



*Real value in a changing world*

# The New World of Real Estate

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*40,000 employees....185 offices....60 countries....1 global platform..*

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# 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.)

162M

Project Management (s.f.)

400M

Construction Management (s.f.)

5M

Investment assets under management

\$45B

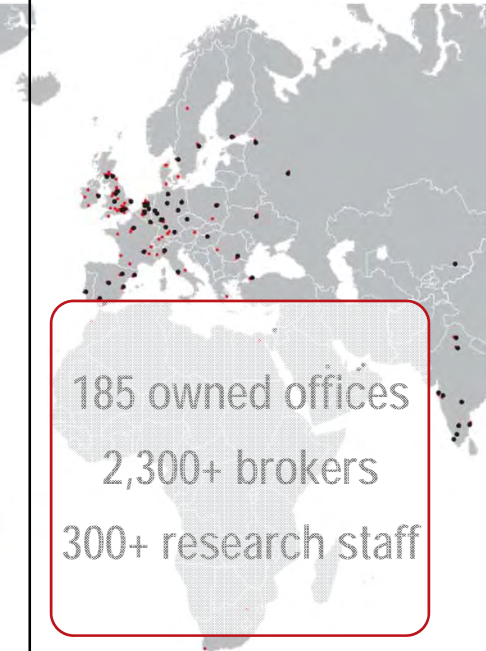
\*\* Only investment grade real estate firm services

## Americas



67 offices  
672 cities  
7 countries  
40% of revenue

## EMEA



185 owned offices  
2,300+ brokers  
300+ research staff

59 offices  
188 cities  
31 countries  
36% of revenue

## Asia Pacific



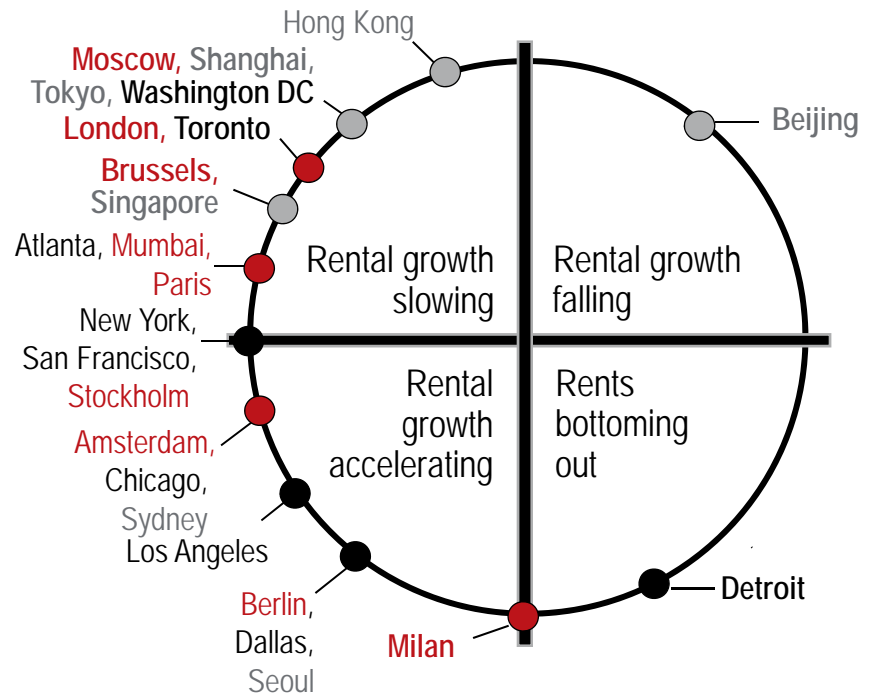
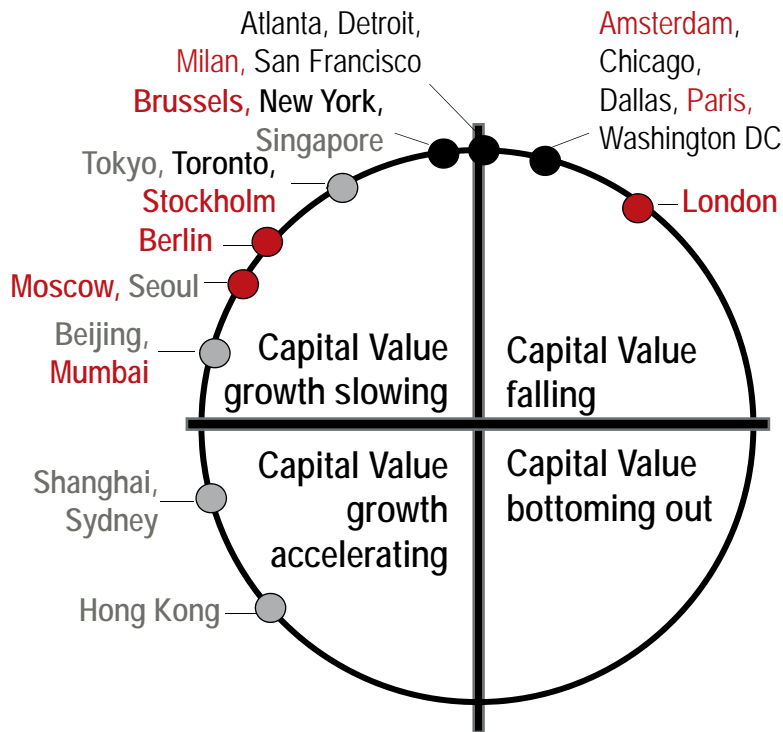
57 offices  
154 cities  
13 countries  
24% of revenue

