

Mapping the world of transparency

Uncertainty and risk in real estate



An enhanced Transparency Index for 2010

Jones Lang LaSalle's **Global Real Estate Transparency Index** quantifies real estate market transparency across 81 markets worldwide. The Transparency Index is updated every two years and has been charting the steady progress in real estate transparency across the globe since 1999. The Index aims to help real estate investors, corporate occupiers and retailers understand important differences when transacting, owning and operating in foreign markets. The Index is also a helpful gauge for governments and industry organisations who are interested in improving transparency in their home markets. Rising levels of transparency are associated with rising levels of foreign direct investment – a powerful incentive for encouraging the free flow of information and the fair and consistent application of local property laws.

A number of refinements have been made to the 2010 Index in response to feedback from clients and the ever-changing demands of cross-border investors, corporate occupiers and retailers. In recognition of the increasing relevance of real estate debt transparency, we have introduced new elements relating to the availability of information on commercial real estate debt and the role of bank regulators in monitoring and publishing data on real estate debt. We have also added new markets from North Africa and the Levant (i.e. Tunisia, Lebanon and Jordan) to reflect the ever-widening real estate universe now being targeted by investors, corporate occupiers and retailers.

As in prior surveys, teams of researchers and business leaders from Jones Lang LaSalle and LaSalle Investment Management have worked together to assess the transparency in each of the 81 markets. Accounting, finance and legal experts have also been consulted, especially in emerging markets, in order to supplement our collective real estate knowledge.

The Transparency Index is now available with enhanced interactive features on the Web:

www.joneslanglasalle.com/Transparency

Here you can explore the different components of real estate transparency at a global, regional and national level. A series of interactive global and regional maps facilitate a comparison of transparency between markets and over time. We identify the fastest moving markets over the past two years, and present the top-ranking markets in each of the five transparency categories – Performance Measurement, Market Fundamentals, Listed Vehicles, Legal and Regulatory Environment and Transaction Process.

We trust that the enhanced Transparency Index will provide valuable insights into the changes in real estate transparency across the globe. A complete description of the methodology used to create the 2010 Index is set out in the Technical Note on page 38.

For more information about Global Real Estate Transparency Index 2010 and how we can help with your real estate decisions, please connect with one of the Global Real Estate Transparency Team (see contacts at the end of this report).

Key findings from the 2010 index

The 2010 Global Real Estate Transparency Index (GRETI) reveals a notable slowdown in the progress of real estate transparency over the past two years. It suggests that the recent turmoil in global financial, economic and real estate markets has impacted on market behaviour, with real estate players focusing on survival rather than market advancement. Over the past two years, the average improvement in real estate transparency across the 81 markets covered by GRETI has halved, when compared to both the 2006–2008 and 2004–2006 periods.

Of the key components of real estate transparency, the transaction process appears to have been compromised most by the more challenging real estate market conditions of the past two years. More surprising is the evidence of a slowdown of progress in the transparency of real estate regulatory and legal environments. Nonetheless, the quality and depth of information on market fundamentals continues to improve, helping to boost this dimension of transparency in most markets across the globe.

In contrast to previous Indices, a number of markets have seen declining or static levels of transparency with one-third (27 markets out of 81) recording either deterioration or no improvement between 2008 and 2010. Deterioration has been registered in markets such as Pakistan, Kuwait, Venezuela, Dubai and Bahrain. Although the levels of decline have been modest, the reversal of their past gains is notable.

However, there are a number of bright spots, and transparency continues to improve, albeit moderately, in the majority of markets. Of the top 15 improvers, nine are in Europe and six are in Asia Pacific. Turkey tops the league table of transparency improvers, and progress has been made in China, India, Poland, Portugal, Romania, Greece and Hungary. A number of more advanced markets, such as Germany, Ireland and Denmark, have also moved up the transparency league.

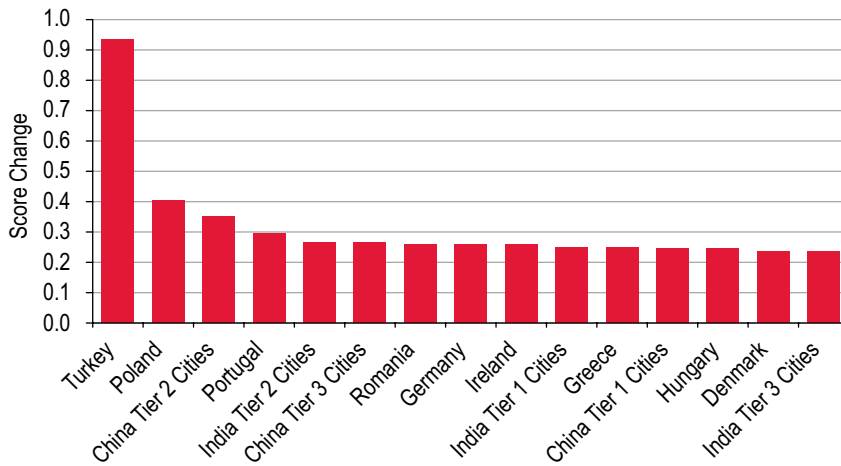
Australia now ranks as the world's most transparent market, pushing Canada into second place, while the United Kingdom is in third position. The traditional leading pack – Australia, New Zealand, the United Kingdom, the United States and Canada – have now been caught up by a number of European markets. Sweden, Ireland and France now sit among the world's most transparent markets.

The Asia Pacific region has shown the most broadly-based improvements in transparency over the past two years. Australia and New Zealand are the region's most transparent markets, closely followed by Singapore and Hong Kong. However, it is in India and China where the region's greatest advances have been recorded, a trend that has now filtered across each of their secondary and tertiary cities. Asia Pacific also continues to show some of the biggest anomalies, with both Japan and South Korea showing low levels of real estate transparency relative to their economic maturity.

Chart 1: Highly Transparent Markets

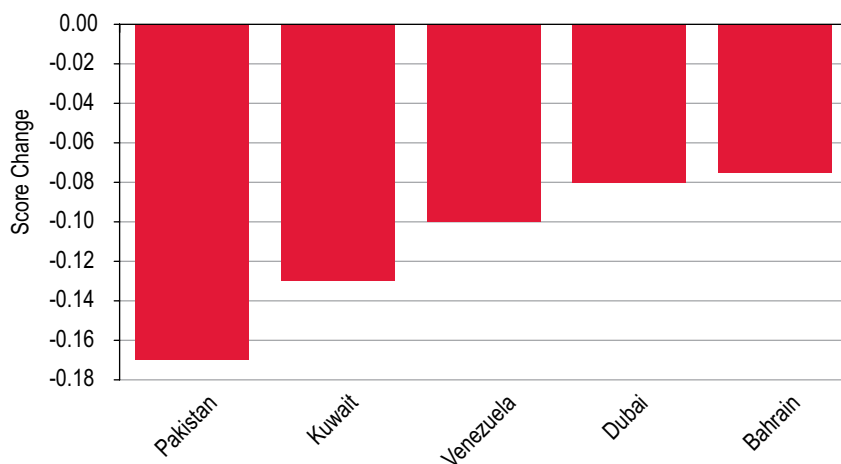
2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
1	Australia	1.22	1
2	Canada	1.23	1
3	United Kingdom	1.24	1
4	New Zealand	1.25	1
4	Sweden	1.25	1
6	United States	1.25	1
7	Ireland	1.27	1
8	France	1.28	1
9	Netherlands	1.38	1
10	Germany	1.38	1
11	Belgium	1.46	1
12	Denmark	1.50	1

Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.
Sources: Jones Lang LaSalle, LaSalle Investment Management

Chart 2: Largest Improvements, 2008–2010

Sources: Jones Lang LaSalle, LaSalle Investment Management

Europe is a mixed picture of transparency. Turkey and some CEE countries have shown good progress as their markets become more internationally traded and their regulatory and legal environments become aligned with core EU economies. In fact, the more advanced CEE countries (i.e. Poland, the Czech Republic and Hungary) have now caught up with the laggards in Western Europe, such as Italy, who have struggled to improve real estate transparency. However in Russia and the Ukraine, transparency improvements have stalled in 2010, a reflection of the severity of the real estate downturn in both markets and a sharp contrast to the strong improvements registered in 2008.

Chart 3: Largest Declines, 2008–2010

Sources: Jones Lang LaSalle, LaSalle Investment Management

The Americas markets have shown more modest changes in transparency. Improvements have been static in the region's two most transparent markets, the United States and Canada, as well as in most of the Latin American markets. Of the major economies, only Brazil has registered notable progress, while Venezuela – which showed a sharp deterioration between 2006 and 2008 – has seen a further weakening in 2010.

Some of the markets in the Middle East and North Africa (MENA) region, which were highlighted in our 2008 Index for their strong advance in transparency, have experienced a setback in 2010. A number of MENA markets have registered a minor deterioration in transparency, including Pakistan, Kuwait, Dubai and Bahrain. Dubai epitomises the region's struggle to achieve further improvement in transparency levels. Dubai has however, also taken the lead in introducing important regulatory reforms that have the potential to improve market transparency over the next few years.

Elsewhere in the MENA region, transparency is improving in some North African markets reflecting the growing international interest in North African real estate. The countries in the Levant region (i.e. Lebanon, Jordan and Syria) are appearing on the international real estate radar and are gradually moving up the transparency curve.

In light of the financial crisis that has swept the world over the last two years, the 2010 Index has specifically assessed the transparency of real estate debt markets, in terms of the breadth and depth of data available on commercial real estate (CRE) debt (originations, outstanding balances, maturities, and defaults) as well as how thoroughly real estate debt is monitored on banks' balance sheets. Levels of debt transparency vary greatly between regions, and between developed and developing countries. In many developed countries, the regulatory oversight process is relatively well developed, but the availability of

information on CRE debt markets is not. The countries with the highest scores for consistent and thorough CRE debt regulation are Australia, Ireland and Canada. In less developed countries, scores on both attributes are in the Semi-Transparent range or lower.

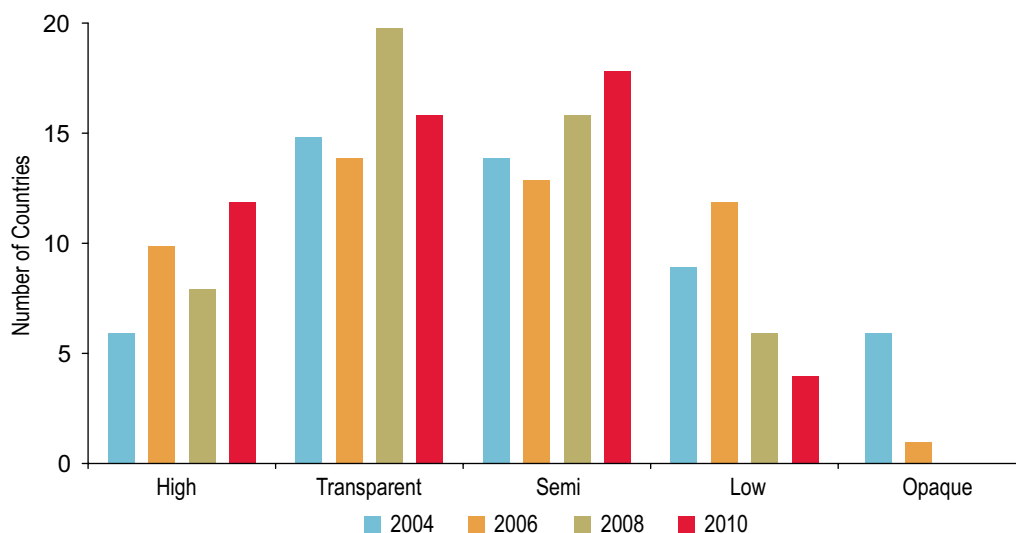
Looking ahead

The last two years certainly demonstrate how high levels of transparency do not eliminate risks for investors or occupiers. Free flows of information and consistent enforcement of local property laws did not prevent values from falling or produce better access to credit at a time when liquidity dried up. The real value of transparency, though, should become evident when comparing how quickly markets are able to open up again after a financial crisis. The recapitalisation of real estate in many countries is being helped by the free flow of information and the protection of property rights. However, these rights apply to both the equity and the debt sides in the capital structure of real estate, and sorting them out in a complex, securitised capital structure will take time. Occupiers benefit when landlord defaults are resolved quickly and efficiently. Investors benefit when bankruptcy laws are administered fairly and efficiently. This process is unfolding now. In two

years time, when our next Index is released, we will be able to report about the role of transparency in the aftermath of a financial crisis.

