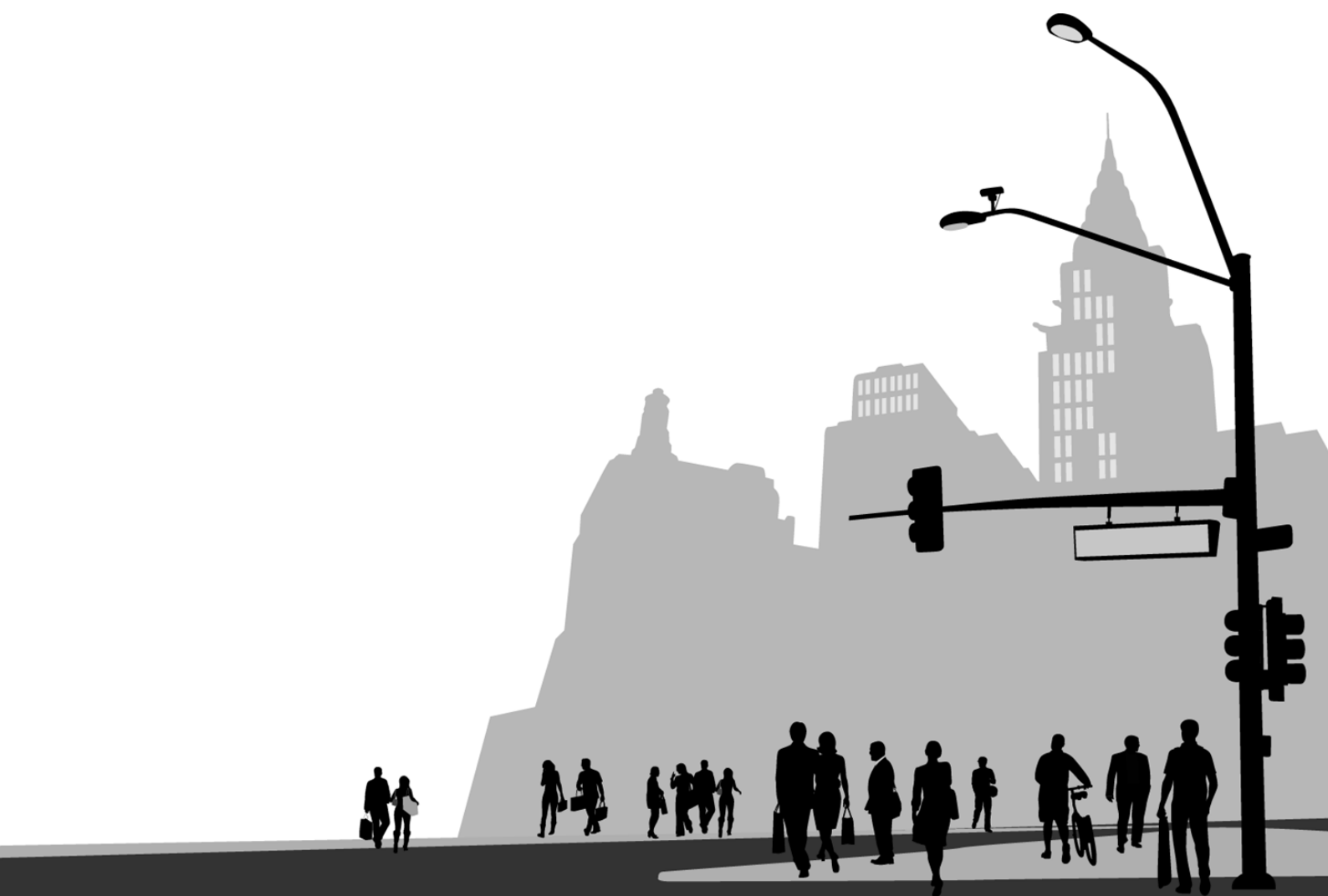


A New World of Cities

Redefining the Real Estate Investment Map



A New World of Cities: Redefining the Real Estate Investment Map

Executive Summary: Five Global Investment Drivers

50 percent of global commercial real estate investment is still concentrated in only 30 high-order cities