# Capital values and leasing fundamentals

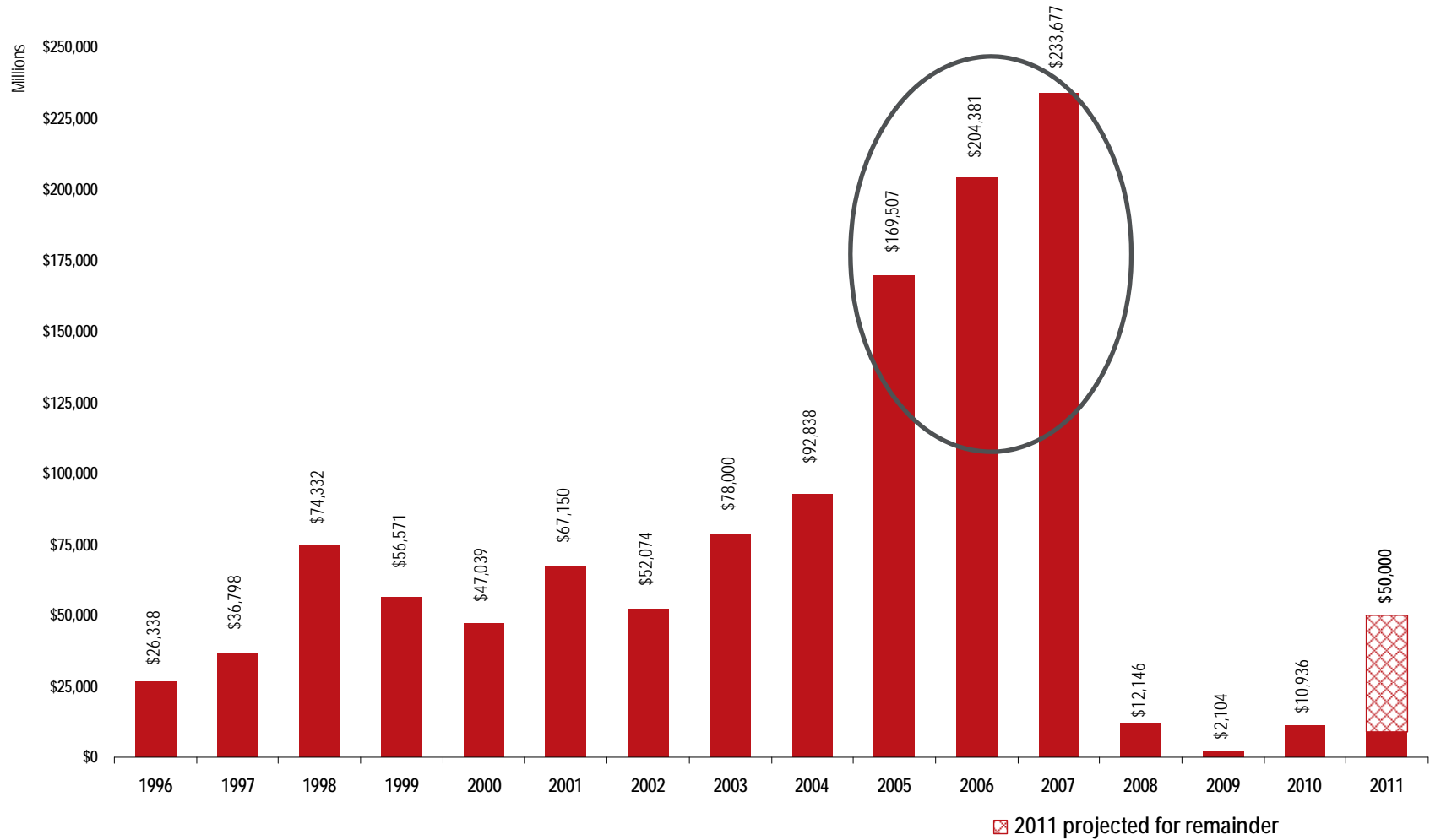
Asia Pacific  
**EMEA**  
 Americas

Q4 2007

Healthy Markets

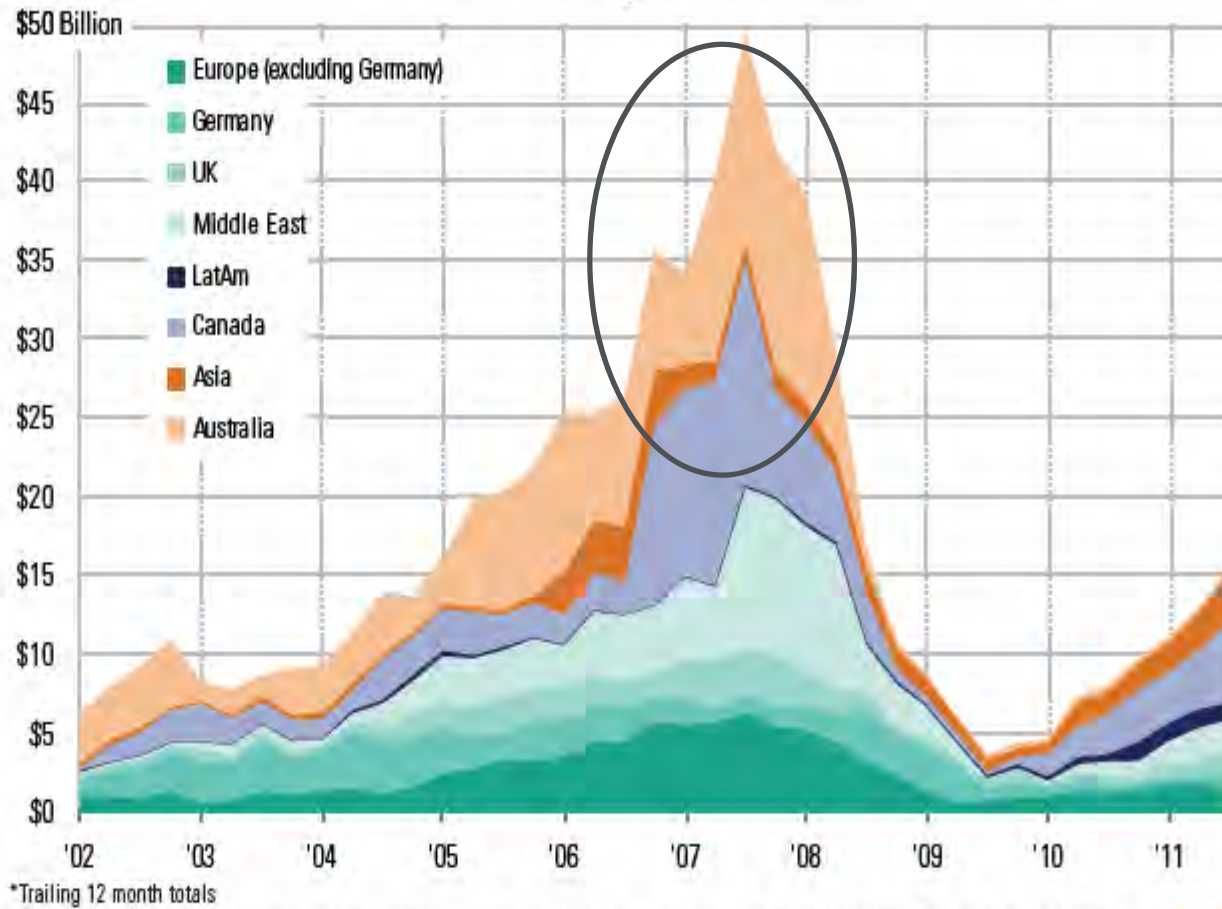


# CMBS issuance since 1996



Source: Credit Suisse, JPMorgan, Jones Lang LaSalle

# Cross Border Capital Flows



©2011 Real Capital Analytics, Inc. All rights reserved. Data believed to be accurate but not guaranteed; subject to future revision; based on properties & portfolios \$2.5m and greater.

1

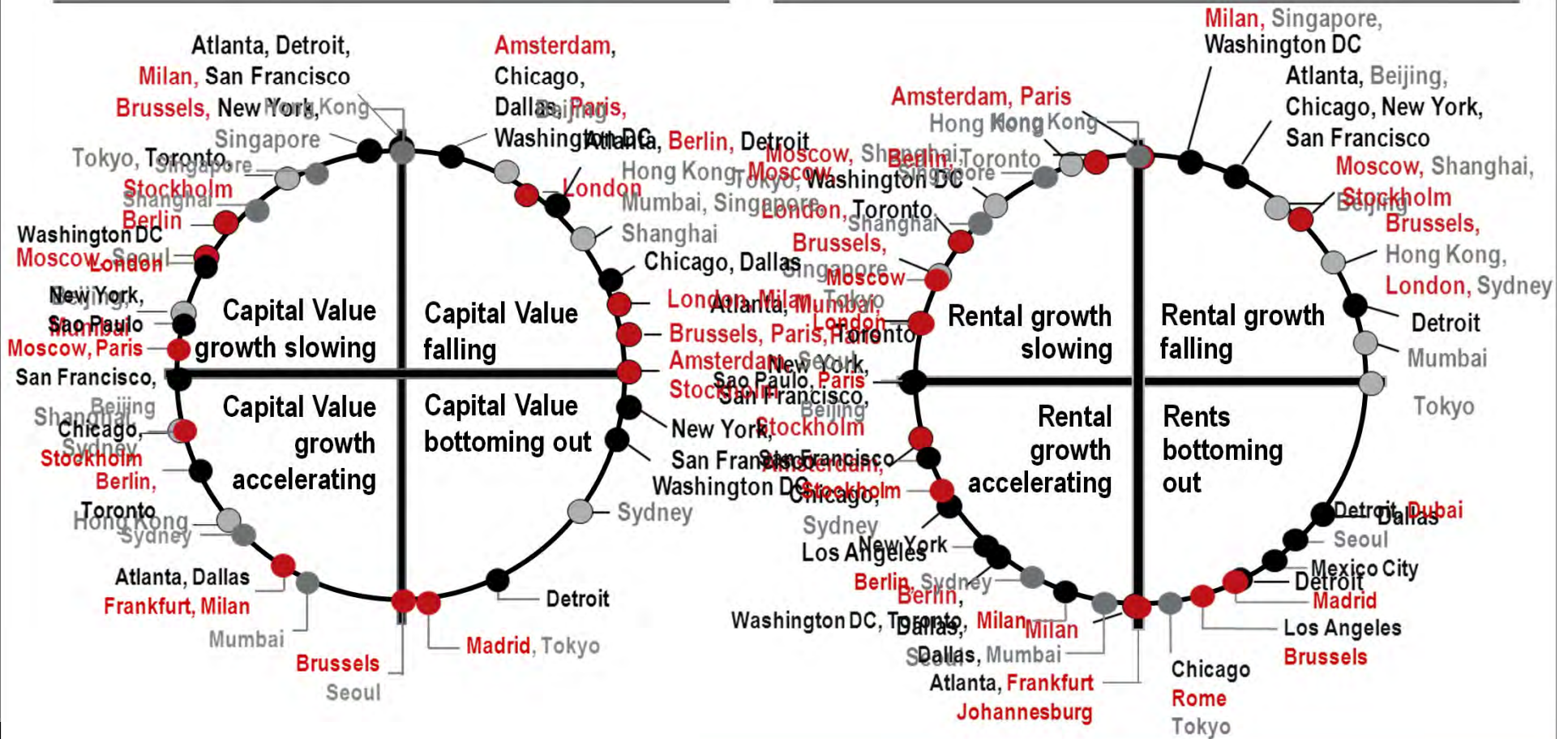
# Capital values and leasing fundamentals

Asia Pacific  
**EMEA**  
 Americas

Q3 2011: Broad growth tempered with market sentiment

## Capital Values

## Leasing Fundamentals



# Global Trends in Real Estate

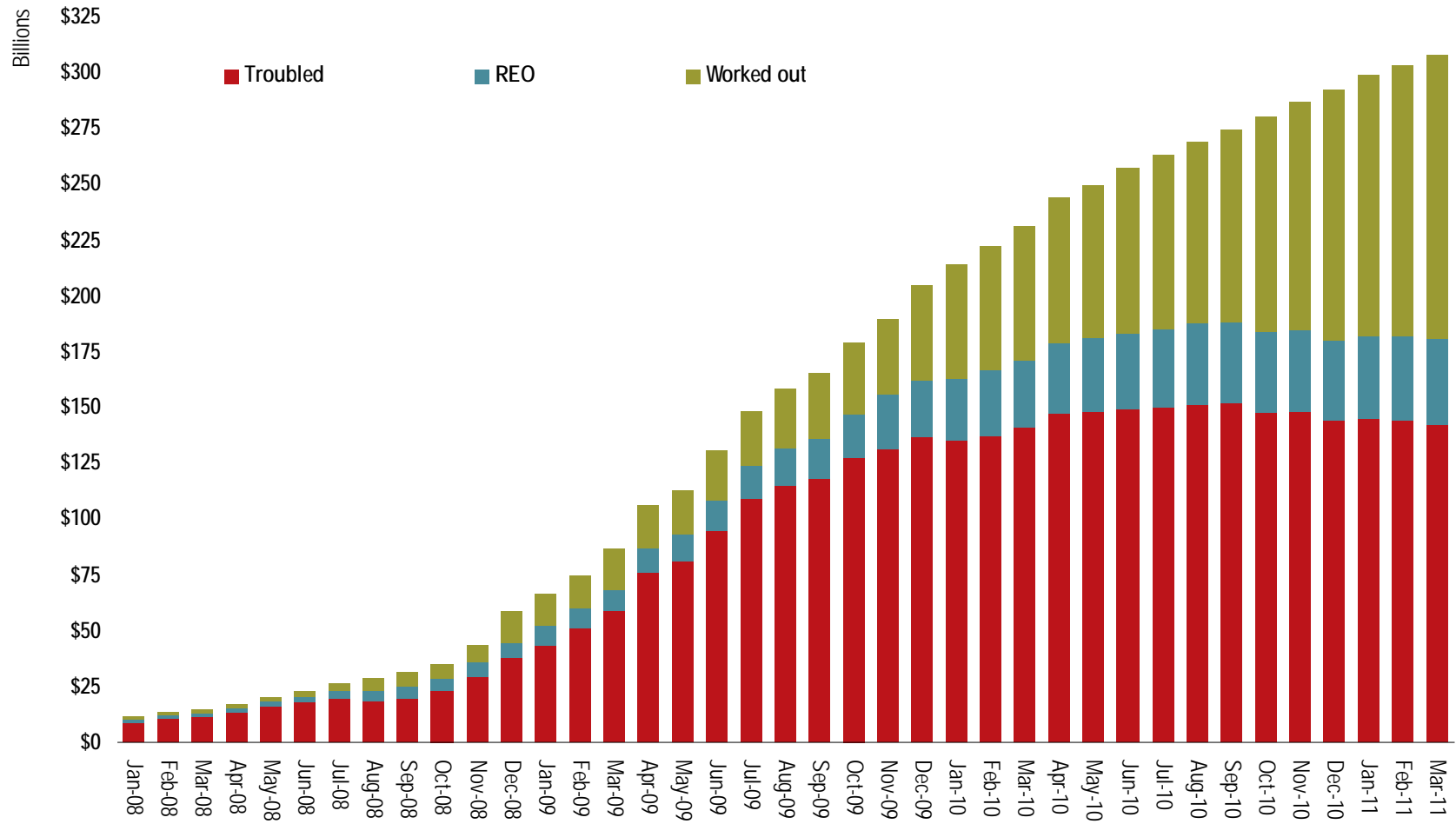
- Global Investment Trends
- Occupier/User View of Real Estate
- Retail Trends
- Healthcare – Real Estate Cost Opportunity
- Industrial Real Estate- Global Supply Chain
- Winning Cities-Urbanization
- Sustainability
- Smart Buildings

