Reshaping CRE structures and skills**
  - Demands from ‘C-suite’ require more strategic, less tactical real estate skills
Global Trend #1) Higher demands on productivity

- 85% believe CRE has greater visibility and engagement with senior leaders
- 63% of respondents have a direct reporting line into the C-suite
- 91% believe they have greater influence on decisions and strategies
- 75% are now required to report to senior leadership on portfolio and costs
Global Trend #2) Balancing dual forces growth & right-sizing

- Support enterprise growth while aggressively managing costs and risk
- Drive higher utilization rates within consolidated portfolios
- Undergo strategic portfolio and scenario planning to reduce risk by balancing supply and demand and optimizing capital spend
- Proactively manage the life cycle of assets
How do companies get the most out of their real estate?
How do companies get the most out of their real estate?
Trend: Multi-generational workforce – Real Estate response?
“Mobile and Electronic Digital Nomads”
Mobility Impacts Space Allocation

- Across all industry sectors
- Collaboration takes over
- Multi-generational requirements

Portfolio strategies?
Workplace design?
Efficiency metrics?

<table>
<thead>
<tr>
<th>TODAY:</th>
<th>WORKPLACE UTILIZATION:</th>
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<tbody>
<tr>
<td>200 RSF/person</td>
<td>35% - 50%</td>
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<tr>
<td>2015:</td>
<td></td>
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<tr>
<td>50 RSF/person</td>
<td>85%</td>
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Aggressive CRE portfolio strategies will be enabled by workplace mobility practices.
Net Portfolio Growth over next 3 years
Global Corporate Solutions

Asia Pacific following US Multinational Outsourcing Model

Sanyo
Wipro
Infosys
Sony
Telestra
AFP
Centrelink
Fonterra
Retail Trends
We estimate that up to 30% of retail space in developed markets is potentially obsolete in its current form – a frightening statistic!
Retail 2020: Introduction

Identifying key trends shaping our retail landscape...

- Going Old
  - Demographic Change
- Going East
  - Shifting Balance of Economic/Financial Growth
- Going Slow
  - Pace of Economic Growth
- Going Green
  - Environmental Sustainability
- Going Digital
  - Evolution of Technology
- Going Beyond Retail
  - More than Shopping
Technology & retail

• E-commerce in the U.S. increased 14 percent in the second quarter of 2011 y/y.

• Revenue from m-commerce is expected to hit $31 billion by the end of 2016 and will account for 7% of total e-commerce sales – up from 1% in 2010.

• From 2008 to 2010, e-book sales grew a whopping 1,039 percent to 114 million downloads, while hardcover books sold increased only 5.8 percent over 2008.

<table>
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<tr>
<th>Q2 2011 e-commerce stats</th>
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<tr>
<td>Online retail sales change, y/y</td>
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<tr>
<td>Number of online buyers</td>
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<tr>
<td>Number of transactions per buyer</td>
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<tr>
<td>Average dollar value of a purchase</td>
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<th>E-reader growth in 6 months</th>
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<td>% of adults that own an e-reader in May 2011</td>
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<tr>
<td>% change from November 2010 to May 2011</td>
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Healthcare - Real Estate Cost Opportunity
Healthcare and the National GDP

Source: cms.gov/statistics/nhe (Figures for 2015 projected)
Real Estate: significant impact on health system financials

Property, plant, and equipment comprise over 50% of balance sheet assets

Real estate is 3rd largest expense category

1. Employees
2. Supplies
3. Real estate
4. Provisions for bad debts
Global Supply Chain - Impact on Industrial Real Estate
Industrial - More than real estate...Definitely Location! Understanding the *total operating cost* picture is critical.

Logistics typically can account for 80% of the operating costs.

Real estate typically accounts for less than 5%.