1. Despite the increasing choice of maturing cities, the geography of commercial real estate investment is still heavily concentrated in the world's high-order cities¹. Thirty cities accounted for half of all global direct commercial real estate investment in 2010-2011. The top five cities alone - London, Tokyo, New York, Hong Kong and Paris - were responsible for nearly one-quarter of investment volumes. While a few emerging markets, such as Shanghai, Beijing, Moscow and Sao Paulo, have joined the top ranks, the 'top 30' has remained relatively consistent over recent years.

But, this will be the 'decade of change' as investors widen their horizons

2. However, we believe that this will be the 'decade of change' as investors widen their horizons across a much broader range of 300+ cities, not only in new emerging markets but also in secondary and tertiary cities in mature economies. Deepening real estate transparency, faster economic growth rates and the improving quality of the real estate stock in emerging and middle-weight cities will act as compelling pull factors; so too will investors' active pursuit of major corporate occupiers, who are extending deeper into new geographies. Conversely, the potential decline in the global economic weight of high-order cities - as the digital world erodes the need for physical clustering and their business cycles become increasingly synchronised - could act as a critical push factor and reduce the relative attraction of high-order cities for real estate investors over the longer term. By 2020, the 'top 30' is more likely to be the 'top 50' as cities such as Mexico City, Delhi and Istanbul join the top echelons of investible cities.

U.S. cities will continue to hold considerable real estate weight

3. While it may be the 'Asia Pacific Century', the future strength and weight of U.S. cities should not be underestimated. The major U.S. cities will continue to act as substantial economies and real estate markets of global scale and significance. Eleven U.S. cities are expected to feature among the world's top 30 largest cities (by GDP) by 2020. There are also notable pockets of dynamism in the U.S., with some of the world's fastest growing mature cities over the next decade likely to be in the U.S. - such as Austin Texas and Raleigh-Durham - driven by technology, high-value activities and a remarkable capacity for innovation.

China's cities offer massive potential as they are transformed by unprecedented city building

4. The BRIC economies will, unsurprisingly, account for a growing proportion of global real estate activity over the next decade, but what is noteworthy is the massive long-term potential of Chinese cities, which outweigh the opportunities in other emerging markets. The world's 10 fastest growing large cities are all in China. Recognising the potential of Chinese cities, Jones Lang LaSalle has identified 50 secondary and tertiary cities - the 'China50' - that are being transformed by an unprecedented programme of city building and modernisation, which is creating significant real estate opportunities.

The future success of European cities will be determined by innovation and reinvention

5. In Europe's low-growth environment, the disparity between its city 'winners' and 'losers' is likely to be even more marked over the next decade. A capacity for innovation and reinvention will be a key differentiator for European cities. Besides Europe's four mega cities - London, Paris, Moscow and Istanbul - which offer truly global scale, it will be Europe's 'high-value' cities, such as Munich and Stockholm, with strong fundamentals and commitment to innovation, that will be best enabled to outperform in a low-growth environment.

¹ Cities with large concentrations of internationally-focused, high-value business activities

A New World of Cities

A decade of World Winning Cities

In 2002, Jones Lang LaSalle launched 'World Winning Cities', a multi-year research programme to understand the new trends in urbanisation and to assess their impacts on global real estate markets. Over the past decade the programme has explored the many facets of city competitiveness. We have identified and profiled numerous rising urban stars that are attracting new interest from real estate investors and corporate occupiers. Equally we have looked at how the established cities are faring in an increasingly competitive global environment. The programme is underpinned by a proprietary database of key performance indicators covering more than 650 cities worldwide, which we have moulded to provide fresh insights into urban dynamics and real estate activity.