# Global Investment Trends



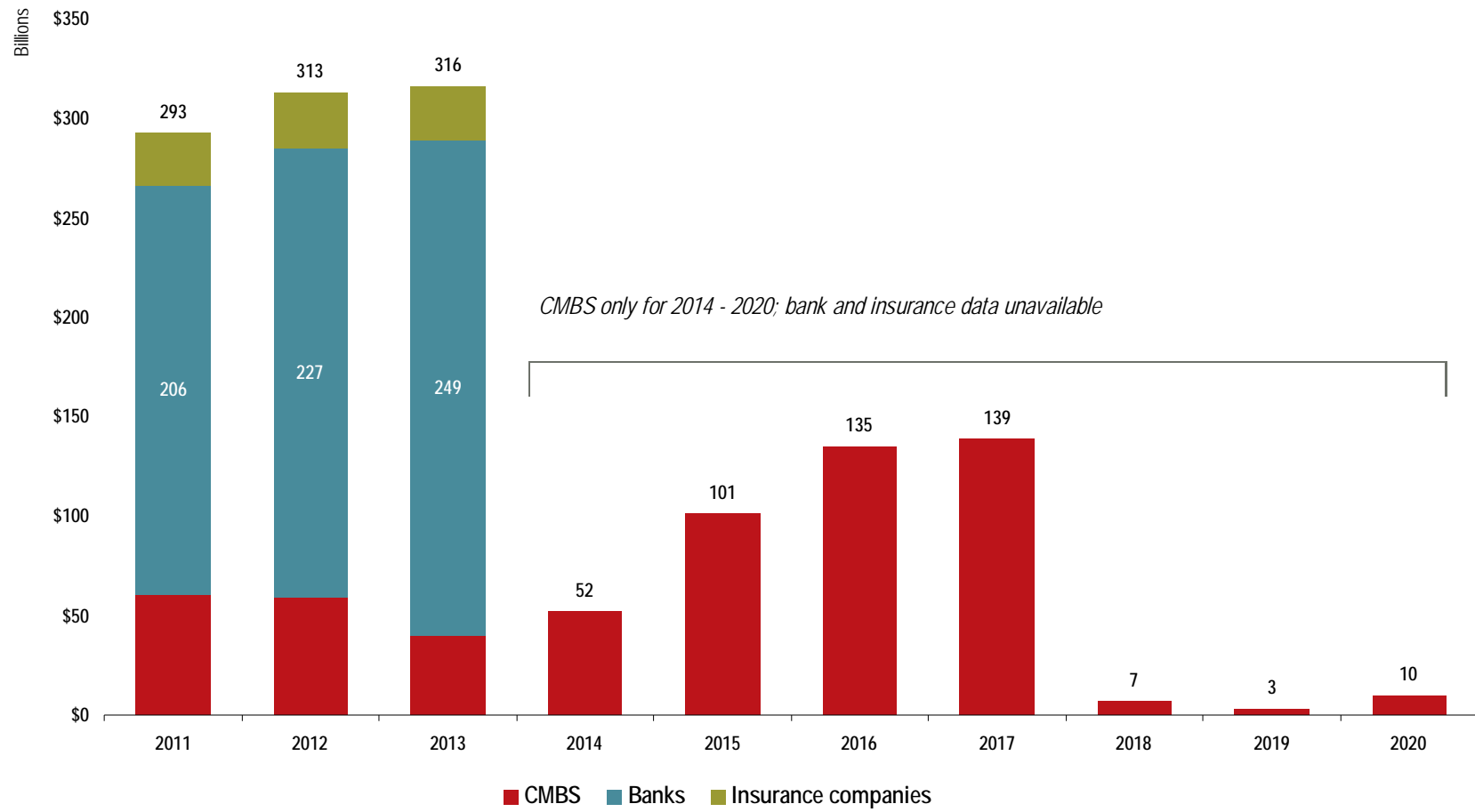


# Distressed property tally



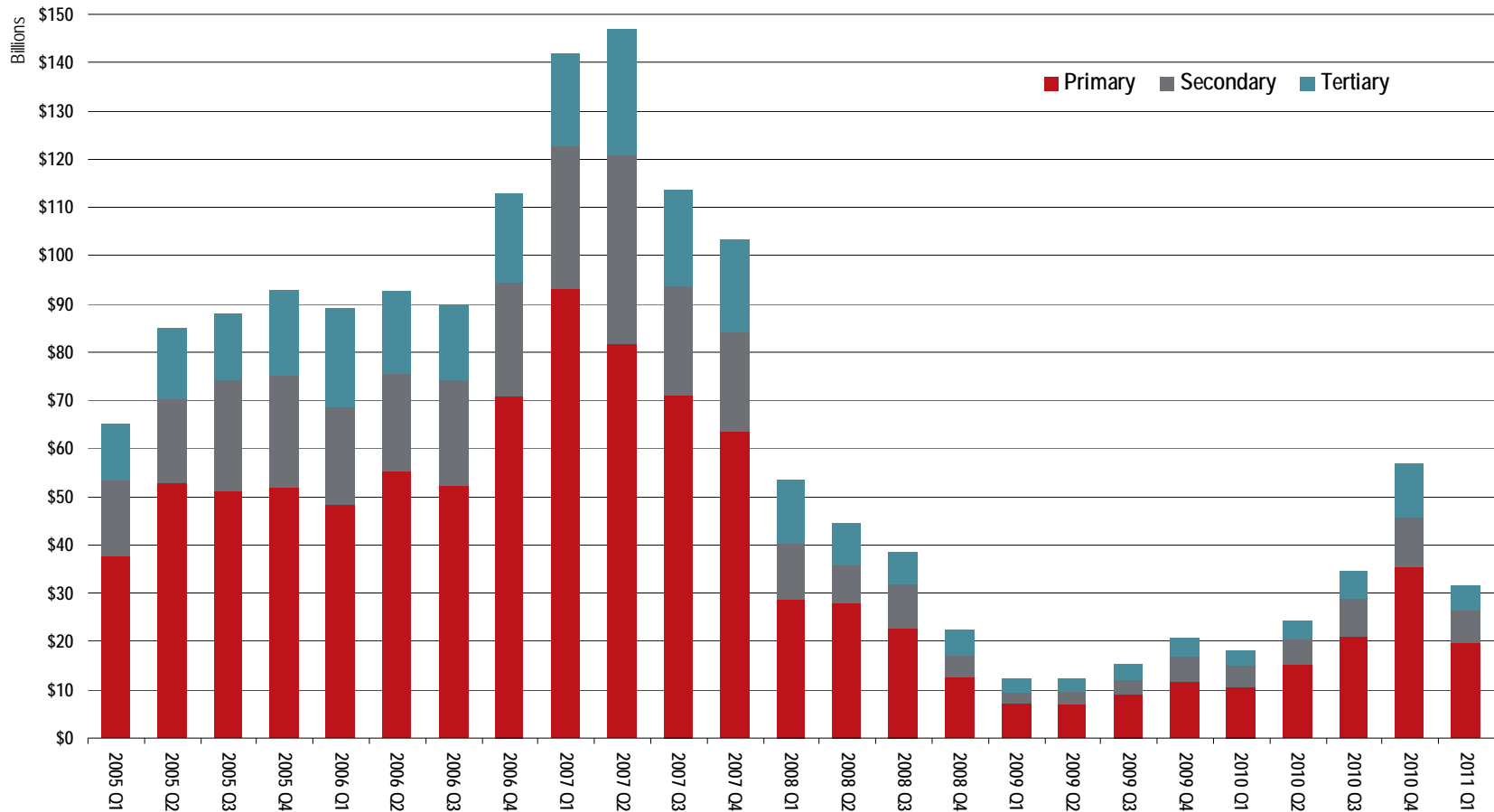
Source: Real Capital Analytics, Jones Lang LaSalle