In the meantime, it is apparent that markets with high or rising levels of transparency are going through the restructuring process faster than those with falling levels of transparency. Whether rising transparency may have contributed to higher levels of volatility is an open question. Debt and equity capital clearly flowed into both emerging and developed markets in an undisciplined fashion during the 2006–2008 timeframe. As the world stock markets illustrate, growing access to data does not eliminate volatility or prevent investors from making errors of judgement. In the future, regulators will rightfully emphasise the importance of greater disclosure in order to gauge the credit-worthiness of commercial real estate and to evaluate the sector's ability to carry debt. As these steps are put in place, we expect the transparency of real estate debt, and hence all real estate capital markets, to rise. However, we do not expect the inherent cyclical nature of real estate to ever be eliminated. Higher transparency moves real estate from the world of uncertainty (unknown hazards and outcomes) closer to the world of risk (known hazards, probabilistic outcomes).

Chart 4: Change in Transparency, 2004–2010



Note: Includes only countries included in the index since 2004.

Sources: Jones Lang LaSalle, LaSalle Investment Management

Chart 5: Composite Index

Transparency Level	2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
High	1	Australia	1.22	1
	2	Canada	1.23	1
	3	United Kingdom	1.24	1
	4	New Zealand	1.25	1
	4	Sweden	1.25	1
	6	United States	1.25	1
	7	Ireland	1.27	1
	8	France	1.28	1
	9	Netherlands	1.38	1
	10	Germany	1.38	1
	11	Belgium	1.46	1
	12	Denmark	1.50	1
Transparent	13	Finland	1.53	2
	14	Spain	1.58	2
	15	Austria	1.71	2
	16	Singapore	1.73	2
	17	Norway	1.75	2
	18	Hong Kong	1.76	2
	19	Portugal	1.82	2
	20	Switzerland	1.87	2
	21	Italy	1.89	2
	22	Poland	1.99	2
	23	South Africa	2.09	2
	24	Czech Republic	2.15	2
	25	Malaysia	2.30	2
	26	Japan	2.30	2
	27	Hungary	2.33	2
	28	Israel	2.38	2
	Semi	29	Greece	2.60
30		Slovakia	2.61	3
31		Russia Tier 1 Cities	2.64	3
32		Romania	2.68	3
33		Taiwan	2.71	3
34		Chile	2.72	3
35		Russia Tier 2 Cities	2.86	3
36		Turkey	2.90	3
37		UAE – Dubai	2.93	3
38		Brazil	2.95	3
39		Thailand	3.02	3
40		Bulgaria	3.03	3
41		India Tier 1 Cities	3.11	3
Semi	42	South Korea	3.11	3
	43	Russia Tier 3 Cities	3.12	3
	44	Macau	3.13	3
	45	China Tier 1 Cities	3.14	3
	46	Mexico	3.14	3
	46	Ukraine	3.14	3
	48	Philippines	3.15	3
	49	India Tier 2 Cities	3.17	3
	50	Bahrain	3.28	3
	51	Argentina	3.30	3
	52	Costa Rica	3.32	3
	53	Slovenia*	3.33	3
	54	China Tier 2 Cities	3.38	3
	55	India Tier 3 Cities	3.39	3
	56	UAE – Abu Dhabi	3.45	3
	57	Indonesia	3.46	3
	Low	58	Jordan*	3.46
59		Oman	3.50	4
60		Morocco	3.58	4
61		Croatia	3.59	4
62		Egypt	3.62	4
63		Saudi Arabia	3.66	4
64		Qatar	3.70	4
65		China Tier 3 Cities	3.73	4
66		Lebanon*	3.78	4
67		Panama	3.85	4
68		Kuwait	3.90	4
69		Uruguay	3.92	4
70		Kazakhstan	3.93	4
Opaque	71	Colombia	3.96	4
	72	Peru	4.00	4
	73	Pakistan	4.18	4
	74	Venezuela	4.18	4
	75	Tunisia*	4.24	4
	76	Vietnam	4.25	4
	77	Dominican Republic	4.28	4
	78	Belarus	4.48	4
	79	Syria	4.65	5
	80	Sudan	4.68	5
	81	Algeria	4.74	5

* Denotes new market added in 2010.

Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.

Sources: Jones Lang LaSalle, LaSalle Investment Management

The transparency of commercial real estate debt markets

The massive financial crisis that hit the global economy in 2008 profoundly affected the real estate debt markets. Commercial real estate (CRE) debt was both a contributing factor and a target of the crisis. For example, the collapse of Lehman Brothers was, in part, due to its sizeable and highly-leveraged CRE debt portfolio. These holdings lost significant value causing Lehman's counterparties to question the investment bank's solvency – ultimately leading to its demise. More recently, The Bank of Spain has announced that it will have to use nearly €100 billion to inject capital into and restructure the 45 Cajas, a banking sector that heavily financed both residential and commercial property during the credit bubble. Like many other announcements about troubled property loans over the last two years, this news has caused shock waves that have reverberated around the world's financial markets.

In an effort to understand how two of the core themes of transparency – information flows and consistent regulatory oversight – apply to CRE debt markets, Jones Lang LaSalle has added two debt-related scores to the 2010 Index. One question evaluates the breadth and depth of data available on CRE debt, including: amount and type of loans made each year, debt maturities, legacy loan profiles, delinquency and default rates, and types of collateral. The other examines how well CRE lending risks are monitored by regulators of financial institutions, including banks and life insurance companies. It should be noted that these new questions do not directly address the transparency of the broader debt securitisation process, which was almost entirely shut down in many countries for nearly two years. Nor do they address the

regulation and transparency of proprietary trading at financial institutions (such as Lehman) and hedge funds, which hold highly-structured CRE debt instruments, like mezzanine loans or subordinate tranches of CMBS, for investment purposes. Without doubt these forces were at play during the financial crisis. Nevertheless, these new scores do address basic aspects of real estate debt transparency, which presumably would be useful to both investment firms and regulators. The scoring of the debt-related questions reveals these broad trends:

- The average transparency score for the role of real estate lending regulators is higher than the average score for the availability of CRE debt data. In other words, regulators in many countries are/were doing a reasonably good job monitoring collateral values and changes in cashflow relating to CRE loan quality. In retrospect, a large part of the CRE credit crisis appears to be linked to the fact that regulators in many countries did not have supervisory authority for loans that were securitised. Moreover, information on CRE debt is not generally available to the broader marketplace in many countries.
- In a parallel trend to the overall transparency scores, levels of debt transparency vary greatly between regions as well as between developed and developing countries. In many developed countries, the regulatory oversight process achieves reasonably high scores. But, the scores on the availability of information on CRE debt markets do not. In less developed countries, scores on both attributes are in the Semi-Transparent range, or lower.

Data availability for CRE debt markets

Scores for real estate lending regulations are generally higher than scores for data availability on real estate debt markets because data collection has been slower to develop than financial regulation. Basel II was implemented in 1989 and although it did not mandate regulations among banks in the world, it did provide bank regulators with a framework that could be implemented if the country regulators so desired. In contrast, data collection and dissemination for real estate debt has been slow to develop. Many of the countries that do not have real estate debt time-series data are also without time-series data on real estate market fundamentals or performance benchmarks. In many developing economies, data collection is a lower priority relative to more basic transparency issues, such as establishing property rights and enforcing contracts. Furthermore, in the absence of well-developed secondary markets, many countries have no reason to collect and publish data on CRE debt as loans are not traded, and are usually held to maturity. In other markets, like many in Latin America, debt is not widely available for financing commercial properties so, of course, very little information exists on the sector.

Although extensive real estate debt market data exists in the United States, Canada, and Ireland (all scoring a '1'), this is not true in many other Highly Transparent countries. Just over 89% of countries received a score of Semi-Transparent or below on this question. Even top-ranked, Highly Transparent countries such as France, New Zealand, and Germany struggle to provide market participants with a data time-series on real estate debt outstanding, maturities and originations. Perhaps this lack of data in some of the world's most highly transparent countries has contributed to a lack of understanding on the real estate debt market. Simply put, it is hard for market participants to factor information they do not have into prices.

Despite having plentiful information on its CRE debt market, the United States and the United Kingdom were both at the centre of the financial crisis. This raises questions about the link between real estate debt transparency and the availability of data on real estate debt markets. Real estate debt data informs market participants of capital flows (originations, outstanding balances, maturities) and of credit characteristics (debt coverage, loan-to-value, delinquency and default rates). While much of it was used to understand correlations and default probabilities when structuring commercial mortgage-backed securities (CMBS), it was not used to prevent lax underwriting or correctly adjust for periods of severe economic downturns when asset returns move closely together causing correlations to rise. Plentiful data does not eliminate risk. The Anglo-American experience shows that in the world of debt, plentiful data may have encouraged financial engineering, like debt securitisation, which actually raised volatility in real estate markets. The self-regulating nature of fully-disclosed debt data broke down when highly complex structures masked the characteristics of the underlying loans.

Financial regulation of lending

The countries with the highest scores for consistent and thorough CRE debt regulation are Australia, Ireland and Canada. This question followed a more normal distribution than the data availability question – 57% of countries scored either a '2' or a '3'. However, with only four countries scoring a '1', it is clear that many well-developed countries struggle to achieve highly transparent real estate lending regulations. The United States and the United Kingdom did not score a '1' on the lending regulations question. By contrast, countries that remained relatively unscathed from the crisis such as Australia and Canada scored very well. However, the monitoring of whole loan lending practices is not the only important aspect of a country's CRE debt transparency. Securitised debt raises new disclosure and regulatory challenges. If the Securities and Exchange Commission (SEC) had been monitoring Lehman Brothers sizeable concentration of mezzanine loans and B-notes (subordinate tranches of securitised debt) properly, perhaps it would have flagged Lehman's problems before the bank reached crisis mode.

Banking crises and financial regulation transparency

During the 2005–2007 credit bubble, new sources of real estate debt were made available across a wide variety of lending institutions – banks, life insurance companies, credit unions, and other non-bank financiers. However, extensive academic work has been undertaken on banking crises and there is a strong relationship between banking crises and the quality of lending regulations in a country. Sometimes this relationship appears counterintuitive with countries that have recently experienced a banking crisis having, on average, more lending regulations than those that have not. Banking crises occur in both developing and developed countries but a disproportionate number of banking crises occur in developing countries¹. Real estate debt analysts will need to watch how Basel III unfolds in helping to regulate CRE lending across the world. The latest proposals from the Basel Committee (known as Basel III) will require banks to maintain a core capital ratio of 6%, to become strict on their definition of 'Tier 1' capital, to meet liquidity coverage ratios, and to reduce the counterparty risk associated with derivatives and repurchase agreements. If any of these proposals are implemented across the world's lending institutions over the coming years, then the transparency surrounding CRE banking regulations will certainly change.

¹ Reuven Glick & Michael Hutchison, "Banking and currency crises: How Common are Twins?," Pacific Basin Working Paper Series 99–07, 1999, Federal Reserve Bank of San Francisco.

Developed vs developing countries

Developed countries score better on the lending regulations and data availability question than their developing country counterparts. However this finding is not particularly insightful alone. The largest disparity between developed and developing countries is on the lending regulations question. As Carmen Reinhart and Kenneth Rogoff note in their book 'This Time is Different: Eight Centuries of Financial Folly', developed countries faced banking challenges many centuries ago during their economic developmental stage. After centuries of learning, developed countries have implemented tougher banking regulations². On the data availability question, many developed countries have no single organisation responsible for gathering time-series data on mortgages outstanding, originations, and maturities.

Regional findings

There are also regional differences in regards to the transparency of debt markets. MENA has the lowest average score on data availability. In Dubai, the Nakheel Group failed to make its debt service payments on Dubai World in 2009, and ever since, the region has been rethinking how real estate properties should be financed. A debt restructuring proposal for Dubai World has been released which addresses how the government will deal with the excessive debt as well as the oversupply of property resulting from the severe overbuilding of the past eight years. Although this proposal represents progress, most real estate debt in the region has been downgraded, especially in Dubai.