During the past 10 years of 'World Winning Cities', a considerable volume of attention from the real estate industry, including our own programme, has been on the rise of the new breed of emerging mega cities, of the ascendancy of the BRIC markets and the growing opportunities in middle-weight cities. All offer compelling growth stories for real estate players, but what is the reality? Based on our 'World Winning Cities' datasets, we are setting out to test the extent of the shifts in the balance of global economic and real estate activity. Where will the growth be over the next 10 years? Which cities will be dominant in 2020, and how will this impact on real estate investment flows?

Jones Lang LaSalle 'Global 300'

300 cities account for 40 percent of Global GDP



This note provides a top-level summary of our ongoing research into the new geography of commercial real estate. It highlights the continued dominance of the established cities and real estate markets, but also offers compelling evidence of the rising importance and influence of emerging markets and middle-weight cities.

The 'Global 300' - The markets that matter

Our analysis is anchored by our 'Global 300' – 300 cities that we believe will account for the bulk of economic and commercial real estate activity over the next decade. The 'Global 300' are the world's most populous, productive and connected cities; their one billion citizens are responsible for over 40 percent of global economic activity. They have a combined modern office stock of over 1.2 billion m² and account for two-thirds of global direct commercial real estate investment. While many businesses will be looking well beyond these 'Global 300' for new opportunities, for the commercial real estate industry these 300 cities will continue to represent the bedrock of activity; they will be home to most multinational corporations, to virtually all of the world's international grade commercial stock, and will be the overwhelming focus of international retailers, international hotel brands and real estate investors.

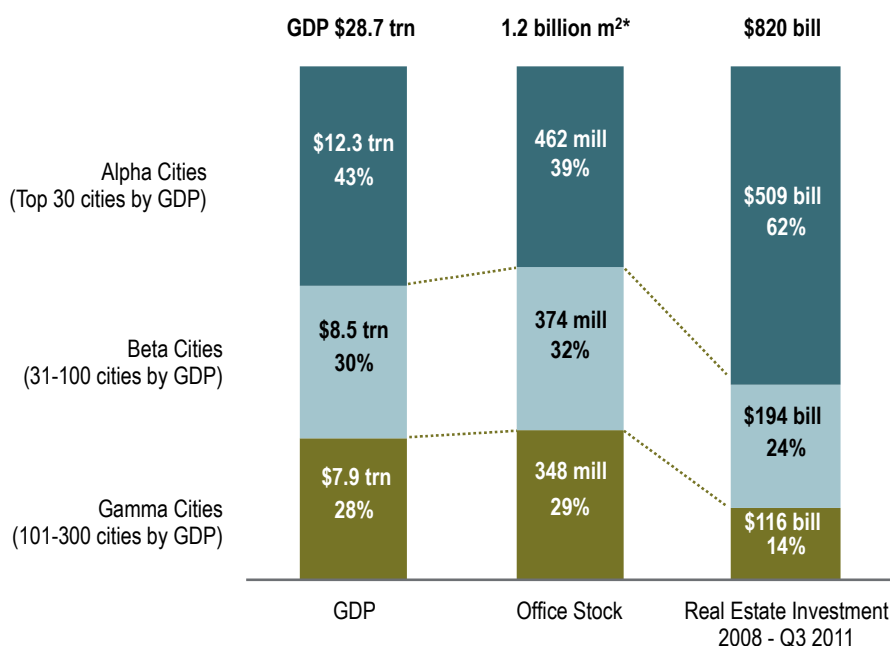
The continued concentration of activity in high-order cities

The geography of economic output and real estate development shows a heavy concentration of activity not only in the high-order cities, headed by Tokyo, New York, Paris and London, but also in developing cities such as Shanghai, Moscow and Sao Paulo.

Our analysis of the 'Global 300' is uncovering a complex tapestry of economic dynamism, which will shape the global real estate markets over the coming decade. Nonetheless, several key themes are emerging...