# CRE maturities 2011 - 2020



Source: ACLI, Federal Reserve, Wells Fargo, Jones Lang LaSalle

# Quarterly transaction volume by market type



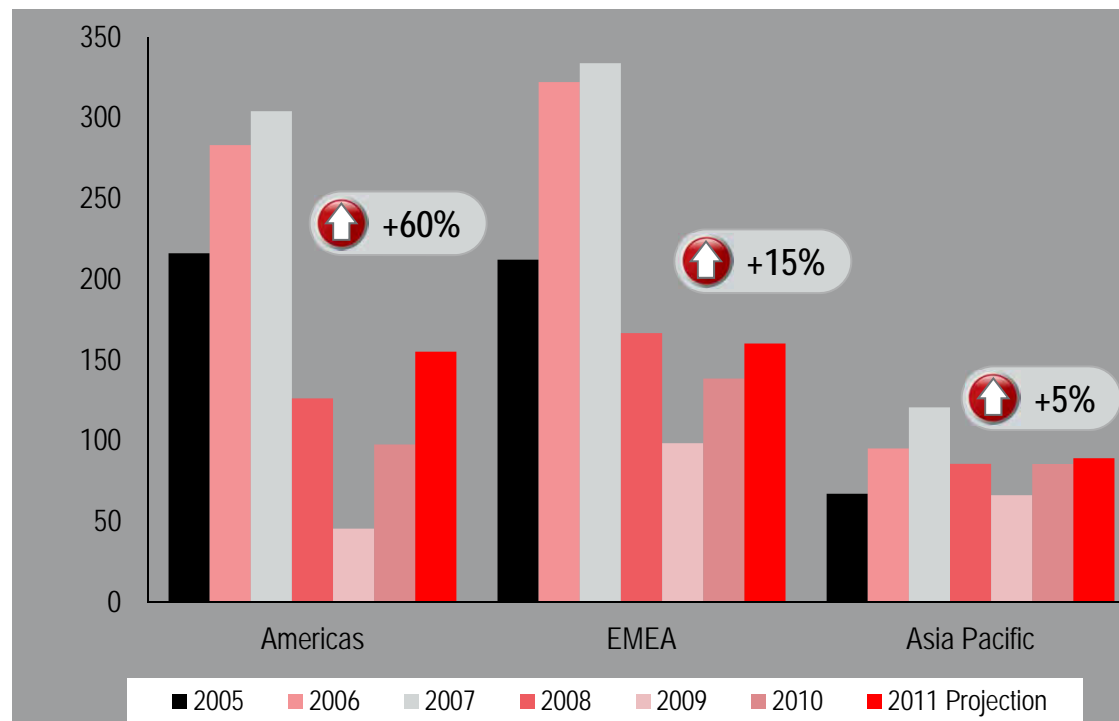
Source: Real Capital Analytics, Jones Lang LaSalle; properties \$2.5 million and above

# Global Capital Flows for Investment Sales

*2011 volumes expected to exceed \$400 billion*

Direct Commercial Real Estate Investment, 2005-2011

## H1 2011 Highlights



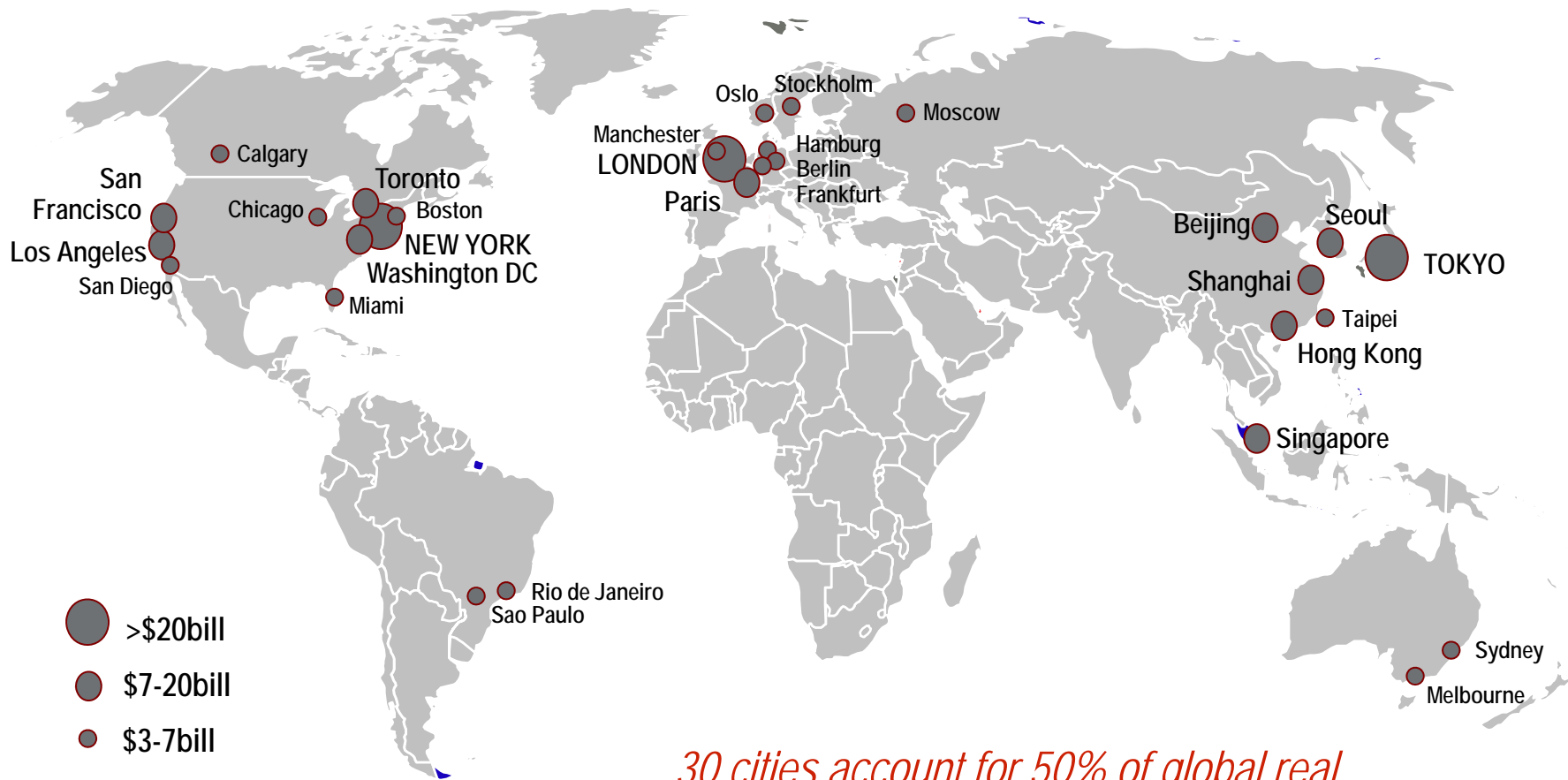
Source: Jones Lang LaSalle

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



<sup>(1)</sup> 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](http://www.joneslanglasallehotels.com).