Europe has the highest average score for both lending regulations and data availability. The developed countries in Europe have had centuries of practice in refining lending regulations. Within the European Union, Ireland has been a leader in addressing its real estate debt problems, principally through the government-created National Asset Management Agency (NAMA). This workout vehicle has been designed to acquire good and bad loans from participating institutions, and with its implementation, there is now full disclosure of property level loans and regular reports on the performance of these loans. Also scoring well on debt transparency is Sweden where, following the crisis of its banking system in the 1990s, controls on lending have been tightened and the government systematically tracks lending to property.

² Kenneth Rogoff and Carmen Reinhart, *This Time is Different*, (Princeton University Press, 2009).

Latin America performs the worst on the lending regulations question as most countries do not have a competitive debt market for financing commercial real estate properties. Debt in Latin America is often onerously expensive or non-recourse debt does not exist. For example, in Brazil, banks rarely make non-recourse loans to real estate. In Mexico, commercial banks have just started to finance commercial real estate properties; historically, much of the financing has come from major non-bank financiers like GE Capital. In Argentina, debt is almost non-existent for real estate properties. In Reinhart and Rogoff's book, it is interesting to note that Latin American countries have spent a large amount of time in sovereign debt default since independence. Although not pointedly conclusive, this fact does help shed some light on why Latin America does not have the most sophisticated, functioning debt market. Perhaps investors find lending money in the region too risky given the history of default.

CRE debt in Asia earns higher transparency scores than Latin America or MENA, but lower than Europe or North America. The People's Bank of China has announced several different rounds of new regulations regarding CRE and residential debt in the last several months. These new regulations are examples of the important role that the government plays in monitoring debt flows to real estate across Asia. Japan, South Korea and many other Asian countries have also tightened regulations on CRE lending, a result of past crises set off by lax commercial and residential real estate lending practices.

Debt transparency is a complex issue

As we discovered when we set out to add debt transparency to the 2010 GRETI, there are many different ways to evaluate real estate debt transparency. The new country scores address some of the most basic aspects of whole loan transparency in a complex market that now includes securitised and highly structured debt. In the aftermath of the financial crisis, the importance of understanding CRE debt markets and how they are regulated became clear. The GRETI 2010 finds that the amount of data available on real estate debt markets is limited in nearly all countries, but has still been used by rating agencies and investment banks to structure CMBS and to evaluate loan quality. This may explain why so many real estate loans ran into trouble. By contrast, many developed countries have scored reasonably well in terms of lending regulations, even though there has been little regulation of the securitisation process and little holistic risk management of the financial system.

Sub-index comparisons

Chart 6: Top 20 Markets in Each Sub-Index

Performance Measurement				Market Fundamentals				Listed Vehicles			
Sub-Index Rank	Market	2010 Sub-Index Score	2010 Composite Score	Sub-Index Rank	Market	2010 Sub-Index Score	2010 Composite Score	Sub-Index Rank	Market	2010 Sub-Index Score	2010 Composite Score
1	Australia	1.00	1.22	1	Australia	1.00	1.22	1	Australia	1.00	1.22
1	Ireland	1.00	1.27	1	Germany	1.00	1.38	1	Canada	1.00	1.23
1	New Zealand	1.00	1.25	1	United States	1.00	1.25	1	Denmark	1.00	1.50
1	United Kingdom	1.00	1.24	4	Belgium	1.20	1.46	1	Finland	1.00	1.53
5	United States	1.07	1.25	4	France	1.20	1.28	1	Ireland	1.00	1.27
6	Canada	1.14	1.23	4	New Zealand	1.20	1.25	1	Netherlands	1.00	1.38
6	France	1.14	1.28	7	Canada	1.40	1.23	1	South Africa	1.00	2.09
6	Sweden	1.14	1.25	7	Czech Republic	1.40	2.15	1	Sweden	1.00	1.25
9	Portugal	1.29	1.82	7	Poland	1.40	1.99	1	Switzerland	1.00	1.87
10	Belgium	1.43	1.46	7	Sweden	1.40	1.25	1	United Kingdom	1.00	1.24
10	Netherlands	1.43	1.38	11	Hong Kong	1.60	1.76	11	United States	1.17	1.25
10	Spain	1.43	1.58	11	Singapore	1.60	1.73	12	Germany	1.33	1.38
13	Austria	1.57	1.71	11	Spain	1.60	1.58	12	Hong Kong	1.33	1.76
13	Finland	1.57	1.53	11	United Kingdom	1.60	1.24	12	Macau	1.33	3.13
13	Germany	1.57	1.38	15	Austria	1.80	1.71	12	New Zealand	1.33	1.25
13	Italy	1.57	1.89	15	Ireland	1.80	1.27	12	Singapore	1.33	1.73
13	Norway	1.57	1.75	15	Netherlands	1.80	1.38	17	Austria	1.67	1.71
13	South Africa	1.57	2.09	18	Hungary	2.00	2.33	17	Bahrain	1.67	3.28
19	Denmark	1.71	1.50	18	Italy	2.00	1.89	17	Belgium	1.67	1.46
19	Japan	1.71	2.30	18	Slovakia	2.00	2.61	17	Italy	1.67	1.89

Regulatory and Legal				Transaction Process			
Sub-Index Rank	Market	2010 Sub-Index Score	2010 Composite Score	Sub-Index Rank	Market	2010 Sub-Index Score	2010 Composite Score
1	Denmark	1.00	1.50	1	Ireland	1.00	1.27
1	Finland	1.00	1.53	2	Canada	1.14	1.23
1	Hong Kong	1.00	1.76	3	Denmark	1.43	1.50
1	Singapore	1.00	1.73	3	France	1.43	1.28
1	Sweden	1.00	1.25	3	Netherlands	1.43	1.38
1	United Kingdom	1.00	1.24	3	New Zealand	1.43	1.25
7	France	1.18	1.28	7	United States	1.50	1.25
7	South Africa	1.18	2.09	8	Australia	1.57	1.22
9	Taiwan	1.27	2.71	8	Finland	1.57	1.53
10	Australia	1.36	1.22	8	Sweden	1.57	1.25
10	Austria	1.36	1.71	8	United Kingdom	1.57	1.24
10	Canada	1.36	1.23	12	Belgium	1.86	1.46
10	Germany	1.36	1.38	12	Germany	1.86	1.38
10	Malaysia	1.36	2.30	12	Norway	1.86	1.75
10	Netherlands	1.36	1.38	12	Portugal	1.86	1.82
10	New Zealand	1.36	1.25	12	Spain	1.86	1.58
10	Switzerland	1.36	1.87	17	Czech Republic	2.00	2.15
10	United States	1.36	1.25	17	Hungary	2.00	2.33
19	Belgium	1.45	1.46	17	Poland	2.00	1.99
19	Ireland	1.45	1.27	17	Switzerland	2.00	1.87

Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.

Sources: Jones Lang LaSalle, LaSalle Investment Management

Chart 7: Global and Regional Sub-Indices, Composite Index

	Global	Americas	Europe	Asia Pacific	MENA
Performance Measurement	3.12	3.66	2.47	2.99	4.20
Market Fundamentals	3.23	3.58	2.57	3.23	4.29
Listed Vehicles	2.60	3.60	2.15	2.19	3.21
Regulatory and Legal	2.52	2.69	2.05	2.44	3.47
Transaction Process	2.82	3.01	2.24	2.89	3.78

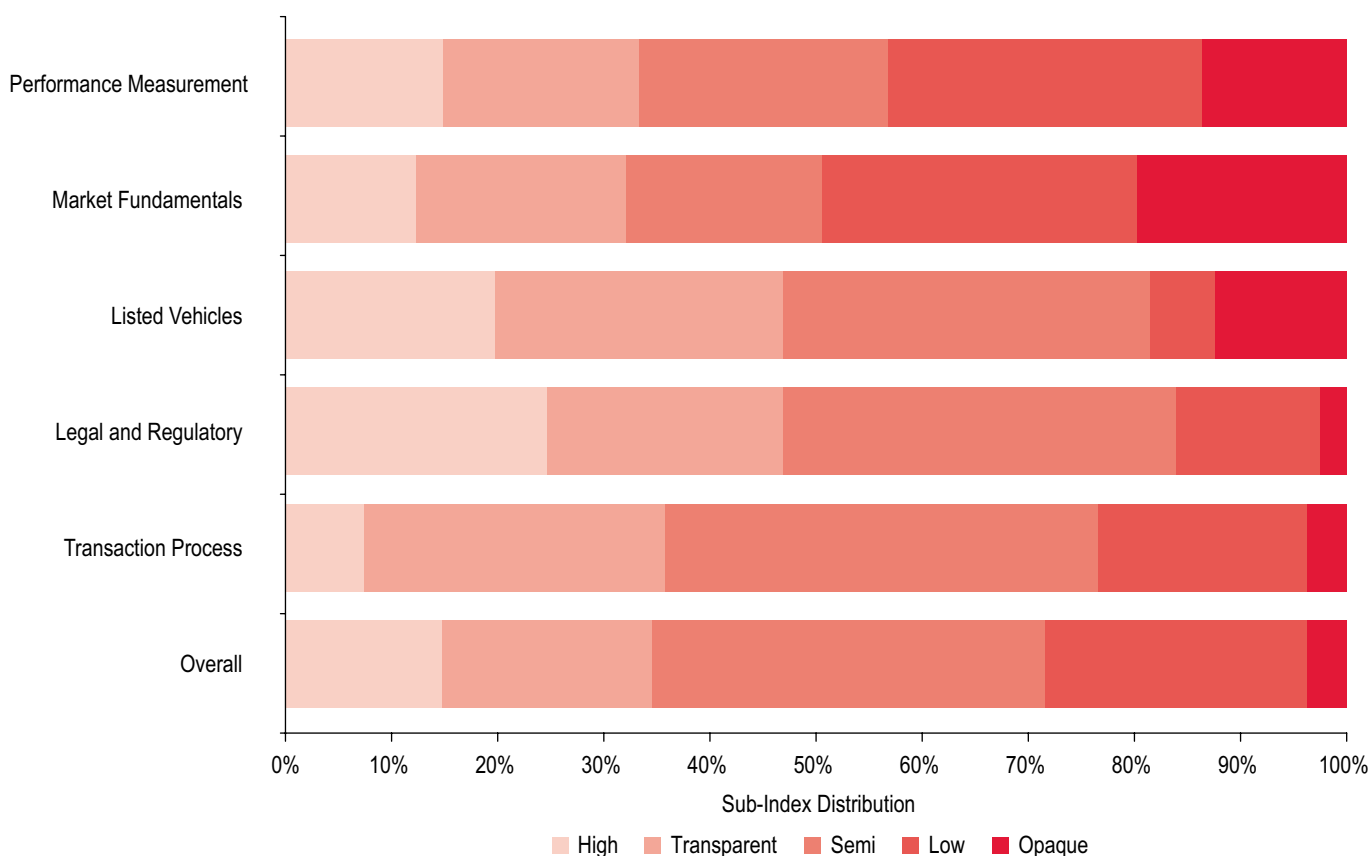
Sources: Jones Lang LaSalle, LaSalle Investment Management

Chart 8: Standardised Index – Change by Region, 2008–10

Region	Average Score 2008	Average Score 2010	Change
Asia Pacific	2.91	2.78	0.13
Middle East & North Africa	3.80	3.81	-0.01
Europe	2.35	2.20	0.15
Americas	3.19	3.16	0.03
Global	2.87	2.77	0.10

* Based on the Standardised Index, which excludes scores relating to debt transparency. See Technical Note.