- Today, the world's 30 largest cities measured by GDP (PPP) account for 43 percent of economic output, 39 percent of Grade A stock and 62 percent of real estate investment activity of the 'Global 300'.
- By 2020, (virtually) the same 30 largest cities will still account for over 40 percent of the economic and real estate activity of the 'Global 300'. They will be the world's largest, most diverse cities, with deep and liquid commercial real estate markets.

The Current State of Play of the Global 300



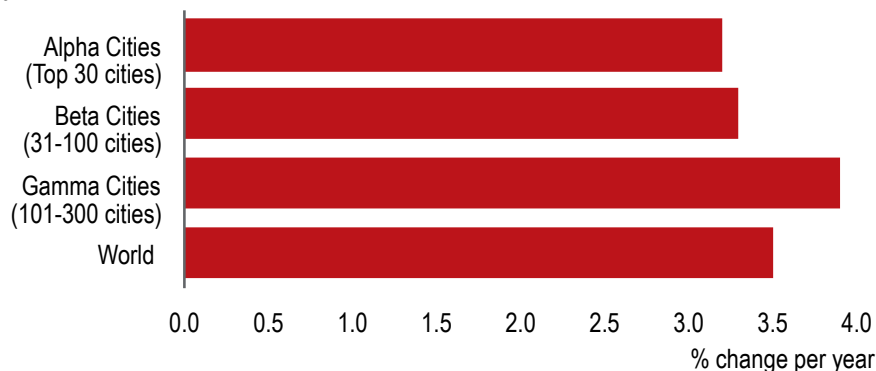
*Estimates of modern office stock (All Grade in Mature Markets; Grade A in Emerging Markets)
Source: Jones Lang LaSalle, World Winning Cities 2012

It will take a lot to change this concentration of activity, but middle-weight cities (our Beta and Gamma cities¹) are expected to show marginally stronger rates of economic growth over the coming decade. More importantly, huge efforts are being made by these

mid-sized cities to increase their competitiveness through regulatory and tax reforms, as well as infrastructure improvements and concentrated efforts to improve business friendliness.

Are Mid-sized Cities the Future?

GDP Change 2012 - 2020



Source: Global Insight, Experian, Deloitte Access Economics, Conference Board of Canada

¹Beta cities include such as Jakarta, Riyadh, Austin Texas, Munich and Stockholm. Gamma cities include cities such as Chengdu, Chennai, Curitiba and Warsaw

The weight of U.S. cities provides a strong counter-balance to Asia Pacific

Despite the focus on significant economic growth in Asia Pacific, the strength and weight of U.S. cities should not be underestimated.

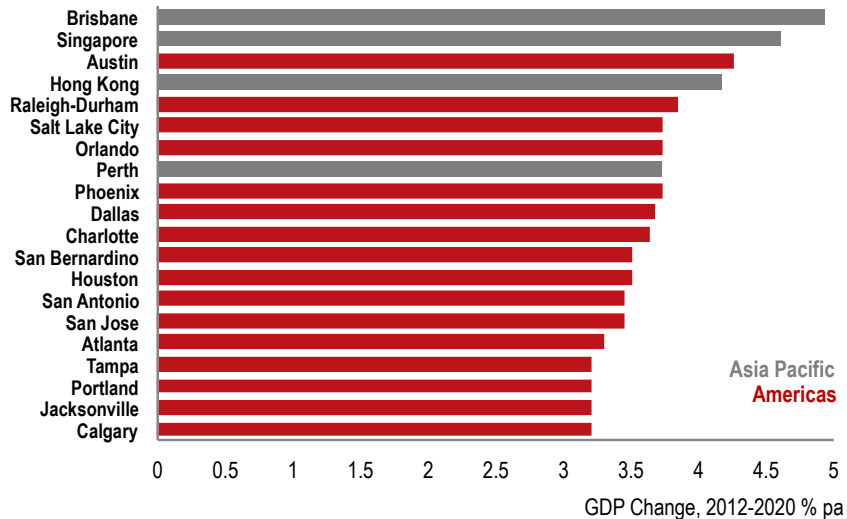
Our analysis highlights that the major U.S. cities will continue to act as substantial economies of global scale and significance.