# Top 30 Cities by RE Investment Volumes, 2010 – H1 2011



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

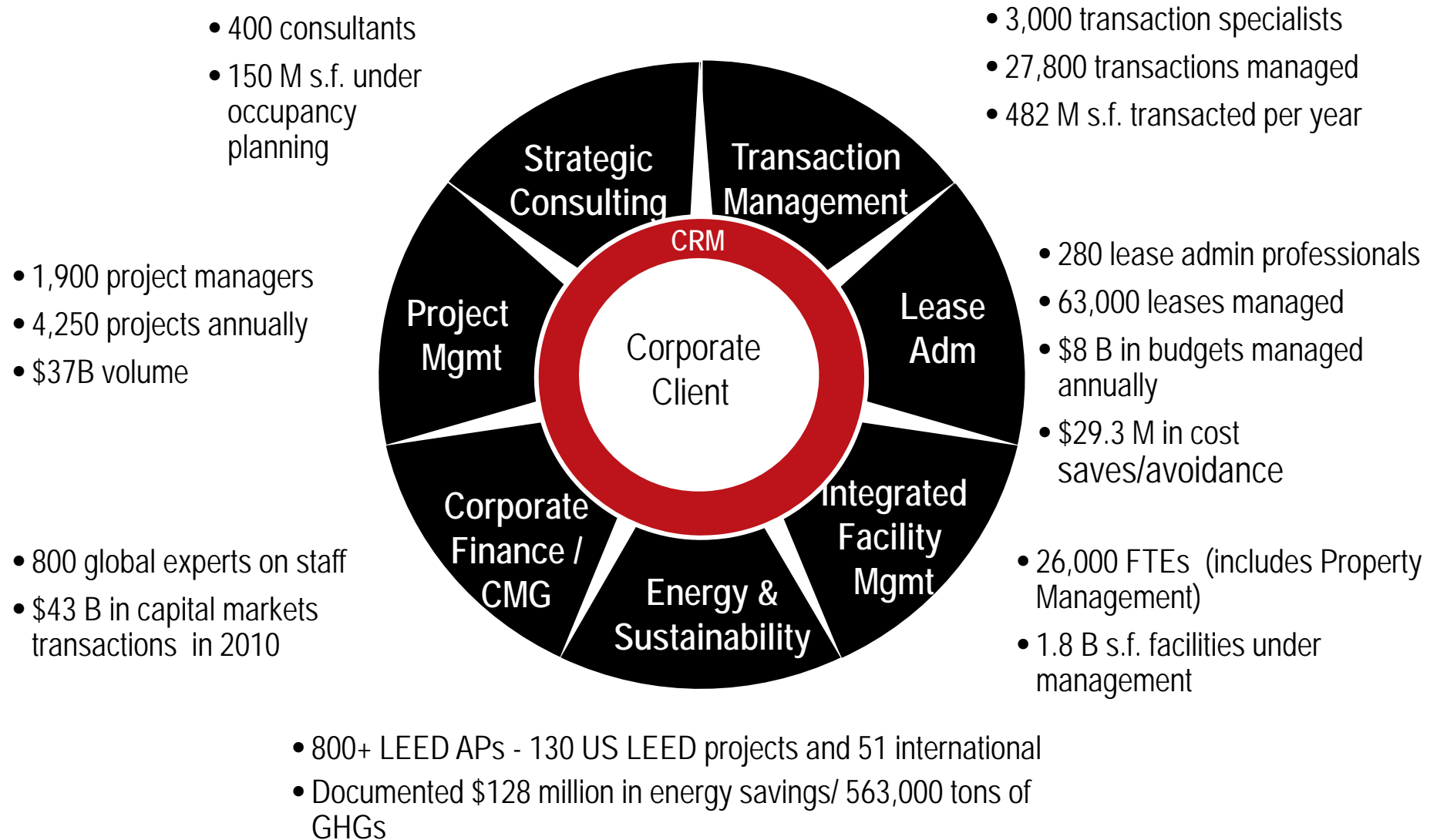
Source: Jones Lang LaSalle

# Occupier/User View of Real Estate

## Global Corporate Real Estate Survey 2011



# Jones Lang LaSalle Integrated Global Occupier Capabilities



# 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

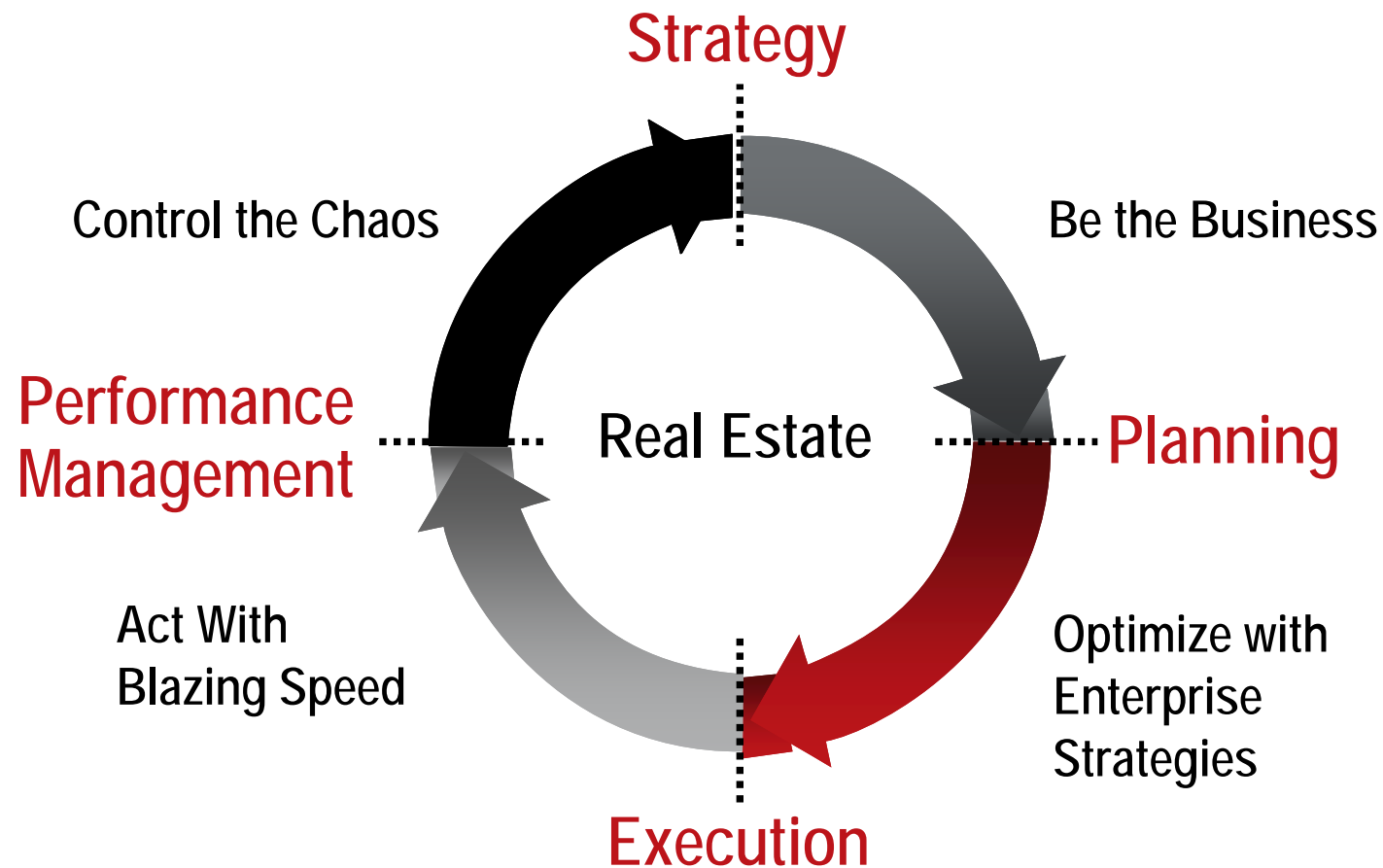


## Global Trend #2) **Balancing dual forces growth & right-sizing**

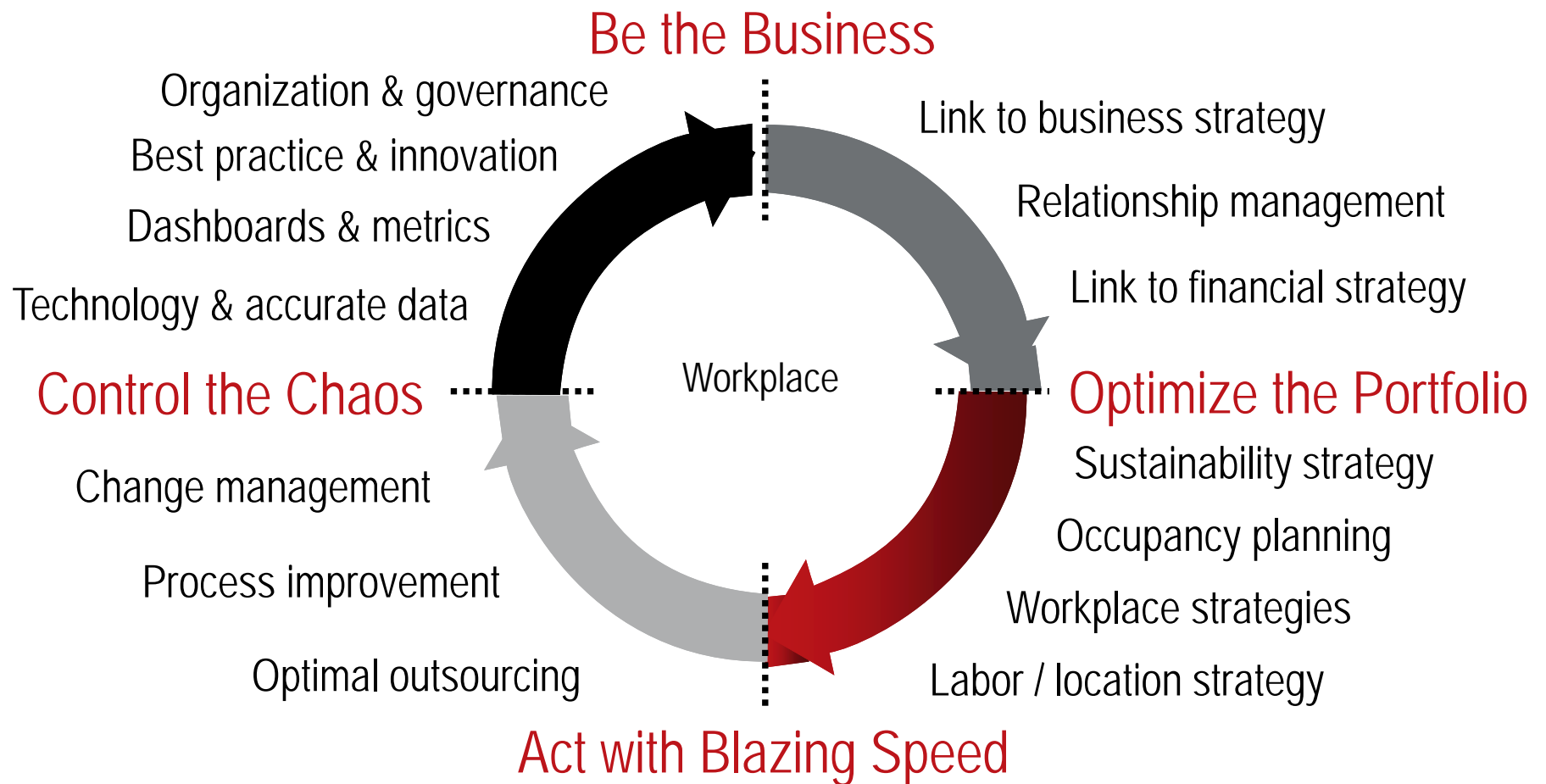


- Support **enterprise growth** while aggressively **managing costs** and risk
- Drive **higher utilization** rates within consolidated portfolios
- Undergo **strategic portfolio and scenario planning** to reduce risk by balancing supply and demand and optimizing capital spend
- Proactively manage the **life cycle of assets**

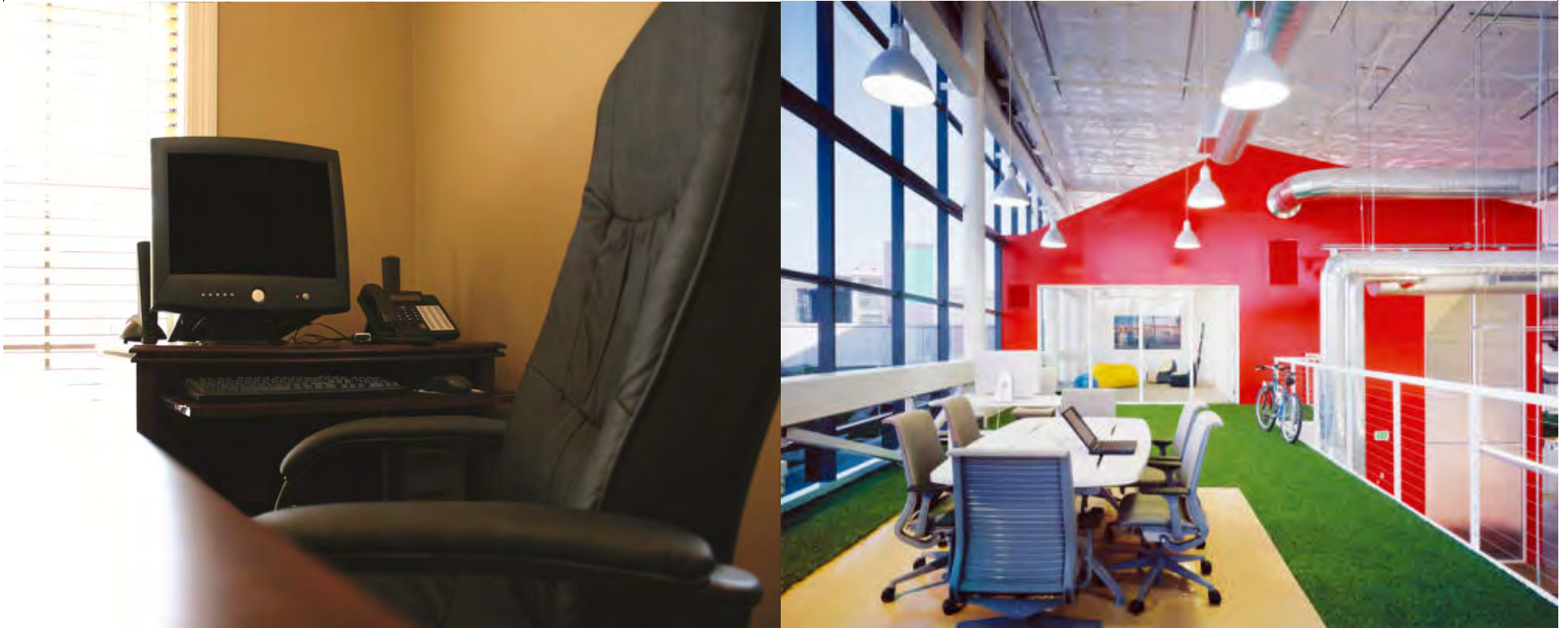
# How do companies get the most out of their real estate?