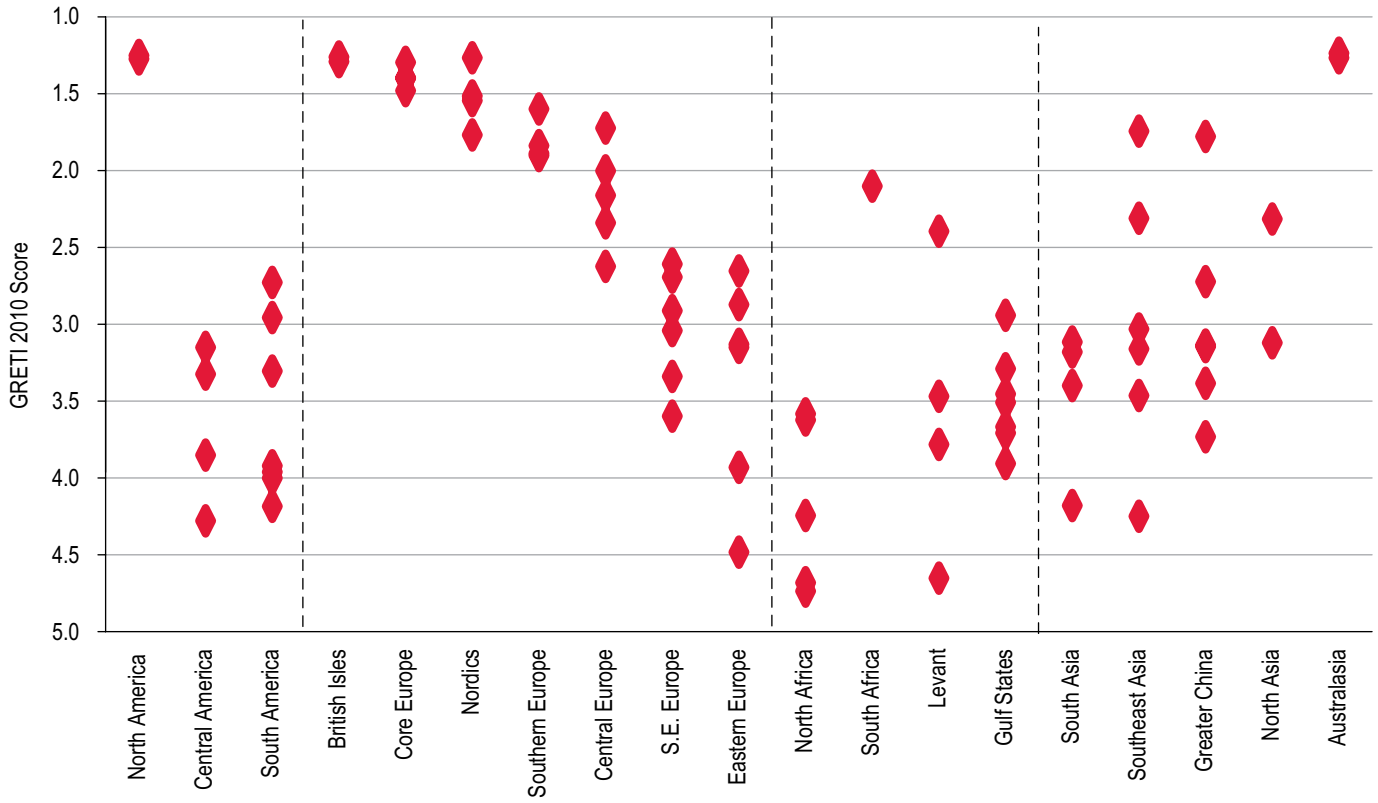
Sources: Jones Lang LaSalle, LaSalle Investment Management

Chart 9: Sub-Indices – Categories of Real Estate Transparency

Sources: Jones Lang LaSalle, LaSalle Investment Management

Regional comparisons

Chart 10: Composite Index by Sub-Region



Sources: Jones Lang LaSalle, LaSalle Investment Management

Asia Pacific focus

Fifteen economies in the Asia Pacific region are included in GRETI 2010³. In addition, we provide disaggregated analysis of the markets in China and India by assessing market transparency at the city level.

Real estate transparency levels vary widely across the region. It has two of the world's most transparent markets, Australia and New Zealand, which rank first and fourth respectively in GRETI 2010. Singapore and Hong Kong, two other mature economies, also rank relatively highly, on a par with most European countries. However, at the other end of the spectrum, Asia Pacific also contains some of the world's least transparent markets, such as China's tertiary cities (ranked 65th) and Vietnam (ranked 76th).

The most notable improvers in terms of global rankings are China and India, which have seen the largest jumps up the transparency ladder amongst Asia Pacific countries. Comparing across time, most countries have registered improvements in overall transparency scores, though with the exception of China and India, these changes have generally been relatively modest. Three markets in the region have moved up into a higher transparency tier: the Chinese secondary cities, Indian tertiary cities and Indonesia, all of which have shifted from the Low-Transparency (Tier 4) to Semi-Transparent (Tier 3) level.

The economic downturn and difficult financial market conditions have been likely contributors to the extent of improvement in transparency for most markets between 2008 and 2010. For example, the steady growth of the real estate investment trust (REIT) sector in Asia in recent years contributed to earlier improvement in transparency, but the market has been stagnant since 2008, with few initial public offerings in major markets. The last two years have also seen a significant decline in real estate investment transactions across the region.

On the other hand, the big improvement for China and India has been mainly due to increased data availability as well as ongoing regulatory changes. In each country, booming real estate markets have greatly contributed to the improvements as both public and private sector players have taken important steps forward to promote greater levels of transparency. International corporate occupiers and investors are increasingly demanding better information on market fundamentals, while government agencies and market regulators have made slow but steady progress on the regulatory and legal front. Indian cities in each city-tier are now considered slightly more transparent than their Chinese counterparts. However, the two emerging economic giants of the region remain very close in terms of overall real estate transparency.

Chart 11: Composite Index Asia Pacific

Transparency Level	2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
High	1	Australia	1.22	1
	4	New Zealand	1.25	1
Transparent	16	Singapore	1.73	2
	18	Hong Kong	1.76	2
	25	Malaysia	2.30	2
	26	Japan	2.30	2
	33	Taiwan	2.71	3
	39	Thailand	3.02	3
Semi	41	India Tier 1 Cities	3.11	3
	42	South Korea	3.11	3
	44	Macau	3.13	3
	45	China Tier 1 Cities	3.14	3
	48	Philippines	3.15	3
	49	India Tier 2 Cities	3.17	3
	54	China Tier 2 Cities	3.38	3
	55	India Tier 3 Cities	3.39	3
	57	Indonesia	3.46	3
	Low	65	China Tier 3 Cities	3.73
76		Vietnam	4.25	4

Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.
Sources: Jones Lang LaSalle, LaSalle Investment Management

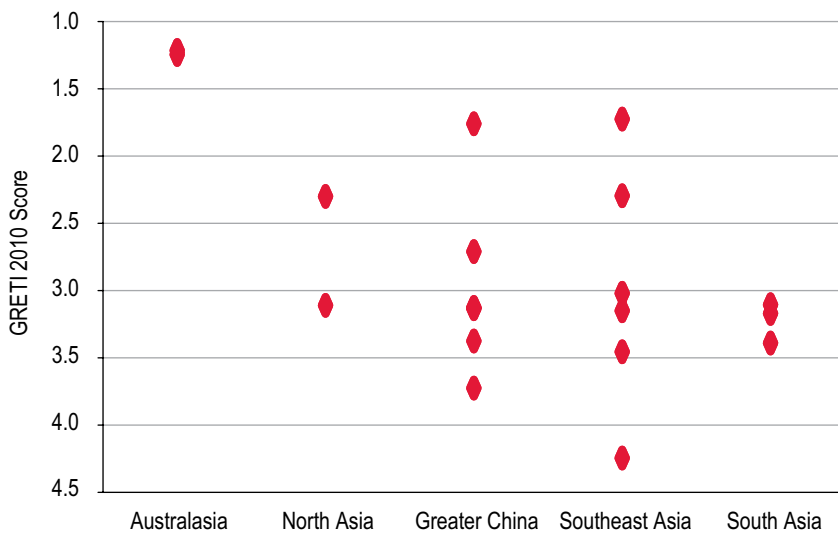
³ Australia, China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam.

An interesting anomaly is provided by Japan and South Korea. Despite their relatively high levels of economic development, both countries present surprisingly low levels of real estate transparency. Japan ranks 26th globally and significantly below other major advanced economies. South Korea ranks 42nd globally, and sits close to the Chinese and Indian primary cities within the Semi-Transparent level. Both countries share a relative lack of information on market fundamentals and have low transparency in regard to service charges.

Sub-index analysis

In terms of the sub-index categories, Asia Pacific has continued to record steady progress in relation to market fundamentals, mainly due to improvements made by China and India, as well as Macau. Market data in the region is most comprehensive for the office sector, however significant progress has been made over the past two years in tracking the region's retail and residential markets. In contrast, data availability for the industrial and hotel sectors is still relatively sparse.

Chart 12: Composite Index, Asia Pacific Sub-Regions



Sources: Jones Lang LaSalle, LaSalle Investment Management

Asia Pacific has also continued to advance on the regulatory and legal front, not only in China and India, but across South East Asia (SEA). In China, for example, there is now much greater enforcement of property taxes, although mainly in the primary cities. There has been a more consistent and open implementation of regulations following the 2007 Property Law, particularly in regard to the Chinese land market. China has moved to a public auction system for land use rights, which has increased transparency into what was previously a highly uncertain situation. In India, progress has been made in areas such as planning and building codes and availability of public records. However, title records are still incomplete and not easily available, although the situation is improving. A number of SEA markets have seen improvements in regulatory factors, including the consistent application of building and planning codes and the enforceability of contracts.

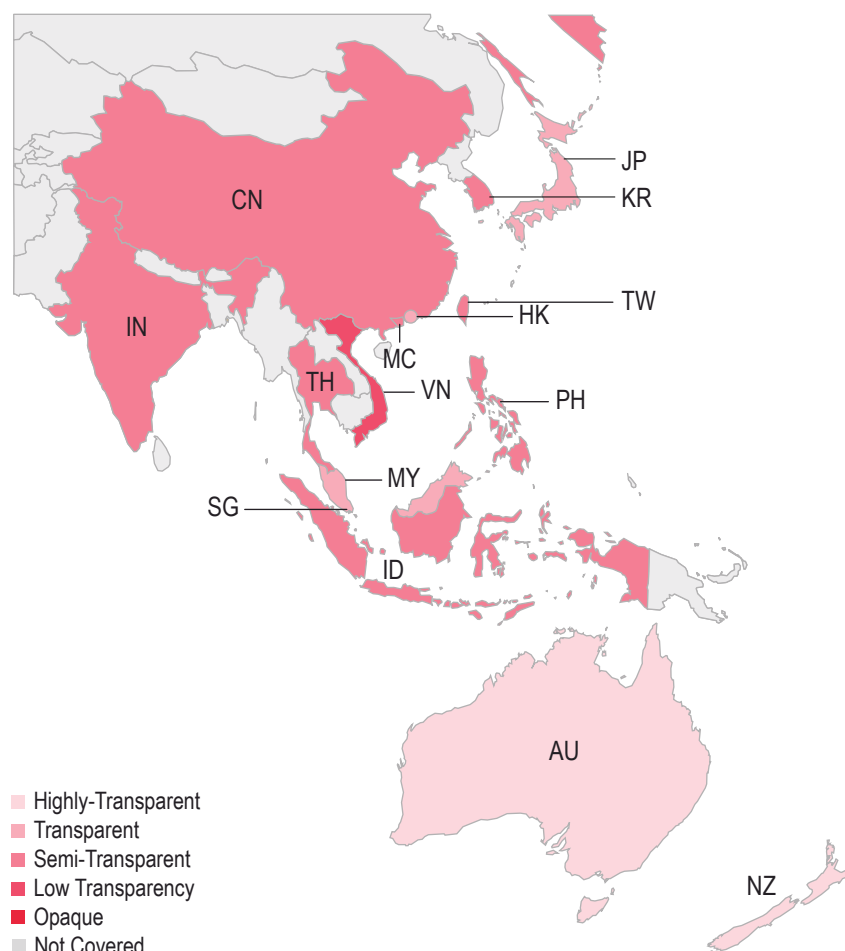
Transparency of the transaction process is definitely improving, with real estate agents as well as facilities and project managers in markets such as China, India, Japan and the Philippines adopting higher professional standards. However, in some countries, aspects of the transaction process remain wanting, a result of inconsistent professional standards across the region, and local practices dominate in many cases. A sizeable percentage of sales transactions in the Chinese and Indian tertiary cities, Taiwan and most SEA markets lack high-quality, reliable and comprehensive pre-sale information assembled by the vendor, and the bidding and negotiating process is not always considered fair and transparent outside of the mature markets.

Few improvements have been observed in the listed vehicles category in the last two years, partly due to difficult financial market conditions over this period. A notable exception is India, which has seen strong growth of the commercial real estate sector in recent years, with local real estate firms attempting to tap into foreign markets for funds (both debt and equity). This development, along with an increasing number of real estate funds in the country, has lifted levels of corporate governance in India.