Source: Exchange Inc.: Logistics Cost & Service Report
Five catalysts of change to the global supply chain

1. Globalization
2. Risk mitigation
3. Volatile oil prices
4. Panama Canal expansion
5. Sustainability pressures
Circa **1950** - U.S. domestic production/consumption

- Domestic Production
- Regional Distribution
- Limited Infrastructure
Circa 1970 – Advent of international logistics

- Containerization
- Overseas Markets
- Domestic Labor

Nixon in China

An Opera in Three Acts
Made by John Adams
Libretto by Alice Goodman
Circa 2010 – Global supply chain

- Evolving Technologies and Better Connectivity
- Longer/More Complex Supply Chains
- Global Sourcing and Manufacturing
Winning Cities/
Urbanization
Urbanization: An unstoppable force

Currently 50% of world’s population lives in urban areas
22% live in top 600 cities

25% of world population will live in top 600 cities by 2025

75% of the 600 cities are in emerging economies

Equivalent to 60% of world GDP by 2025 (USD 64 tn)

Differing Urban Priorities

Developing economies

- Generating jobs
- Focus on basic needs - water, food, shelter
- Scarce urban land, high cost of real estate, slums, affordable housing
- Sustainable & affordable energy needs and solutions
- Very high level of migration
- Very high population densities, more competition for scarce resources
- Crumbling urban infrastructure
- Need of capacity building at all levels of urban governance

Basic Sustenance
Differing Urban Priorities

**Developed economies**

- Green Legislation (city level, building level)
- Green Planning norms and Design guidelines
- Green Solar Densities
- Green funding
- High use of green technologies and renewables
- Improved recycling
- Reducing carbon footprint
- Zero Carbon buildings, neighborhoods, cities

**Reducing Consumption**

![Image of urban development]
Business will choose cities:

The new competitive landscape

Typical measures
Currently 110 indices of city competitiveness that measure: economic, skills, culture, creativity, accessibility, brand, open space and specifically:
• Environmental impact: City’s impact in terms of resource use and pollution;
• Quality of life: What the city is like to live in;
• Future-proofing: How well the city is preparing for a sustainable future
• Sustainability Indices
  • CDP
  • Siemens
  • IBM
  • Dow Jones Sustainability Index

The clear commercial need to know

Occupier
• Occupiers location decision affected by confidence in the city to provide power, water, food, flood defense and working infrastructure and green, efficient buildings

Investors
• Investor decisions affected by occupier confidence in the long term durability of the city and by the availability of prime green stock

Developer
• Needs to differentiate and future proof the asset

These indices are helpful in context of external perceptions; but the commercial future of the city depends upon recognition of the issue and actions set to resolve it
Jones Lang LaSalle Real Estate Transparency Index, 2010

1.0
Sydney, London, New York, Paris

1.5
Madrid, Singapore, Hong Kong

2.0
Warsaw, Tokyo

2.5
Moscow, Istanbul, Dubai, Sao Paulo

3.0
Mumbai, Delhi, Seoul, Mexico City
Shanghai, Beijing Jakarta

3.5
Cairo

4.0

4.5

5.0
Lagos

Sources: Jones Lang LaSalle, LaSalle Investment Management
Why Transparency Matters

Reduces transaction costs

Increases efficiency of corporate occupation

Stimulates international investment

Encourages long-term investment

Essential for risk management

Equips domestic players to compete in international markets
Modernization of International Airport in Mumbai
Real Estate Advisory Services to GVK-ACSA Consortium

Project Year: April – August 2005

Background
Airports Authority of India opened up Mumbai and Delhi airports for private sector participation for fast modernization and bringing global standards to the two busiest airports of India.

Unlocking the Real Estate Value
- Case studies of international airports
- Study the airport site and the surplus land parcels
- Study of the real estate development potential in retail, commercial, and hospitality
- Assessment of slum rehabilitation strategies
- Traffic and parking surveys
- Assessment of revenue flows from real estate development for financial structuring of the project

Result
GVK won the bid for the Mumbai Airport.
Urban Priorities – Financial Competitiveness
Beijing Financial District

- **Features**
  - Home to all of China’s key financial regulatory bodies
  - Manages over 60% of China’s financial assets
  - Largest financial information center in China
  - Financial assets settlement center in China

- **Overview**
  - The Financial District covers a total land area of 4.77 sq.km. and a GFA over 6.8 million sq.m.
  - The core area of the district is Finance Street, which takes up 1.18 sq.km and a total GFA of approximately 3.5 million sq.m.