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# Trend: Multi-generational workforce – Real Estate response?

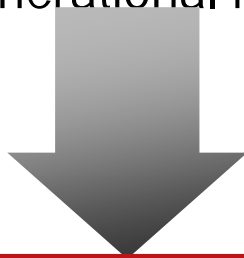


# “Mobile and Electronic Digital Nomads”



# Mobility Impacts Space Allocation

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



Portfolio strategies?  
Workplace design?  
Efficiency metrics?

TODAY:

200 RSF/person

WORKPLACE  
UTILIZATION:

35% - 50%

2015:

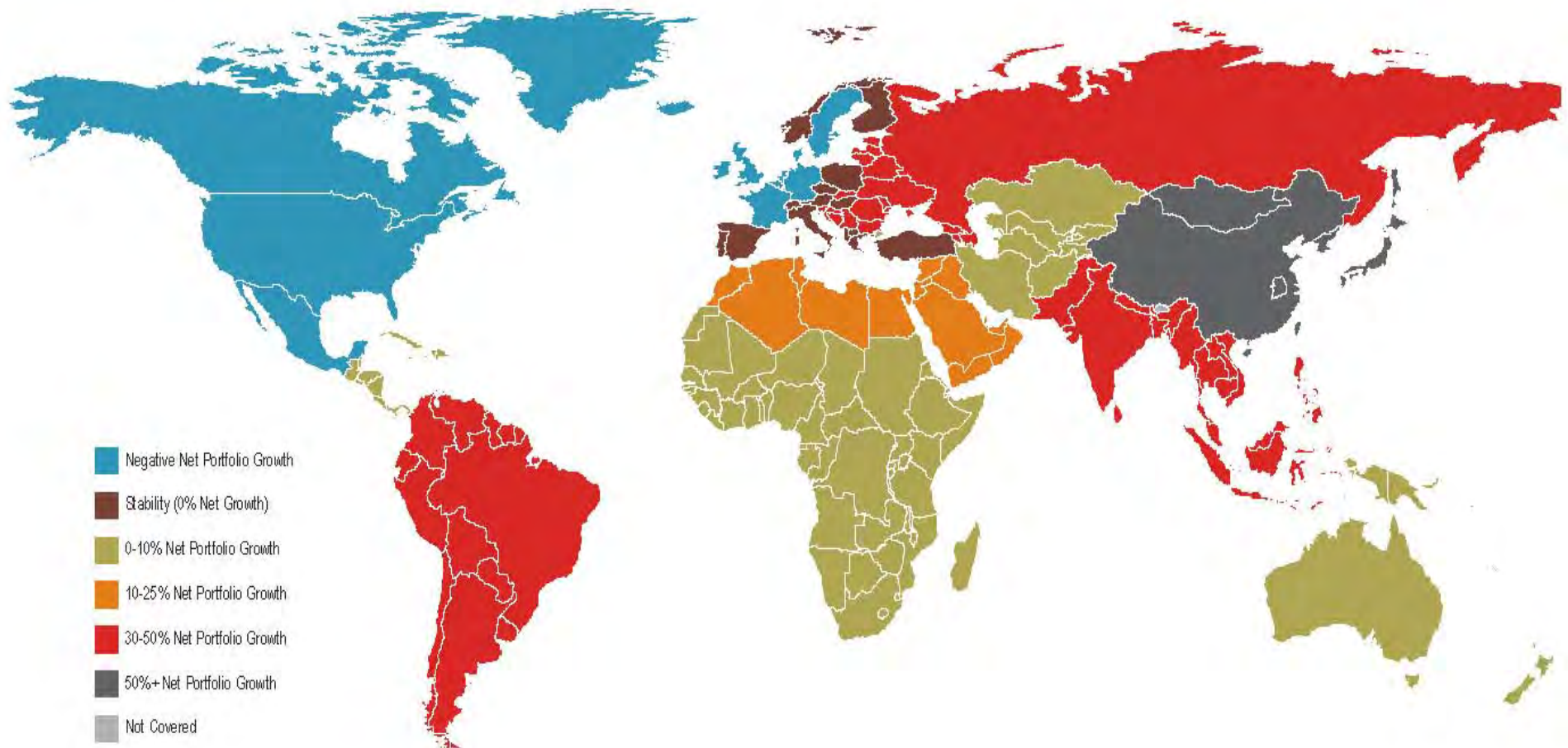
50 RSF/person

85%

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



# Retail Trends

# Retail: The New Retail Rulebook

*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...*

Pace of Economic Growth

Shifting Balance of Economic/  
Financial Growth

Demographic Change

Evolution of Technology

More than Shopping

Environmental Sustainability

# 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.

## Q2 2011 e-commerce stats

Online retail sales change, y/y	▲ 14%
Number of online buyers	▲ 16%
Number of transactions per buyer	▲ 6.7%
Average dollar value of a purchase	▼ 6.7%

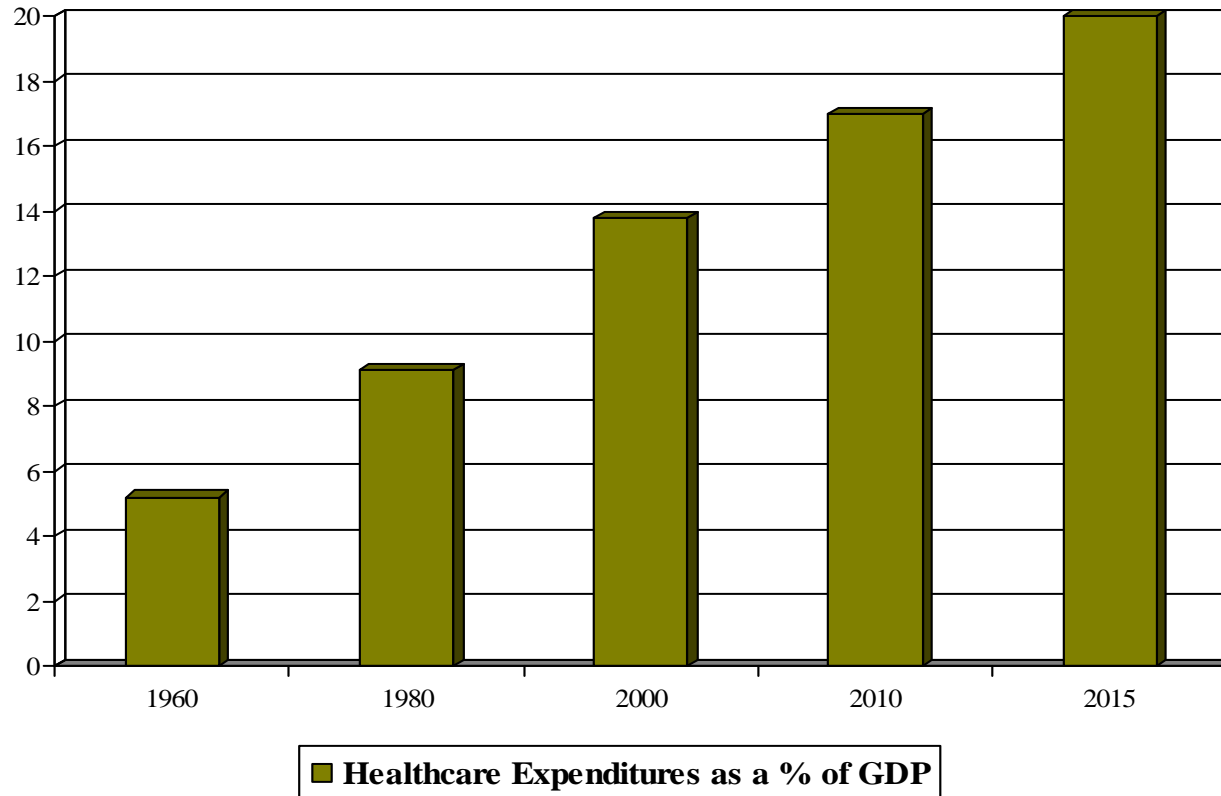
## E-reader growth in 6 months

% of adults that own an e-reader in May 2011	12%
<i>% change from November 2010 to May 2011</i>	▲ 100%

# Healthcare - Real Estate Cost Opportunity



# Healthcare and the National GDP

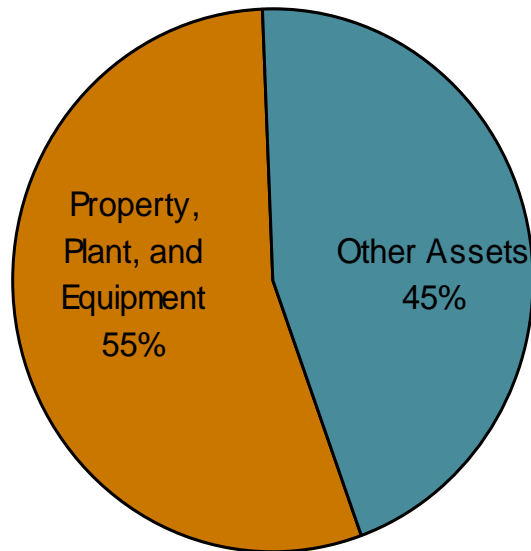


Source: [cms.gov/statistics/nhe](https://www.cms.gov/statistics/nhe) (Figures for 2015 projected)