Of all the sub-index categories, Asia Pacific has made the least progress in regard to performance measurement since 2008. There remains much room for improvement in the availability of indices relating to the investment performance of real estate assets, and those based on unlisted real estate vehicles.

Finally, with regard to the transparency of real estate debt markets, across much of Asia Pacific there is still a lack of clarity on the size of total outstanding debt, and more detailed data is generally not easily available. Even in Australia there is no central source of information (i.e. it comes from various sources such as REITs, commercial banks, the central bank and credit rating agencies). However, the poor availability of information on CRE debt is less likely to be an issue in the region than for Europe or the Americas, as real estate players in Asia Pacific generally rely on traditional bank lending and not the securitised debt market. Similarly, less stringent oversight of CRE lending by bank regulators has not led to severe problems and the region has emerged relatively unscathed from the global financial crisis.

Asia Pacific Transparency



China: Solid improvement, particularly for secondary cities

Real estate transparency in China has shown solid improvement since our last Index, particularly for the secondary cities such as Chengdu and Tianjin and tertiary cities such as Zhengzhou and Changsha.

One area that saw notable improvement is the availability of market fundamentals. Longer and more comprehensive data series are now available in the secondary and tertiary markets, particularly in the office, residential and logistics sectors, owing in part to services provided by Jones Lang LaSalle (including its Real Estate Intelligence Service) and China Real Estate Information Corporation (CRIC).

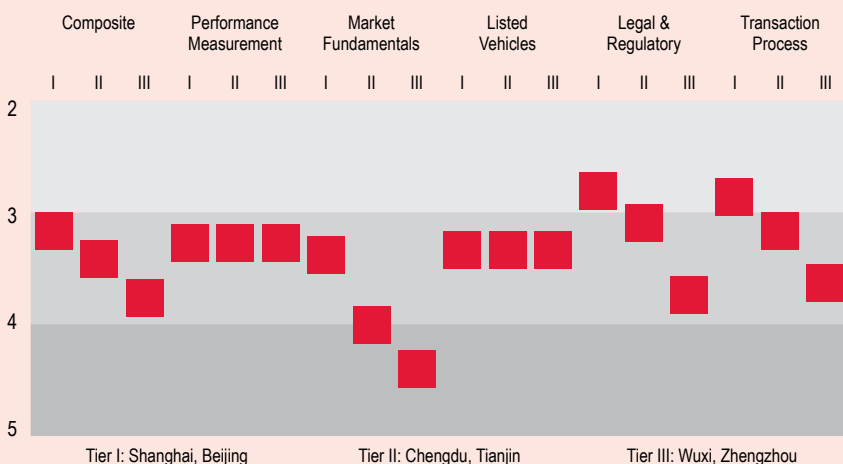
On the regulatory front, progress has been made toward more consistent and open implementation of real estate regulations across China. For example real estate taxes (e.g. income tax, stamp duty, land value appreciation tax and capital gains tax) are all more widely implemented and enforced. Tax compliance is similar between the secondary and tertiary cities, though at a lower level than in primary cities.

The deal-making environment for investors has improved with better access to title records and land registry information, as well as more predictability in the enforcement of contracts. Investors have shown more confidence in the protection available to them in second tier cities. Title records are easier to find but may not be available to the general public in secondary cities. Legal professionals and banks can access detailed information about land registry records and loans to purchasers.

Professional standards are not consistent across the different tiers. In tertiary cities in China, only a limited number of sales transactions have high-quality, reliable and comprehensive pre-sale information assembled by the vendor, and the bidding and negotiating process is rarely considered fair and transparent. However, secondary cities have already improved markedly in these areas. There is now better enforcement of regulations and licensing for residential property agents, driven by stricter licensing requirements in the primary and secondary cities but not yet in tertiary cities. Moreover, there is greater clarity on what is covered by facility management services, at least in the primary markets.

In the future, new laws and better regulatory enforcement will further improve transparency. For example, China will roll out a national law on notice and compensation to address eminent domain issues, and the land transfer system will likely see further fine-tuning. However, the most important change will be how consistently new rules are applied in lower tier cities. Until then, the operating environment for real estate players will remain stratified between Tiers I / II / III, where business is vastly more straightforward in the primary cities.

Chart 13: China, Transparency by City Tier



Sources: Jones Lang LaSalle, LaSalle Investment Management

India: Continued improvement across the country

Transparency of India’s real estate markets has continued to improve at similar rates since 2008 across cities of different tiers, driven largely by improvements in data availability on market fundamentals, the regulatory and legal environment, as well as governance of listed vehicles.

The increasing presence of international real estate developers, investors and occupiers in the secondary and tertiary cities has acted as a catalyst to progress in transparency outside the major metropolitan centres. Many secondary cities including Hyderabad, Pune and Chennai have already been deeply penetrated by multinational occupiers and developers, and now rival primary cities in terms of quality of real estate development.

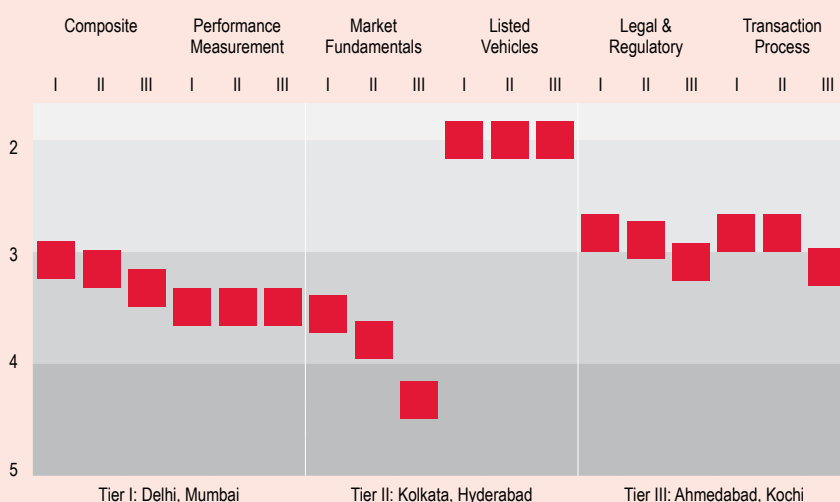
Data availability has continued to improve since 2008. Data on office market fundamentals is now more comprehensive in the secondary Indian cities as Hyderabad, Pune and Chennai develop into Information Technology/Information Technology Enabled Service (IT/ITES) and manufacturing hubs. Data availability for the retail and residential sectors has improved across all tiers due to the rapid development of the residential sector and modern retail formats.

A major factor that helps to limit the transparency gap between India’s city tiers is that most legal and regulatory issues are decided at the national level or state level. Issues such as taxation, enforceability of contract and land registry information are consistent across cities of different tiers. The availability of title records and the consistent application of established building codes have generally improved across India, though to a greater degree in primary and secondary cities. The level of corporate governance is similar across cities of different tiers as more real estate firms become listed.

In terms of the transaction process, primary cities, and to a lesser extent, secondary cities have seen a rise in the number of facilities management and project management firms as more sophisticated occupiers and investors demand higher levels of service, quality and reliability.

Going forward, transparency is expected to further improve as the IT/ITES industries and multinational occupiers/investors look beyond India’s primary and secondary cities into the large number of tertiary cities. Moreover, the government seems to be on a gradual path toward allowing more foreign retailers into the country, which will accelerate the development of modern retail formats and improve data availability in the sector.

Chart 14: India, Transparency by City Tier



Sources: Jones Lang LaSalle, LaSalle Investment Management

Japan and South Korea: Real estate transparency lags economic development

Japan and South Korea present unexpectedly low levels of real estate transparency for countries with relatively high levels of economic development. In GRETI 2010, Japan ranks 26th globally and its transparency score of 2.3 compares to an average score of 1.5 for 'Major Advanced Economies'⁴. South Korea ranks 42nd globally, and sits within the Semi-Transparent level – its score of 3.1 compares to an average of 1.8 for 'Advanced Economies'.

When analysing the factors behind their lower than average transparency against their peer groups, we find commonalities and differences between Japan and South Korea. Both countries share a lack of market information on rents, yields, supply and demand. This data scarcity is particularly acute for the industrial and retail segments, and results from the concentration of real estate into the hands of a few large owners. There is also a lack of transparency in both markets on tenants' service charges, whose details are rarely reconciled, audited or reviewed with the landlord. Although lower transparency for these service charges typically favours the landlord's position, break clauses in traditional Japanese and South Korean leases often favour tenants. This combination of traditional lease terms and low transparency for service charges can make these real estate markets difficult to navigate.

In South Korea, the absence of performance indices for listed real estate securities also compromises transparency – a situation caused by relatively few Korean property companies having gone public and the slow adoption of the REIT structure.

Conditions for a greater transparency in both countries lie in the further development of their real estate investment markets, and its corollary, a more diversified ownership base, which combined should contribute to improving the availability of market information.

⁴ As defined by the IMF.

European focus

In a global context, Europe (covering 31 countries⁵) is characterised by relatively high levels of market transparency that combine to achieve the best overall transparency score, as well as the best scores on each of the five sub-indices. The region's particular strengths are in the transparency of the legal and regulatory environment and governance of listed vehicles.

Europe also scores well in the transparency of the transaction process, reflecting the continued high levels of cross-border business in the region as well as the well-established presence of many multinational real estate advisors, who have helped to ensure consistent professional standards across the region, often regardless of local practices. However, progress on the transaction process has slowed in 2010, particularly in terms of the transparency of bidding and negotiating processes and valuation practices. In some European markets, the drop in transaction volumes and lack of comparables has caused problems with market-based valuations.

The European region has continued to make good progress on performance measurement and market fundamentals. Half of the European markets covered by GRETI 2010 now have reliable real estate performance indices based on hard data, while indices covering listed real estate securities and unlisted private real estate continue to deepen across the region. Since 2008, for instance, IPD has launched new indices for Poland and for specialist areas such as healthcare, as well as a Pan-European pooled fund index. It has also increased the frequency with which it produces indices for Italy, France and Norway. Furthermore, INREV, the European Association for Investors in Non-listed Real Estate Vehicles⁶, which has established industry guidelines, has reported an improvement in annual report standards⁷.

Market fundamentals data in Europe is at its most comprehensive for the office sector, but it is in the tracking of the region's retail and industrial markets where significant progress has been made over the past two years. Data availability for those sectors that are less targeted by institutional investors, such as residential and hotels, are still in need of improvement.

With regards to transparency of real estate debt markets, across much of Europe there is still a lack of clarity on the size of the total outstanding CRE debt. The availability of information on CRE debt is generally low, although this is more of an issue for some markets than others. Ireland has been lauded for its transparency in dealing with the debt crisis; its government has been forced to take significant and aggressive steps to address its real estate debt issues, with the creation of the National Asset Management Agency (NAMA). Sweden also scores well on debt transparency, where following the crisis of its banking system in the 1990s, controls on lending have been tight and the government systematically tracks lending to property. In the United Kingdom, the Bank of England publishes figures on the total outstanding debt secured against commercial property on a quarterly basis, and there is a well-established survey of real estate lenders that is carried out by De Montfort University.

⁵ Austria, Belarus, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine and United Kingdom. South Africa and Israel are also included in this group.

⁶ INREV was established in 2002 to improve the accessibility of non-listed real estate funds by promoting greater transparency, accessibility, professionalism and standards of best practice.

⁷ INREV – Review of Reporting Best Practice, October 2009

Chart 15: Composite Index Europe

Transparency Level	2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
High	3	United Kingdom	1.24	1
	4	Sweden	1.25	1
	7	Ireland	1.27	1
	8	France	1.28	1
	9	Netherlands	1.38	1
	10	Germany	1.38	1
	11	Belgium	1.46	1
	12	Denmark	1.50	1
Transparent	13	Finland	1.53	2
	14	Spain	1.58	2
	15	Austria	1.71	2
	17	Norway	1.75	2
	19	Portugal	1.82	2
	20	Switzerland	1.87	2
	21	Italy	1.89	2
	22	Poland	1.99	2
	23	South Africa	2.09	2
	24	Czech Republic	2.15	2
	27	Hungary	2.33	2
	28	Israel	2.38	2
Semi	29	Greece	2.60	3
	30	Slovakia	2.61	3
	31	Russia Tier 1 Cities	2.64	3
	32	Romania	2.68	3
	35	Russia Tier 2 Cities	2.86	3
	36	Turkey	2.90	3
	40	Bulgaria	3.03	3
	43	Russia Tier 3 Cities	3.12	3
	46	Ukraine	3.14	3
Low	53	Slovenia*	3.33	3
	61	Croatia	3.59	4
	70	Kazakhstan	3.93	4
	78	Belarus	4.48	4

* Denotes new market added in 2010.

Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.

Sources: Jones Lang LaSalle, LaSalle Investment Management

In overall terms, the United Kingdom retains its position as Europe's most transparent market. With its deep and liquid real estate markets, it has traditionally provided the transparency benchmark against which other European markets are compared. However, this position is being challenged, as other European markets move up the transparency rank. Notably, Sweden has moved into second place in Europe, reflecting further improvements in market data and the impact of legislation limiting the ability to reduce taxes payable through the use of special purpose vehicles. France has also continued to make progress, but it is in Germany where the greatest advance has been made, a result of improved market data beyond the office sector and its developing REIT market. Ireland, Denmark and Belgium have moved into the high transparency level for the first time in 2010, though in Belgium, high transfer duties which lead to share sales and increase the complexity of trading, continue to compromise transparency.

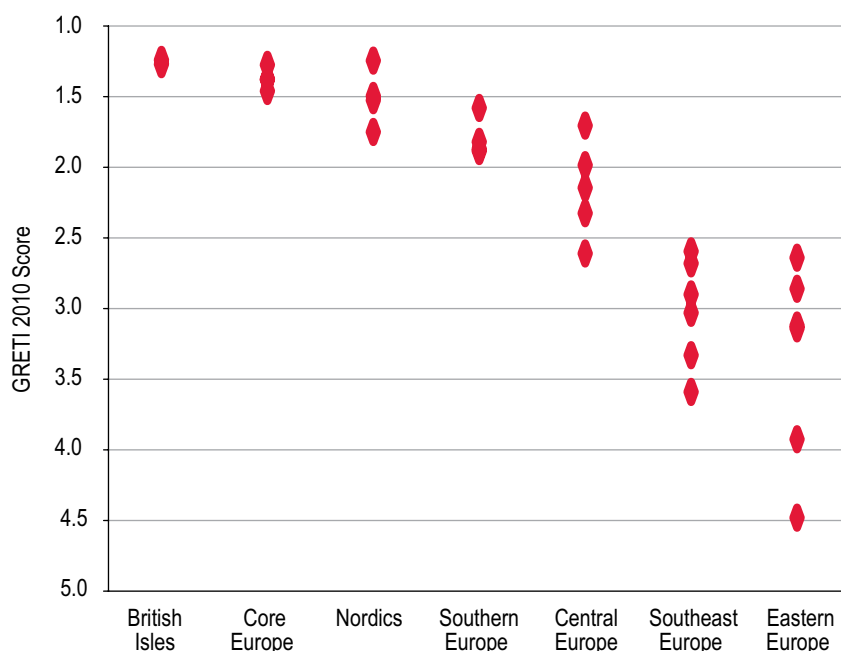
Across Europe, there remain significant differences between markets, although the historic differences between Western Europe and the CEE region are becoming increasingly blurred and certainly less relevant to real estate investors and corporate occupiers. The three most advanced CEE markets – Poland, the Czech Republic and Hungary – now have transparency levels comparable or better than the more opaque markets in Western Europe, such as Italy, which have struggled to improve transparency. Poland, the Czech Republic, Hungary, Slovakia and Romania have all witnessed improvement in transparency over the past couple of surveys. Both the public and private sectors have taken significant steps into bringing these markets in line with other EU countries, and at the same time, foreign investor participation continues to drive convergence with international standards.

Not all CEE markets are making progress however. Bulgaria continues to struggle to maintain transparency levels, and many transparency issues remain to be effectively addressed. Croatia also has low transparency, which is unlikely to improve significantly until the country enters the European Union. Further east in Russia and the Ukraine, transparency improvements have stalled in 2010, a reflection of the severity of the real estate downturn in both markets, and a sharp contrast to the strong improvements registered in 2008. In Russia, the downturn has put legislative and regulatory changes and market improvements on hold, with all players focused on their survival rather than advancement.

In contrast, Turkey has made up lost ground over the past two years and registered the strongest improvement in transparency of any market globally. Its poor score back in 2008 partly reflected the negative perceptions among investors following a Constitutional Court ruling which temporarily halted foreign real estate investment. This has since been reversed by new legislation. Turkey, within the framework of the EU accession process, has also been working hard to align its legal and regulatory systems with developed countries. A number of private initiatives to improve data in the real estate sector have also boosted transparency levels.

Paradoxically, two European markets which have recently faced significant economic difficulties – Portugal and Greece – have shown good progress in real estate transparency. In Portugal, the improvement reflects a growing professionalism and greater adherence by the real estate industry to legal and regulatory frameworks. Both the quality and access to real estate data has also improved in Portugal with the growing role of organisations such as IPD and the Lisbon Prime Index. Greece has made advances in many categories since 2008, particularly in terms of the depth and quality of market information. Planning is the only exception, whereby a widely-publicised case that involved a large shopping centre development continues to cast a shadow over the reliability and consistency of the country's planning processes.

Chart 16: Composite Index, Europe Sub-Regions



Sources: Jones Lang LaSalle, LaSalle Investment Management

Germany: Solid transparency improvement

Germany has seen an improvement in its transparency score, much of which reflects the continued advancements in the availability of real estate market information. Furthermore, the REIT structure has now been in place in Germany for three years, and governance continues to improve, and although the numbers converting has been limited, a fourth property company could be granted REIT status in 2010. Elsewhere, the impact of the credit crisis has impacted on the real estate transaction process where, as a reaction to some of the poorer risk management attitudes during the boom years, there has been growing pressure for better quality presale information. Much of this pressure has, unsurprisingly, come from the banks.

Greece: Positive steps in real estate transparency

Overall transparency of the Greek economy has made little or no progress (as measured by Transparency International). Notwithstanding, a few positive steps have been registered on the real estate front, where there have been certain noteworthy developments. Data and general market and transaction information are becoming more consistent and available, whether published or simply exchanged among an increasingly knowledgeable and widely-qualified body of professionals. Moreover, property forums and bodies are being formed (e.g. the establishment of the Greek branch of ICSC in 2007); and the land registry is improving its functionality. On the downside is the reversal of a large development project which reveals weaknesses on the planning front and is likely to act as a negative signal to foreign investment.

Ireland: Renewed focus on transparency

Real estate transparency in the Irish market has improved since 2008 primarily due to the government's recent initiatives to solve the country's banking crisis. As a result Ireland is now ranked in 7th place in GRETI 2010, rising from 10th in 2008.

Transparency increased in Ireland during the upturn of the last property cycle (2002–2007) as the investment market became more sophisticated in terms of practices. Over the last decade, as Irish real estate investors became serious players at an international level, so they began to expect the same level of transparency in their home market as was available abroad. In parallel, the influx of foreign-based corporate occupiers assisted in terms of improved leasing practices.

The presence of two long-running indices of commercial property performance combined with widely accessible bond and equity data, pricing and analysis have also been major contributors to high levels of transparency. Moreover, the country has always had international standards in place in relation to legal, taxation and accounting practice. Detailed reporting and analysis of investment deals in the media throughout the last decade has also assisted transparency.

As a result of the undisputed linkages and correlations between the economic downturn in Ireland and the performance of commercial property and land there has been a renewed government emphasis on transparency in the market in a bid to help solve the banking crisis. In April 2010 the Financial Regulator announced a proposed new regime for corporate governance standards for banks and insurers in Ireland and stated "it is important to get rigorous standards in place".

Increased real estate transparency in Ireland is currently being driven by the Irish government. Current public sector initiatives which are in place, and which are enhancing transparency, are the creation of the National Asset Management Agency (NAMA) and a Minister for Justice 'Working Group', the latter of which is addressing the issue of transparency in commercial rent reviews. Although the possibility of a national database of property transactions has been historically unfeasible due to the country's Data Protection Laws, the Irish Government is also exploring ways of storing property transactional data.

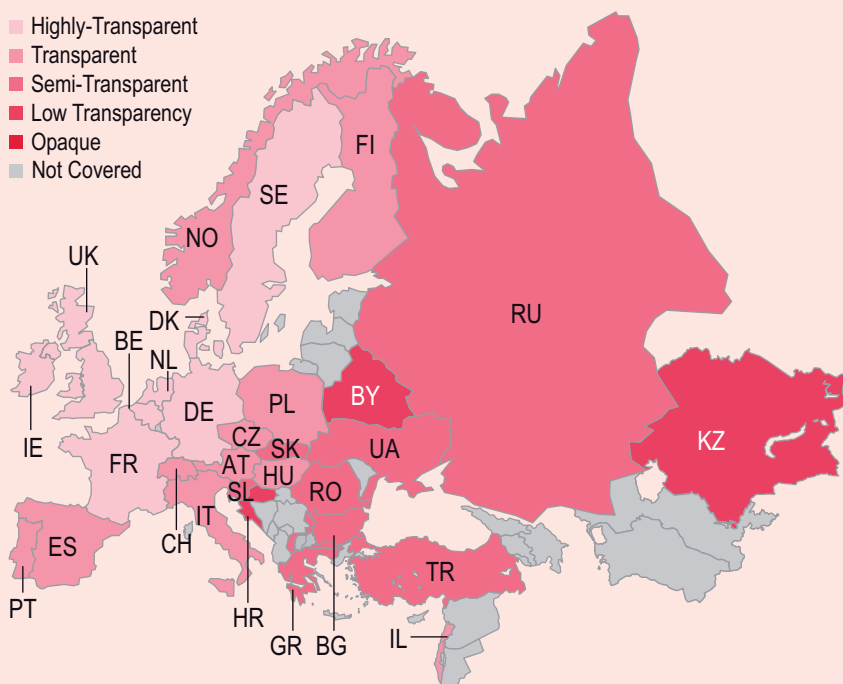
The government's recapitalisation of Irish banks combined with the creation of NAMA, have been key drivers of real estate transparency. These initiatives have resulted in the full disclosure of banking impairment levels in relation to property loans, the volume of distressed property loans in Ireland, and also the extent of the drop in value of the properties attached to these loans. As part of the business plan which is now in place, NAMA has to provide regular reports of its performance to the government and this in itself should increase real estate transparency going forward.

Portugal: Defying economic conditions to improve transparency

The improvement in transparency in Portugal reflects a general period of catch-up with the rest of Western Europe, illustrated by better scores across all five sub-indices. Market data and time-series performance indices continue to progress, with the Portuguese IPD Index now stretching back 10 years. While not easy to quantify, a growing professionalism in the market has also enhanced perceptions of transparency. Better scores for facilities and project management and service charge administration point towards a greater implementation of standard management practices. Portugal's improving transparency has also gone hand-in-hand with a higher proportion of cross-border investment business. In 2007 this accounted for only 24% of transactions, well below the regional average. However in the last two years, foreign investors have been involved in nearly 70% of deals.

European Transparency

- Highly-Transparent
- Transparent
- Semi-Transparent
- Low Transparency
- Opaque
- Not Covered



Sweden: Lessons from the 1990s

Sweden is somewhat exceptional among its Western European peers in that it experienced a banking crisis in the early 1990s, the impact of which is evident in present-day real estate transparency. Following the crisis, controls on real estate lending were substantially tightened, with banks taking a proactive and responsible attitude towards who they lent to and what they lent on. Importantly, robust risk management became a key part of Swedish banks' processes and, as a result, they were less exposed to the sub-prime market in the recent credit crisis, with less off-balance sheet financing and fewer funding problems. It is widely acknowledged that the government acted quickly and transparently, providing realistic valuations on the extent of the losses, thus avoiding a prolonged process of information release. This was imperative in maintaining market confidence, and ultimately was a key factor in the crisis resolution. While their recent experiences with bad loans to some of the Baltic States, as they expanded their business into the region, took some of the shine off their reputation for prudence, the fact that they had already experienced a banking crisis within recent memory set the country in good stead to withstand the worst of the more recent credit crisis.