- **Services**
  - Advisory on the mid to long-term development strategy for Finance Street
  - Facilitated government decisions on the expansion of Finance Street through the provision of international comparables so as to improve the overall positioning of the area
  - Finance industry mix and its planning and positioning study
  - Studies of industrial clusters as a basis to the development of its Twelfth-Five-Year-Plan.

- **Result**
  - Xicheng District appointed JLL as long-term strategic consultant in 12th 5-year period
Sustainability
Cities represent 70% of CO$_2$ emissions worldwide
Consume 75% of the world’s energy

Buildings represent 65% to 70% of a city’s CO$_2$ emissions

Estimated costs of climate change = Losing 5% of global GDP each year
(Stern report)
## Office Age Profiles of Key Cities

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<td>Shanghai</td>
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<td>30%+</td>
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The new LEED EB Gold standard is green

The Empire State Building, an iconic, pre-war trophy office building, can catalyze change by cost-effectively reducing greenhouse gas emissions while attracting world class tenants.

- Recognized throughout the world
- 3.8 million visitors per year
- 102 stories and 2.8 million square feet
- CO₂ emissions of 24,000 tons per yr
- $11 million in annual energy costs
- Peak office building demand of 9.5 MW
- 88 kBtu per SF per yr for the office building
Assignment: The ultimate upgrade

Jones Lang LaSalle and a team of experts assigned to develop an innovative sustainability and energy retrofit strategy that would dramatically reduce energy use and greenhouse gas emissions, improve the building’s marketability and provide a replicable solution that could be applied to existing building throughout the U.S. and the world. Make ESB one of the greenest buildings in New York City.

Challenge

▪ Develop an energy and sustainability retrofit strategy that would dramatically reduce energy consumption and result in positive ROI

Solutions

▪ Identified eight key initiatives from more than sixty potential strategies including infrastructure projects, green design concepts and a tenant energy management program

Results – the plan is projected to:

▪ Reduce energy use by 38%, an annual savings of $4.4M
▪ Reduce carbon emissions by 105,000 metric tons over the next 15 years
▪ Be funded through energy and operational savings
▪ Serve as a model for owners of existing buildings
▪ Achieved an energy star score of 90 and LEED EBOM gold certification.
Smart Buildings
IntelliCommand: Combines smart technology with building operations expertise and execution
24/7 real-time monitoring and control of building drives unprecedented efficiency and sustainability gains
Key benefits

- **Achieve unprecedented levels of efficiency:** confidence that buildings and equipment are operating at optimal levels of efficiency at all times

- **Breakthrough results in reducing cost:** up to 18% reduction in energy costs within the first 18 months

- **Carbon footprint reporting and reduction:** ability to measure energy consumption and GHGs in real-time

- **Improve employee comfort, satisfaction and productivity:** equipment/operational issues are resolved before they become complaints, problems or failures—minimizing business disruption

- **Smarter capital planning and deployment:** access to comprehensive, precise and actionable data to inform strategic planning for capital

- **Increases equipment lifespan:** minimizing unneeded replacement and maintenance costs
Embedding Sustainability in all Parts of Property Life Cycle
Energy and Sustainability Services

Making an Impact

• 800+ LEED Accredited Professionals
• 200+ LEED projects globally, including
  • 1st LEED Platinum high-rise; One Bryant Park, New York
  • 1st LEED building registered in India; Sohrabji Godrej Green
  • 1st LEED-EB O&M multi-tenant building in the U.S.; 550 W. Washington, Chicago
• Documented over $125M in energy savings for clients

Bank of America

• Reduced 563,000 tons of greenhouse gas emissions
• Equivalent to the emissions of nearly 70 million gallons of gasoline consumed

“I chose Jones Lang LaSalle because of our successful history together taking on and figuring out difficult projects and the company’s deep sustainability expertise and track record.”
—Anthony E. Malkin, Building Owner, Empire State Building Company