# Real Estate: significant impact on health system financials

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



**Real estate** is 3<sup>rd</sup> largest expense category

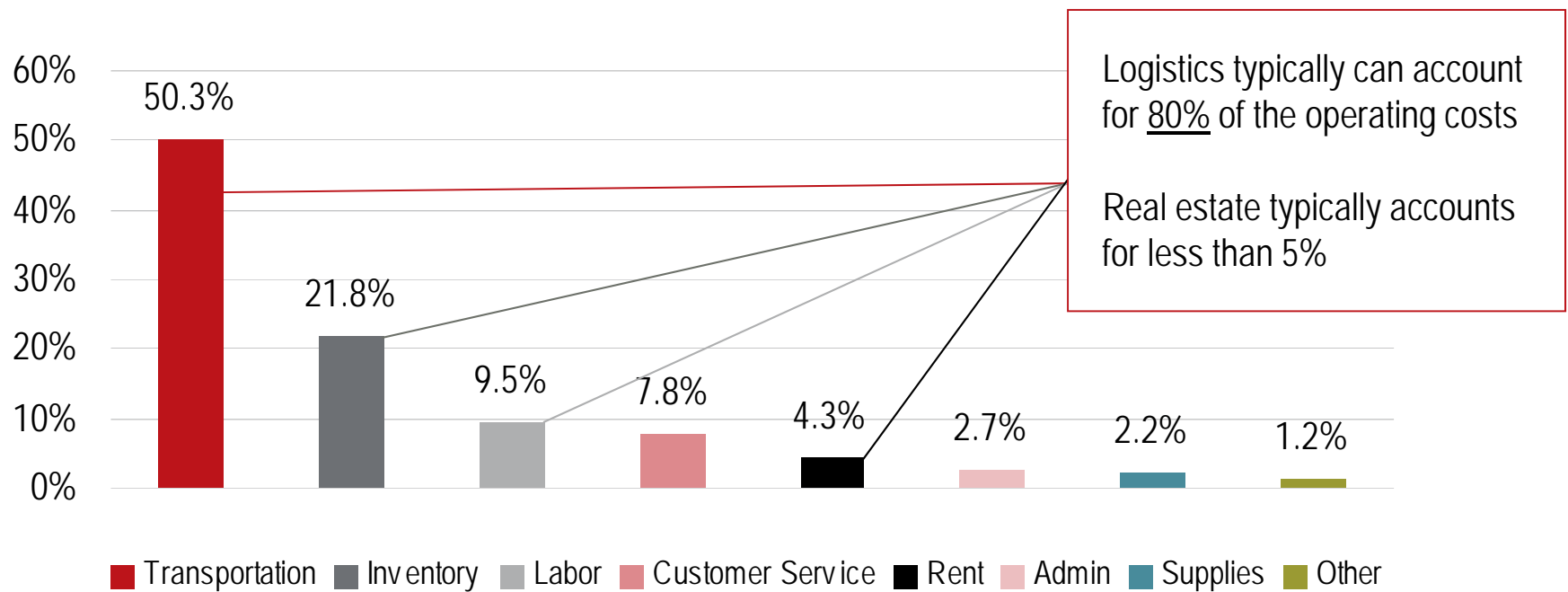
1. Employees
2. Supplies
3. **Real estate**
4. Provisions for bad debts

# Global Supply Chain - Impact on Industrial Real Estate



# Industrial - More than real estate... Definitely Location!

## Understanding the *total operating cost* picture is critical



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



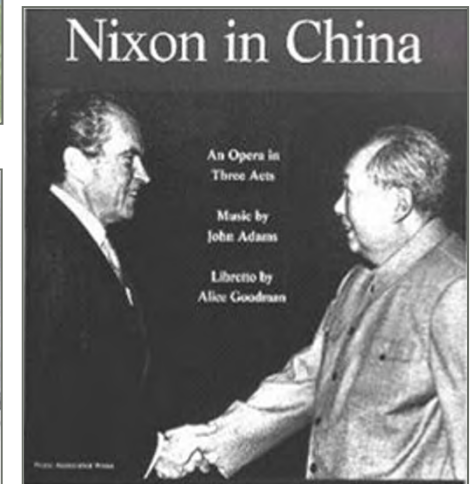
- Domestic Production
- Regional Distribution
- Limited Infrastructure



# Circa 1970 – Advent of international logistics



- Containerization
- Overseas Markets
- Domestic Labor



# Circa 2010 – Global supply chain



- Evolving Technologies and Better Connectivity
- Longer/More Complex Supply Chains
- Global Sourcing and Manufacturing



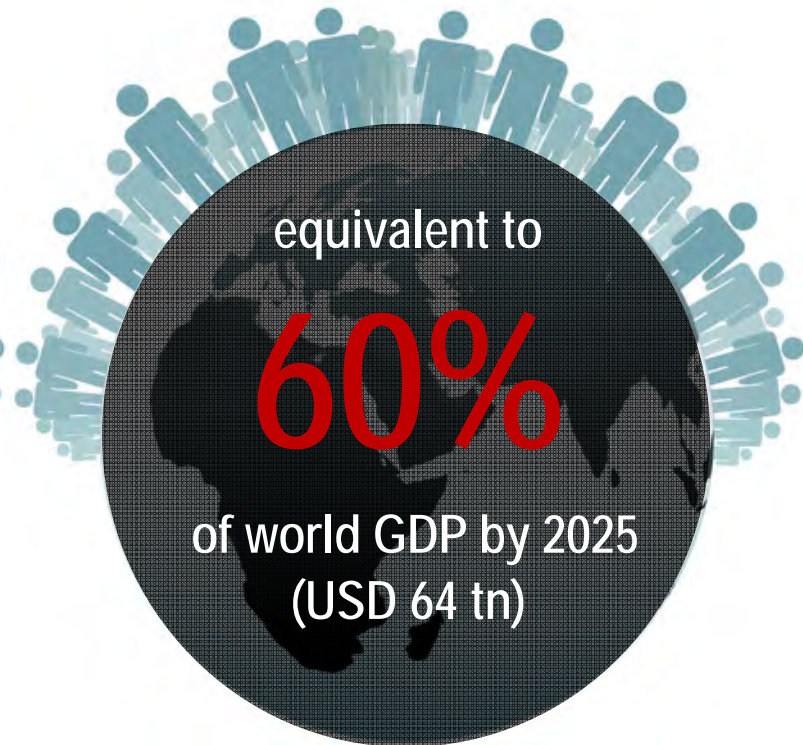
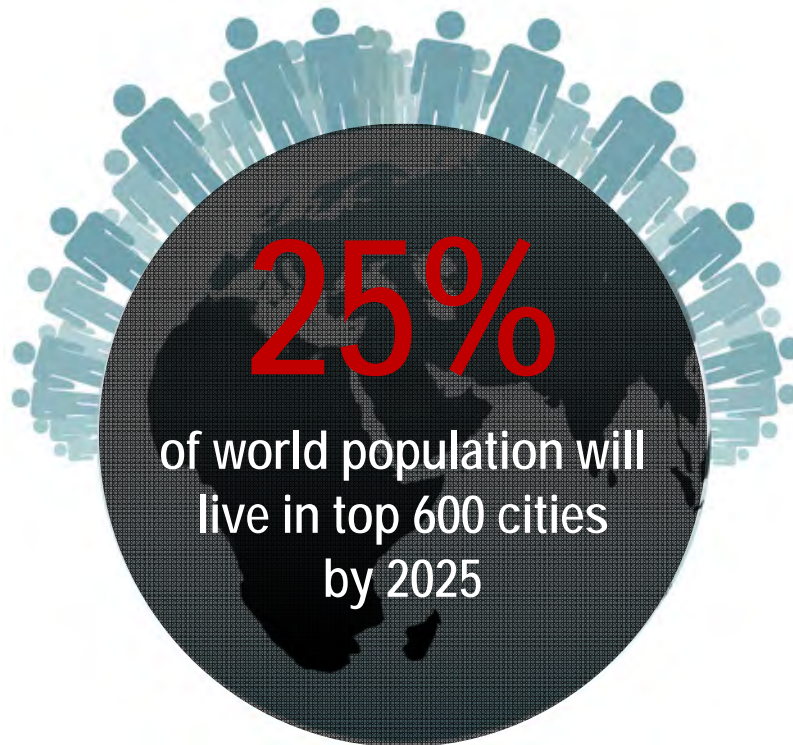
# Winning Cities/ Urbanization





# Urbanization: An unstoppable force

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



75% of the 600 cities are in emerging economies

# 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

# 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



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

# Urban Priorities – Infrastructure

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 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 12<sup>th</sup> 5-year period





# Sustainability



# Cities also create carbon....

Cities represent **70%** of CO<sub>2</sub> emissions worldwide  
Consume **75%** of the world's energy



Buildings represent  
65% to 70% of a  
city's CO<sub>2</sub>  
emissions

Estimated costs of climate change = **Losing 5% of global GDP each year**  
(Stern report)

# Office Age Profiles of Key Cities

% of Current Stock	Pre 1960	1960-79	1980-89	1990-99	2000-09
New York	30%+	30%+	10-20%	<10%	<10%
Paris	30%+	10-20%	10-20%	20-30%	10-20%
Chicago	20-30%	10-20%	20-30%	10-20%	20-30%
London	20-30%	10-20%	20-30%	20-30%	20-30%
Randstad	20-30%	10-20%	10-20%	20-30%	20-30%
São Paulo	10-20%	30%+	10-20%	10-20%	20-30%
Toronto	10-20%	20-30%	30%+	10-20%	10-20%
San Francisco	<10%	20-30%	30%+	10-20%	10-20%
Washington DC	<10%	20-30%	20-30%	10-20%	20-30%
Sydney	<10%	20-30%	10-20%	10-20%	20-30%
Hong Kong	<10%	10-20%	20-30%	30%+	10-20%
Shanghai	<10%	<10%	<10%	30%+	30%+