Turkey: Registering the world's strongest improvement

Turkey has registered the strongest advance in transparency of any market globally, moving from the Low-Transparency level in 2008 to the Semi-Transparent level in GRETI 2010. The country's poor performance in 2008 partly reflected the negative perceptions among investors following a Constitutional Court ruling which temporarily halted real estate investment by foreign organisations for six months during 2008. This hugely undermined investor confidence in 2008, but the ruling has since been reversed by new legislation. However, the significant improvement over the past two years is as much a reflection of the Turkish government's strong determination to improve the business environment and to create a level playing field for both foreign and local investors. Turkey, within the framework of the EU accession process, has been working hard to align its legal and regulatory systems with developed countries.

A number of private initiatives to improve real estate data have also boosted transparency levels, particularly in the retail sector, which has been the focus of investor activity. The Turkish Council of Shopping Centres and Retailers and the Association of Shopping Centre Investors, for example, both now regularly publish key data on turnover and footfall. The increased participation of foreign investors and international real estate service providers has helped to free up the exchange and dissemination of real estate market information.

Over the next few years, the expected growth in REITs and increasing foreign investment inflows, as investors tap into the expanding Turkish markets, is expected to boost transparency levels further.

Middle East and North Africa focus

The global financial crisis has had a severe impact on real estate markets across the Middle East and North Africa (MENA) region over the last two years. While the magnitude of the impact has varied (being most severe in Dubai where commercial real estate prices have declined by 50%–60% from their mid-2008 peak), every MENA market has been affected to some degree. Attention has therefore focused on the urgent priorities of cashflow management and project consolidation, rather than on the structural issues of real estate transparency.

This shift in priority has meant that the progress in transparency that was noted in the 2008 Index has largely stalled in 2010. Eight markets have registered a decline in transparency, albeit marginally; Morocco has shown no change while Oman, Syria, Algeria and Abu Dhabi have continued to make progress. In recognition of growing investor interest in the region, the Index has now been extended to include three new markets – Jordan, Tunisia and Lebanon.

There has certainly been a greater recognition over the past few years of the importance of real estate transparency, but many of the measures required to enhance transparency have not yet been fully implemented. The MENA real estate industry is currently going through a process of redefining its business model (which was previously based on off-plan presales to investors) and, as the markets evolve from a ‘development’ to an ‘asset management’ phase, the industry will once again refocus on longer-term structural improvements such as transparency.

The MENA region scores poorly in the transparency of its real estate debt markets. This has recently been brought into focus in Dubai with the widely publicised restructuring of Dubai World. The restructuring increased liquidity and alleviated the market’s nervousness over debt obligations. Dubai’s debt problem has two dimensions – one is the size of the debt itself and other is the lack of

clarity on the scale and the timing of these obligations. This is highlighted by the wide range of estimates of how much debt has been run up by real estate based entities in Dubai, which range from US\$25 billion to US\$40 billion.

Levels of real estate transparency in MENA remain below those in the Americas, Europe and Asia Pacific. There are no markets within either the Highly-Transparent or Transparent categories, and only four lie within the Semi-Transparent level – Dubai, Bahrain, Abu Dhabi and Jordan. Despite recent setbacks, Dubai retains its position as the most transparent market in the region, ranking 37th globally. Neighbouring Abu Dhabi has made one the largest improvements in the region. As part of its drive to increase transparency, Abu Dhabi has announced various laws and other reforms covering the real estate sector. These include:

Chart 17: Composite Index, MENA

Transparency Level	2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
Semi	37	UAE – Dubai	2.93	3
	50	Bahrain	3.28	3
	56	UAE – Abu Dhabi	3.45	3
	58	Jordan*	3.46	3
Low	59	Oman	3.50	4
	60	Morocco	3.58	4
	62	Egypt	3.62	4
	63	Saudi Arabia	3.66	4
	64	Qatar	3.70	4
	66	Lebanon*	3.78	4
	68	Kuwait	3.90	4
	73	Pakistan	4.18	4
	75	Tunisia*	4.24	4
	Opaque	79	Syria	4.65
80		Sudan	4.68	5
81		Algeria	4.74	5

* Denotes new market added in 2010.

Note: Please note that other opaque markets throughout the world are not included in the 2010 GRETI because Jones Lang LaSalle does not operate in these markets.

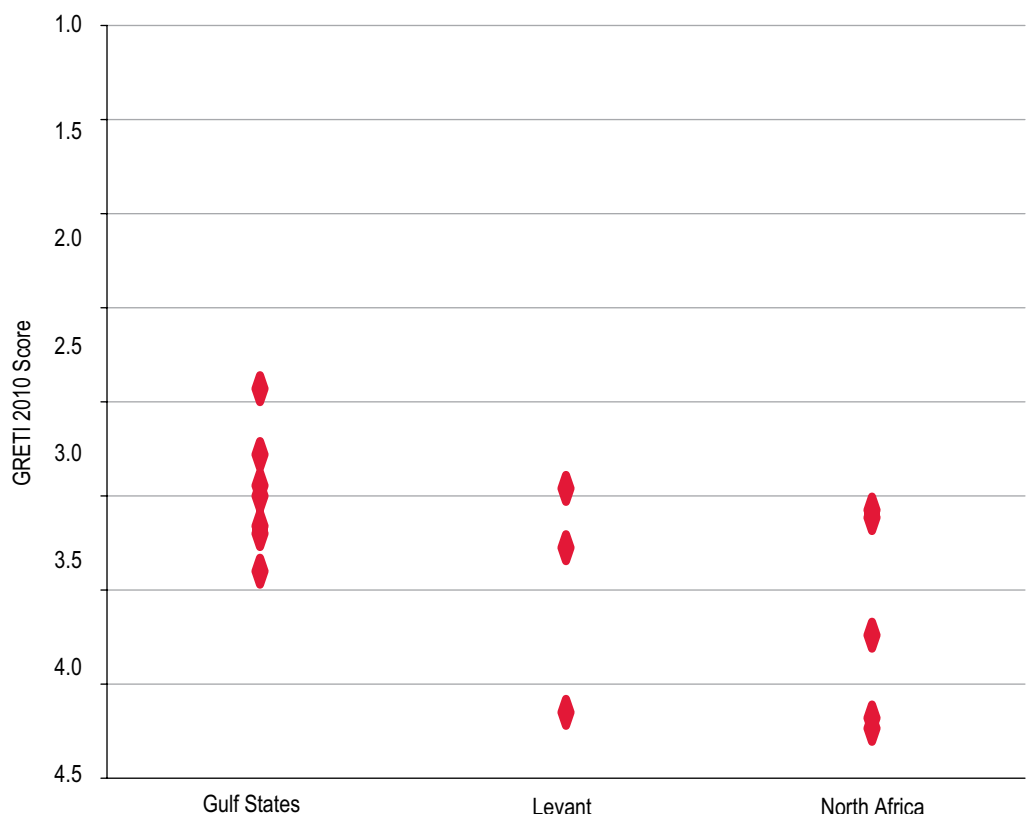
Sources: Jones Lang LaSalle, LaSalle Investment Management

- **Strata Law:** to highlight the roles and rights of property owners in split-occupancy developments and to provide clarification of ownership rights
- **Trust-Account Law:** to enable and regulate escrow accounts, ensuring that money from investor pre-sales is protected and used in a specified manner by developers
- **Market Regulators.** Plans have been announced to establish a regulator for Abu Dhabi's real estate market, similar to RERA in Dubai
- **Mortgage Law:** to protect financiers
- **Land Title Reforms:** to ensure developers have acquired the requisite title and permits before launching pre-sales

Though these laws have been announced, they have yet to be fully implemented. Their successful implementation will contribute to improving transparency in Abu Dhabi, with the market now having the necessary framework under which these regulations can function.

Bahrain continues to market itself as a 'business friendly' hub with a key part of its marketing message focused on the availability of a relatively large and well-qualified local workforce. The open and transparent nature of the market is also part of this 'business friendly' push. In fact, Bahrain ranked 20th worldwide in the World Bank's Ease of Doing Business Index. The country's clearly-defined property laws and flexible government regulations on foreign investment have positioned it as the second highest ranking MENA market in GRETI 2010.

Chart 18: Composite Index, MENA Sub-Regions



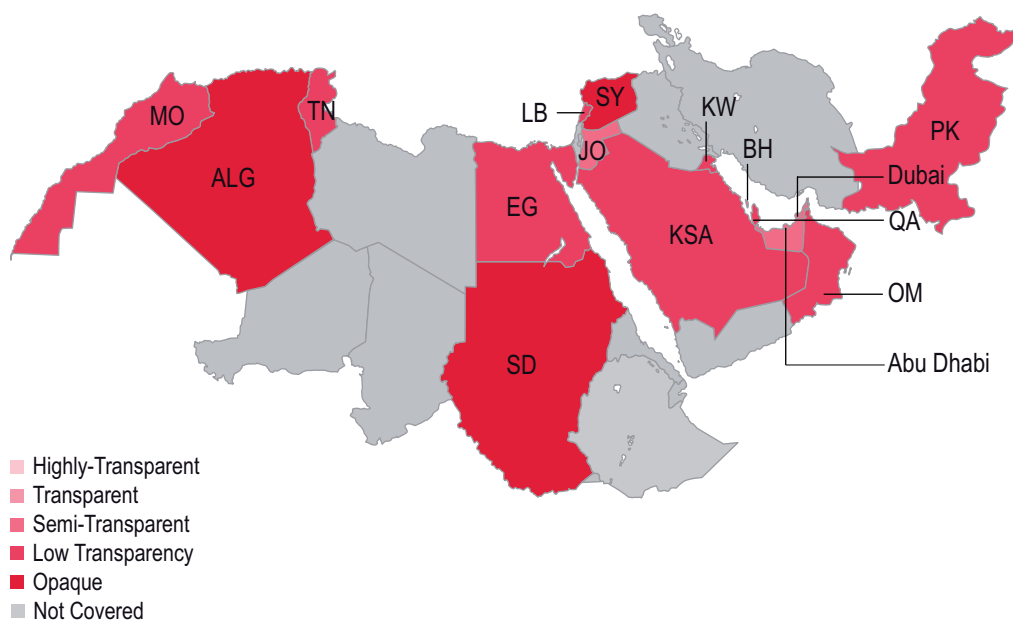
Sources: Jones Lang LaSalle, LaSalle Investment Management

More than half of MENA markets are in the Low-Transparency tier, including Oman, Morocco, Egypt, Saudi Arabia, Qatar, Lebanon, Kuwait, Pakistan and Tunisia. With the notable exception of Oman, most of these markets have seen a modest decline in transparency. Saudi Arabia and Egypt, two of the region's largest markets, have strong domestic-led real estate demand and, unlike other markets in the region, are less dependent upon attracting overseas demand. However, it is evident that both countries suffer from low levels of transparency both through a rigid and challenging business environment as well as significant bureaucratic red-tape. They also suffer from a fundamental lack of real estate data and information, which is difficult to access. However, both score more favourably on some financial mechanisms including bank regulations, transactional information and accounting standards.

Oman has seen the largest improvement in transparency in the MENA region over the past two years, scoring well on facilities management services as well as on tenant service charges, which are now more streamlined. The country's steady pace of real estate development and its push towards more sustainable eco-tourism have also helped to raise the profile of its real estate sector.

Syria, Sudan and Algeria are classified as Opaque (Tier 5) and they rank among the least transparent markets (covered by GRETI 2010). A common thread passing through these countries is the political and economic instability which have compromised the business environment. Safety and security concerns have also hindered foreign investment. Moreover, business deals are almost always undertaken through personal contacts and require means which would not normally be acceptable in more transparent markets.

MENA Transparency



Dubai: Putting in place the regulatory framework

Dubai retains its position as the most transparent market in the MENA region. Over the last two years, its regulator RERA, has put in place measures which should further consolidate this position. These include collaboration with international bodies, broker certification, complaints process, valuations workshops, market data, mediation committees and project review tools. Despite these initiatives, the latest Index shows Dubai has suffered a slight decline in transparency due to the market still being in the early adoption phase of many laws and regulations, a substantial proportion of which are yet to be fully defined or deeply understood. There remains a great deal of uncertainty and inertia preventing the industry from responding to these initiatives, which require further implementation. However, through a combination of education and enforcement, Dubai should make further progress in future GRETI editions.