- Eleven U.S. cities are expected to feature among the world's top 30 largest cities (by GDP) by 2020. Six of the world's 30 fastest growing cities in absolute terms are expected to be in the U.S. – New York, Los Angeles, Chicago, Washington DC, Dallas and Houston.

- There are also notable pockets of dynamism in the U.S., with some of the world's fastest growing mature cities over the next decade likely to be in the U.S. – cities such as Austin Texas and Raleigh-Durham - driven by technology, high-value activities and a remarkable capacity for innovation.
- While global attention focuses on the growth opportunities in emerging markets, the weight of the U.S. markets – with its office stock of more than 500 million m² (in 100 office markets), nearly half the global total, and more than one-third of global commercial real estate investment volumes - continues to provide a strong counter-balance to Asia Pacific.

Where is the growth?

16 of top 20 fastest growing mature cities will be in North America



!Relates to cities with a mature property market and a population of more than 1m
 !Source: Source: IHS Global Insight, Experian, Conference Board of Canada, Deloitte Access Economics, 2012

World's Largest 30 Cities in 2020

By GDP (PPP)



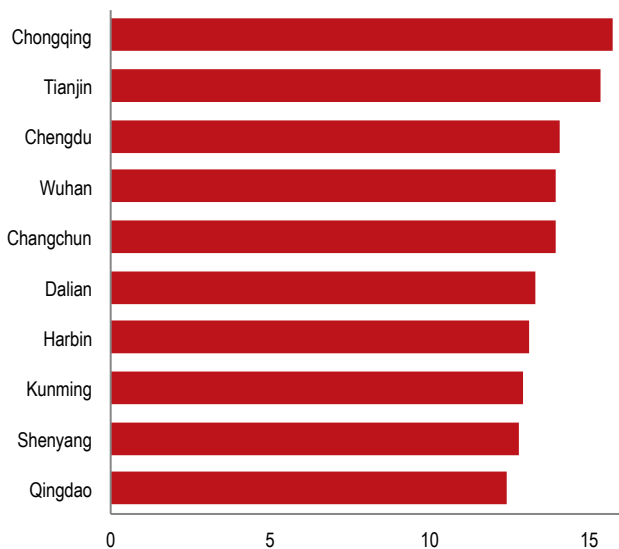
Source: Jones Lang LaSalle, World Winning Cities, 2012

The massive potential of China's cities – a continental scale market

It comes as no surprise that projections of economic output and commercial real estate stock highlight the continued expansion of emerging markets, particularly in the BRIC economies. Testimony to the real estate potential is that their Grade A office stock is projected to grow by an average of more than 10 percent per year over the next decade, from 80 million m² today to more than 200 million m² by 2020 – the equivalent of building the stock of Houston or Hamburg each year.

But what is most notable from the analysis is the massive long-term potential and emerging critical mass of activity in Chinese cities, which outweigh the opportunities in other emerging markets. The world's 10 fastest growing large cities are all in China. Recognising the potential of Chinese cities, Jones Lang LaSalle has defined 50 secondary and tertiary cities – the 'China50' - that are being transformed by an unprecedented programme of city building and modernisation. The 'China50' alone are expected to account for 12 percent of global economic growth over the next decade.

World's fastest growing cities GDP Growth 2010 – 2012



Includes all cities with populations over three million
Source: EIU, 2011

Europe strengths will be in high-value activities

In Europe's low-growth environment, the disparity between its city 'winners' and 'losers' is likely to be even more marked over the next decade, and a capacity for innovation and reinvention will be a key differentiator for European cities. Our analysis highlights two groups of cities that are likely to punch above their weight:

- Europe's four mega cities of London, Paris, Moscow and Istanbul stand out – they are the cities in Europe that have truly global scale and offer a diversified platform across multiple sectors.
- Europe's 'high-value' cities, such as Munich and Stockholm, will use their strong fundamentals and commitment to innovation to outperform in a low-growth environment.