# 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

CO<sub>2</sub> 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

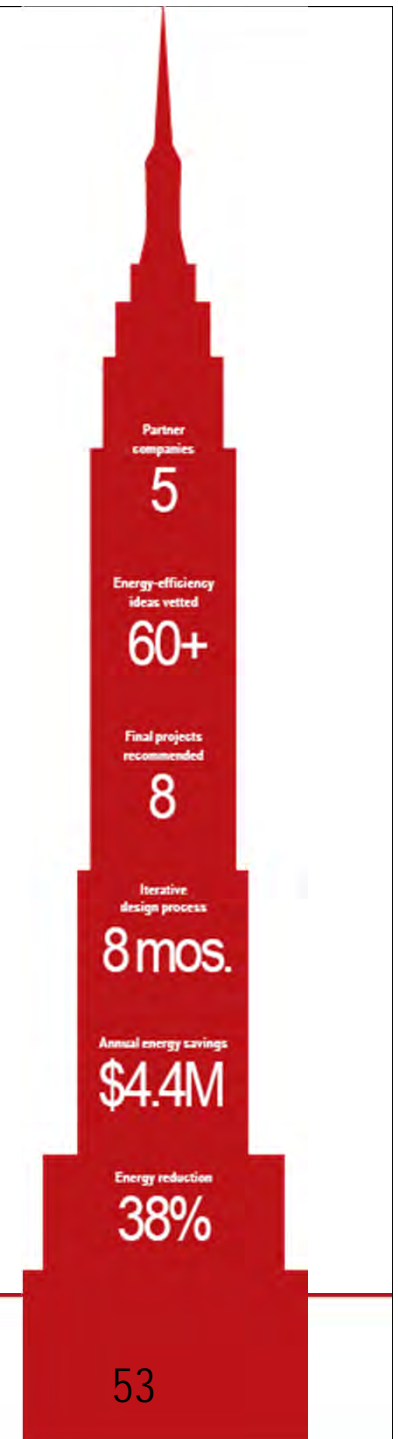
- Develop an energy and sustainability retrofit strategy that would dramatically reduce energy consumption and result in positive ROI

## Solutions

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

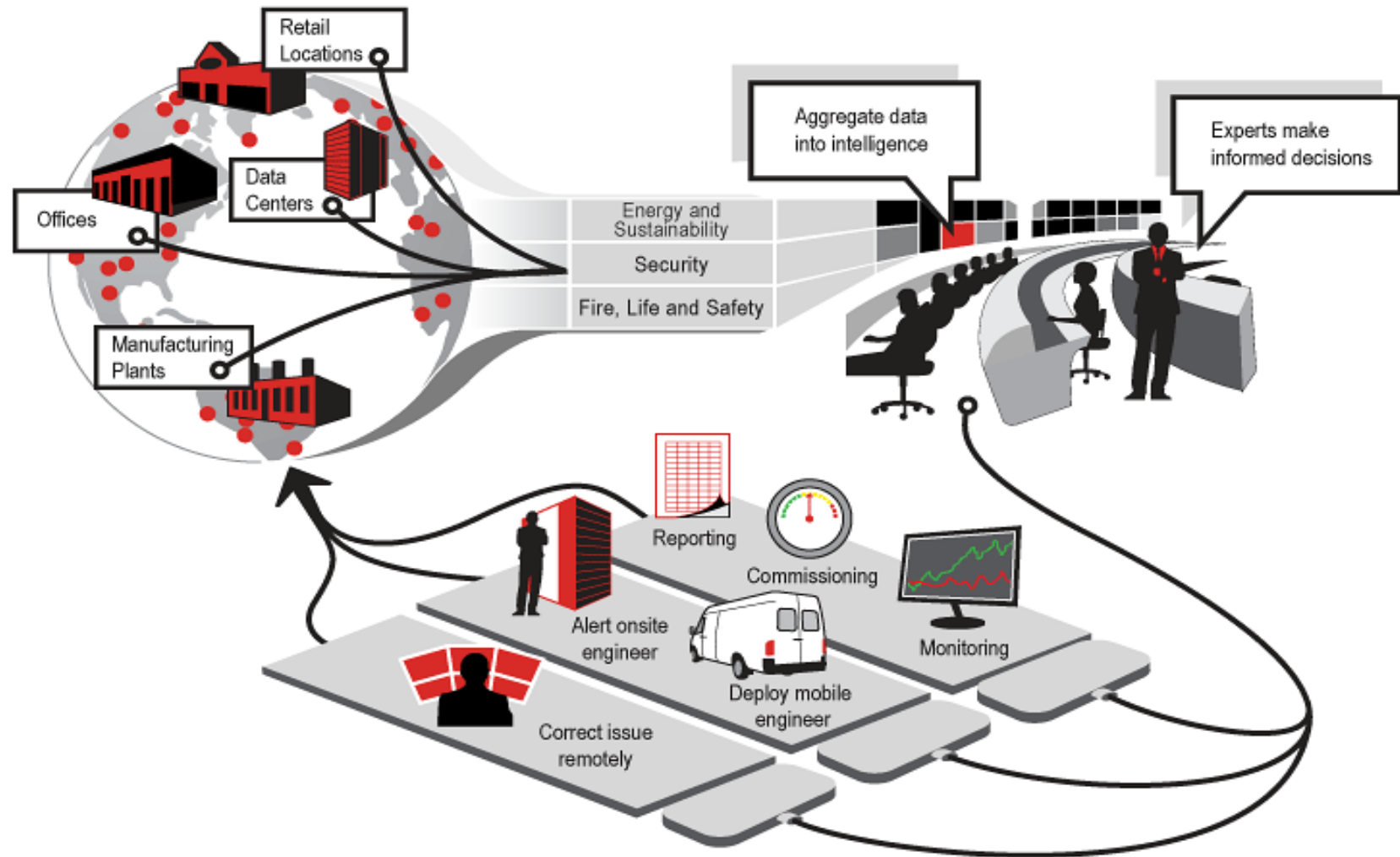
## Results – the plan is projected to:

- 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.

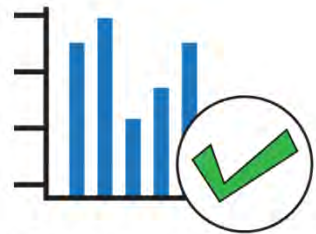


# Smart Buildings

# 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



Measurement & Verification



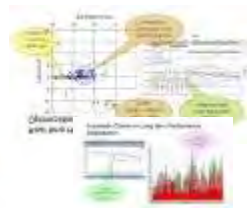
Energy Analysis



Continuous Commissioning



Fault Detection & Diagnostics



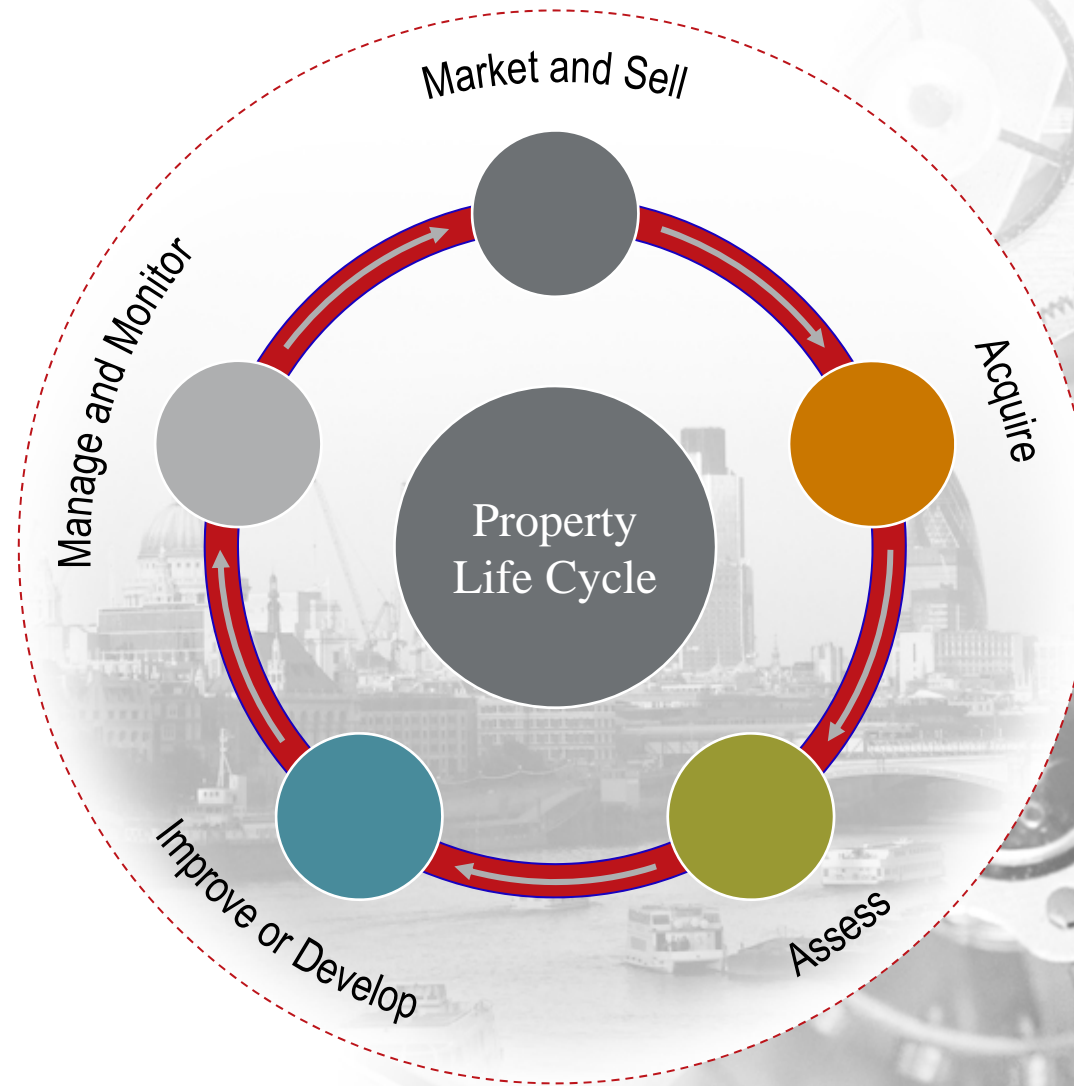
Carbon Footprint Analysis



# 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



*"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

## Making an Impact

- 800+ LEED Accredited Professionals
- 200+ LEED projects globally, including
  - 1<sup>st</sup> LEED Platinum high-rise; One Bryant Park, New York
  - 1<sup>st</sup> LEED building registered in India; Sohrabji Godrej Green
  - 1<sup>st</sup> 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**



**MOTOROLA**



**xerox**



**HSBC**



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