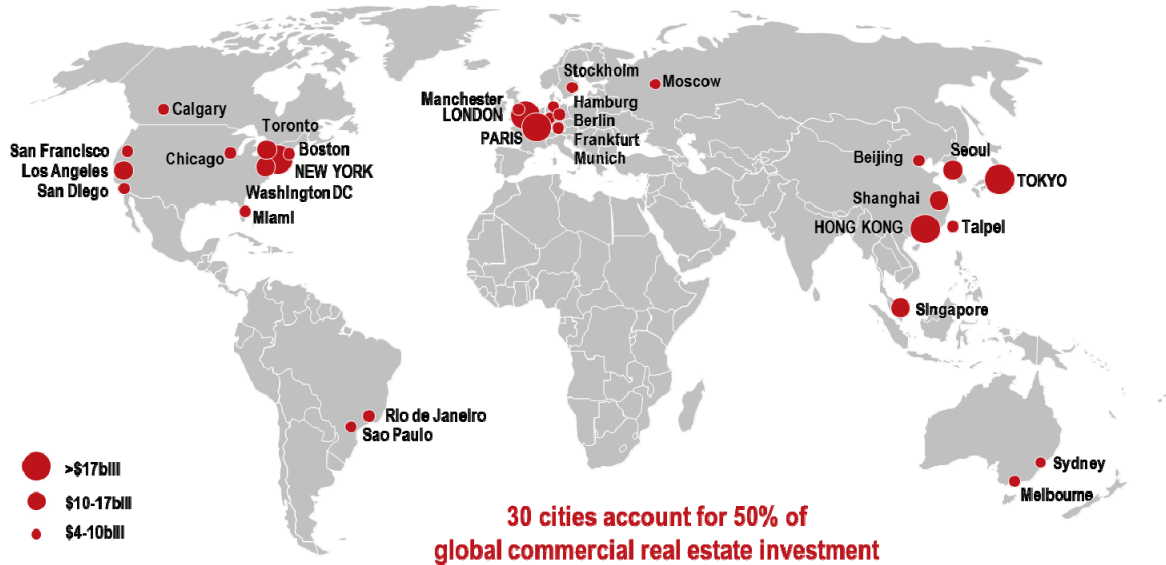
Where is the money? 50 percent concentrated in only 30 cities

What is clear from our analysis of the 'Global 300' is that real estate investors are being presented with a growing range of investible cities, not only in new emerging markets, but also in secondary and tertiary cities in mature economies.

But significantly, despite the increasing choice of investment locations, investors are still highly focused on the large, liquid mature markets. Thirty cities account for half the world's total real estate investment volumes (2008-2011). The top five cities alone – London, Tokyo, New York, Hong Kong and Paris - are responsible for nearly one-quarter of volumes. While we have seen a few emerging markets, such as Shanghai, Moscow and Sao Paulo, rise up the ranks, the 'top 30' has been relatively consistent in recent years. It highlights the power of inertia, of minimising risk, and the requirement of investors for deep, liquid, transparent, diversified markets with large pools of trade-able assets. However, this pattern is in enormous contrast to the activities of the major corporate occupiers, who are moving deeper into new geographies.

Where is the money going?

Top 30 cities for direct commercial real estate investment 2010 – 2011*



* 2011 – Q1-Q3

Source: Jones Lang LaSalle

How have the top ranks changed?

Top 10 cities for commercial real estate investment, 2004 v 2011

2004	2011*
1. London	1. London
2. New York	2. New York
3. Tokyo	3. Tokyo
4. Paris	4. Hong Kong
5. Washington DC	5. Paris
6. Los Angeles	6. Singapore
7. Chicago	7. Washington DC
8. Atlanta	8. Shanghai
9. Dallas	9. Seoul
10. Hong Kong	10. Toronto

Europe
Americas
Asia Pacific

* 2011 – Q1-Q3

Source: Jones Lang LaSalle

Widening investment horizons – The ‘Top 30’ will become the ‘Top 50’

A key question going forward is, with new sources of real estate capital, new real estate players and the changing perception of risk, will we witness a shift in the geography of real estate investment to reflect the new urban dynamisms of the 21st Century or will we

continue to see a relatively small band of high-order mature cities dominating the global real estate investment environment?

We believe that this will be the ‘decade of change’ as investors widen their horizons across a broader range of 300+ cities, not only in new emerging markets, but also in secondary and tertiary cities in mature economies. Deepening real estate transparency, faster

economic growth rates and the improving quality of the real estate stock in emerging and middle-weight cities will act as compelling pull factors; so too will investors' active pursuit of major corporate occupiers, who are moving deeper into new geographies. Conversely, the potential decline in the global economic weight of high-order cities - as the digital world erodes the need for physical

clustering and their business cycles become increasingly synchronised - could act as a critical push factor and reduce the relative attraction of high-order cities for real estate investors over the longer term. By 2020, the 'top 30' is more likely to be the 'top 50', as cities such as Mexico City, Delhi and Istanbul join the top echelons of investible cities.

Where is the money going?

Top 30 cities for direct commercial real estate investment, 2010 – 2011*

Top 10		US\$ bill	11-20		US\$ bill	21-30		US\$ bill
1.	London	43	11.	Los Angeles	10	21.	Melbourne	5
2.	Tokyo	32	12.	Beijing	8	22.	Berlin	5
3.	New York	27	13.	San Francisco	8	23.	Calgary	5
4.	Hong Kong	18	14.	Chicago	7	24.	Rio de Janeiro	5
5.	Paris	18	15.	Taipei	7	25.	San Diego	5
6.	Singapore	15	16.	Sydney	7	26.	Hamburg	4
7.	Washington DC	13	17.	Stockholm	6	27.	Munich	4
8.	Seoul	12	18.	Boston	6	28.	Miami	4
9.	Toronto	10	19.	Moscow	6	29.	São Paulo	4
10.	Shanghai	10	20.	Frankfurt	5	30.	Manchester	4
			Europe			Americas		Asia Pacific

* 2011 – Q1-Q3
 † Investment volumes in US\$ billions
 ‡ Source: Jones Lang LaSalle

Jones Lang LaSalle Regional Headquarters:

Chicago

200 East Randolph Drive
Chicago IL 60601
USA
tel +1 312 782 5800

London

22 Hanover Square
London W1S 1JA
England
tel +44 20 7493 6040

Singapore

9 Raffles Place
#39-00 Republic Plaza
Singapore 048619
tel +65 6220 3888

For further information on the World Winning Cities programme please contact

Rosemary Feenan

International Director
Global Research Programmes
+44 20 3147 1198
Rosemary.feenan@eu.jll.com

Jeremy Kelly

Director,
Global Research Programmes
+44 20 3147 1199
Jeremy.kelly@eu.jll.com

www.joneslanglasalle.com/worldwinningcities

COPYRIGHT © JONES LANG LASALLE IP, INC. 2012.

This report has been prepared solely for information purposes and does not necessarily purport to be a complete analysis of the topics discussed, which are inherently unpredictable. It has been based on sources we believe to be reliable, but we have not independently verified those sources and we do not guarantee that the information in the report is accurate or complete. Any views expressed in the report reflect our judgment at this date and are subject to change without notice. Statements that are forward-looking involve known and unknown risks and uncertainties that may cause future realities to be materially different from those implied by such forward-looking statements. Advice we give to clients in particular situations may differ from the views expressed in this report. No investment or other business decisions should be made based solely on the views expressed in this report.