Morocco: A change in mindset

Though Morocco has seen little change in its real estate transparency score, there is renewed confidence in the market and a notable change in mindset among its major players. This is exemplified by an increase in the number of listed real estate companies.

The government is actively pushing for an increase in low income housing through a number of social housing programmes to balance the supply/demand mismatch currently being experienced, and is liaising with a number of local banks to provide the necessary financing mechanisms. Through the Finance Law of 2010, the government is providing VAT (value-added tax) exemptions to first-home buyers and imposing a ceiling price to developers on the sale of social housing units. It is also setting higher quality standards that developers need to meet in order to participate in the programme.

Saudi Arabia: Managing high expectations

Progress on transparency in Saudi Arabia has not kept up with the optimistic expectations of two years ago. The challenges thrown up by the global financial crisis have made an already cautious government even more guarded.

The country's 'Mortgage Law' that has been under review by the higher councils of Saudi Arabia has still not been finalised and many investors see this as a key element to creating more affordability in the housing market for young Saudi families. Although the 'Economic Cities' programme was launched three years ago, SAGIA (the body behind the programme) has yet to produce detailed legislation confirming investor rights, limitations and licensing rules within these special zones.

On the flipside, the Capital Market Authority (CMA), the government organisation set up to regulate the Saudi Arabian capital markets, has made good progress. More real estate investment is now taking place through regulated entities with the CMA being very demanding in requiring detailed business plans, feasibility studies and independent advisors.

The lack of market information in Saudi Arabia continues to be a major hindrance to transparency. However, a census is being undertaken in 2010 (the first since 2004), which should provide more current data on households and incomes to help investor decision-making in this fast-changing marketplace.

Americas focus

GRETI 2010 includes the United States, Canada and Mexico, in addition to 10 countries in Central and South America, and the Caribbean. Real estate transparency across the region showed a distinct slowdown in movement between 2008 and 2010 with a score only marginally better than in 2008. Less improvement has been registered in the Americas than in either Europe or Asia Pacific with every country remaining within its 2008 transparency tier. Canada and the United States have remained the region's only two Highly-Transparent (Tier 1) countries, and rank among the world's most transparent markets. The Dominican Republic has the lowest transparency score in the region and is ranked 77th out of 81 markets globally.

A large gulf continues to exist between Canada and the United States and the other countries in the region, as no country in the Americas falls within the Transparent (Tier 2) level. Following the United States (ranked 6th globally), Chile ranks 34th globally and falls within the Semi-Transparent (Tier 3) level – where Brazil, Mexico, Argentina and Costa Rica can also be found.

Panama, Uruguay, Colombia, Peru, Venezuela and the Dominican Republic are characterised by Low-Transparency (Tier 4). Venezuela has registered the greatest decline in transparency since 2008 as regulatory and legal changes, including weakened enforceability of contracts, negatively impacted on its overall transparency profile.

Few changes have affected transparency levels over the past two years in Canada and the United States. The global recession which started in the United States has kept transparency levels stagnant as the flow of information, business and capital has declined. Canada ranks as the world's 2nd most transparent country, scoring just behind top-ranked Australia and performing well across all major transparency categories.

The United States has the highest score globally in the market fundamentals category, and also registers very highly in the performance measurement category. Market fundamentals data for the four core property types goes back to the late 1980s and the National Council of Real Estate Investment Fiduciaries (NCREIF) has produced a total return index for privately held, institutional real estate since 1978. Relative to performance measurement and market fundamentals sub-indices, the United States scores less well in the regulatory and legal, and transaction process categories. While interests are aligned between management and shareholders in the majority of REITs, there are instances where they are not aligned, which has compromised the country's score in the regulatory and legal category. The transaction process sub-index score has been brought down by the availability of information on pre-sales, and the country has not been able to obtain a Highly-Transparent rating on lending regulations.

Chart 19: Composite Index, Americas

Transparency Level	2010 Composite Rank	Market	2010 Composite Score	2010 Composite Tier
High	2	Canada	1.23	1
	6	United States	1.25	1
Semi	34	Chile	2.72	3
	38	Brazil	2.95	3
	46	Mexico	3.14	3
	51	Argentina	3.30	3
	52	Costa Rica	3.32	3
Low	67	Panama	3.85	4
	69	Uruguay	3.92	4
	71	Colombia	3.96	4
	72	Peru	4.00	4
	74	Venezuela	4.18	4
	77	Dominican Republic	4.28	4

Sources: Jones Lang LaSalle, LaSalle Investment Management

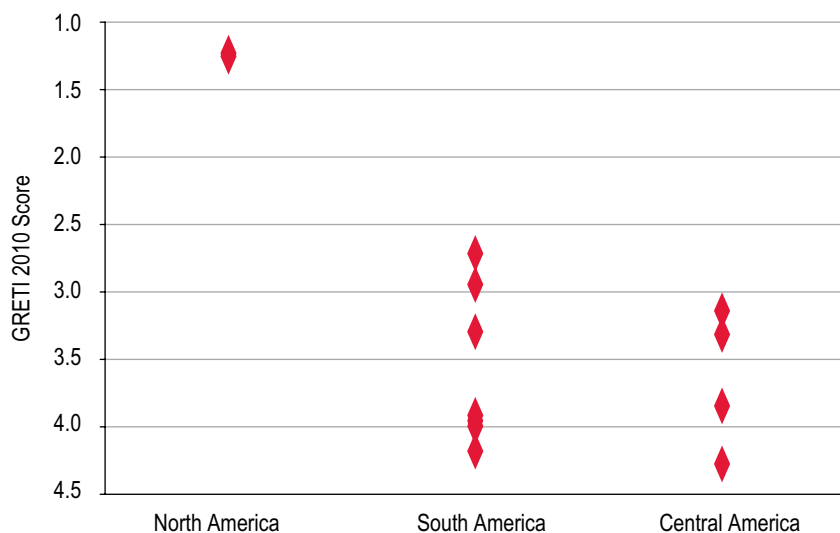
Countries in the Americas score the highest in the regulatory and legal category, followed by the transaction process. Having a solid regulatory and legal framework sets up most Latin American countries for future success on other real estate transparency metrics. Many countries in the region still, to a great degree, lack widely-available property market and investment performance data, an issue that continues to hinder transparency for the majority of countries in Central and South America. However, data collection is generally of a lower priority in these markets, where building strong legal and property rights is seen as a higher priority.

Latin American countries score the lowest in the performance measurement category. However, positive developments over the last two years, such as the introduction of real estate security indices in Brazil and the development of a new investment vehicle in Mexico, suggest Latin American scores in performance measurement will improve in time. These new indices and securities are absolutely necessary in the development of performance benchmarks for public and private real estate. Such measures are one hallmark of high levels of transparency in the real estate industry.

Chile stands out for its high transparency score, particularly in the regulatory and legal and transaction process sub-indices. Brazil continues its longer-term improvement in transparency although, like many other countries, its rate of improvement has slowed over the past two years. In particular Brazil has progressed in the performance measurement category due to the recent introduction of real estate securities indices. The region's second largest economy, Mexico, has experienced very little change in transparency since 2008 with a minimal change in its overall score – it has been one of the hardest-hit economies in the Americas during the global recession. Argentina is again ranked the 4th most transparent country in Latin America but continues to have low scores in performance measurement and market fundamentals.

The outlook for real estate transparency in the Americas is likely to be boosted by the continuing underlying improvement in the economic and business environments of some of the larger Latin American economies. In particular, some of the first forays into private and public indices to benchmark investment performance should lay the foundations for future improvements in transparency across the Americas region. Transparency of market fundamentals is another area in which there is significant scope for improvement in the region. As in other continental regions, a key item to watch over the near-term, in the wake of the global financial crisis and recession, is for any potential impact on transparency through major regulatory change.

Chart 20: Composite Index, Americas Sub-Regions



Argentina: Continued mixed results slow progress

Argentina's complex political and economic scene sets an interesting backdrop to consider real estate transparency. The country continues to score as a Semi-Transparent market in the lower-third of Tier 3 with transparency remaining somewhat lower than its South American peers, Chile and Brazil.

One area where Argentina trails other high-profile Latin American markets is enforceability of contract. Specifically in real estate, the legal system does not always offer equal protection to both contracted parties as it is generally seen as providing preferential treatment to tenants over landlords. Another category in which its market could improve relates to professional standards for property agents, which do exist, but in an environment where compliance and enforcement is still lacking.

The country performs significantly better, however, in other areas related to both the regulatory and legal, as well as transaction process categories. For example, building and planning codes and availability and accuracy of local land registry information are considered to be largely transparent. Likewise, typical transaction processes involving facilities management and occupier service charges are considered to be substantially more transparent than the bidding and negotiating process in property purchases. Moreover, Argentina has begun to make progress in the transparency of market fundamentals in the residential sector, potentially setting the stage for similar improvement in coming years in the other property sectors.

Brazil: An improving regulatory and legal environment

No other country within Latin America is currently commanding as much attention as the large and fast-growing Brazilian economy. Although it has clearly been hit by the global recession, the financial crisis that precipitated it was much less severe there than in most European and North American economies. This is due in part to Brazil's credit markets which lack maturity and a deep level of interconnectivity to the global capital markets. The credit markets are also still quite undeveloped in terms of commercial real estate lending and, as a result, the country scores poorly in terms of real estate debt transparency. Brazilian banks do not make non-recourse loans to the sector, and the very thin recourse market that does exist is treated by the Central Bank as commercial lending.

Since 2008, Brazil has continued its march toward greater real estate transparency. However, like much of the rest of the world, its improvement has slowed measurably over the last two years. On the regulatory and legal front, transparency has specifically improved regarding local government taxes for both domestic and foreign investors. Furthermore, legislation has been enacted that requires all municipalities to adopt an approved urban master plan and publish a general tax rate table. The country has also made some transparency inroads in the performance measurement category with the creation of a second real estate index based on publicly-traded real estate development and investment firms. Over the medium-term, Brazil is well-positioned to make further improvements to real estate transparency as international investor interest continues to build.

Canada: A worldwide transparency leader

Since Jones Lang LaSalle began GRETI in 1999, Canada has consistently ranked as a top performer and its ability to avoid the worst of the global recession makes for an interesting case study. Among the world's most transparent real estate markets, Canada differentiates itself on having a combination of a sound banking system, well-developed commercial real estate lending standards and stable property markets with relatively low vacancy and rental volatility.

Historically, lending in Canada has been dominated by large, domestic financial institutions with conservative underwriting standards. Indeed, cashflows and collateral values of commercial real estate loans are monitored regularly. Unlike many other advanced economies, Canada's major chartered banks are regulated depository institutions which had strong deposit bases and high capital reserve ratios going into the global recession. The largest investment banking operations in Canada are housed within the major chartered banks, making the banking system inherently less prone to bank runs, since chartered banks have access to cash in the form of deposits. In liquidity-constrained environments, access to cash via deposits is crucial to the health of banks. Indeed, the World Economic Forum's annual 2009–2010 Global Competitiveness Report identifies Canada as having a competitive advantage in 'soundness of banks' and 'strength of investor protection'.

Chile: Latin America's most transparent market

Chile has maintained its position as the most transparent real estate market within Latin America and has made some modest gains since 2008. Despite a relatively small economy, it is the region's most competitive country according to the World Economic Forum, and has served as a model of political stability and sound policy within Latin America. Chile is also a preferred target in the region among investors, as laws regarding foreign investment are well-defined and transparent and the government's stance towards non-domestic investment generally stands out as one of the most open in Latin America. Its outperformance of its South and Central American neighbours in terms of transparency is quite evident in the real estate sector, where Chile is rated a Transparent market in the regulatory and legal category, a result of such features as strong institutional safeguards for property rights and identical legal treatment for foreign and national entities. Advances in transparency have also reached as far as the widespread availability, depth and accuracy of real estate related public records at local land registries, where technology improvements have led to greater access.

The transaction process is another category of real estate transparency where Chile is ahead of its peers in Latin America. Availability and quality of presale information in the bidding and negotiating process itself are, on the whole, considered to be transparent, and only marginally less so than in the United States. Debt markets in Chile are also significantly more transparent than in neighbour countries. The country has rigorous and consistent regulations applied to its debt market via the Superintendent of Banks and Financial Institutions. The country has also continued its movement toward greater transparency in the listed vehicles category. Since 2008, publicly-traded firms have applied the International

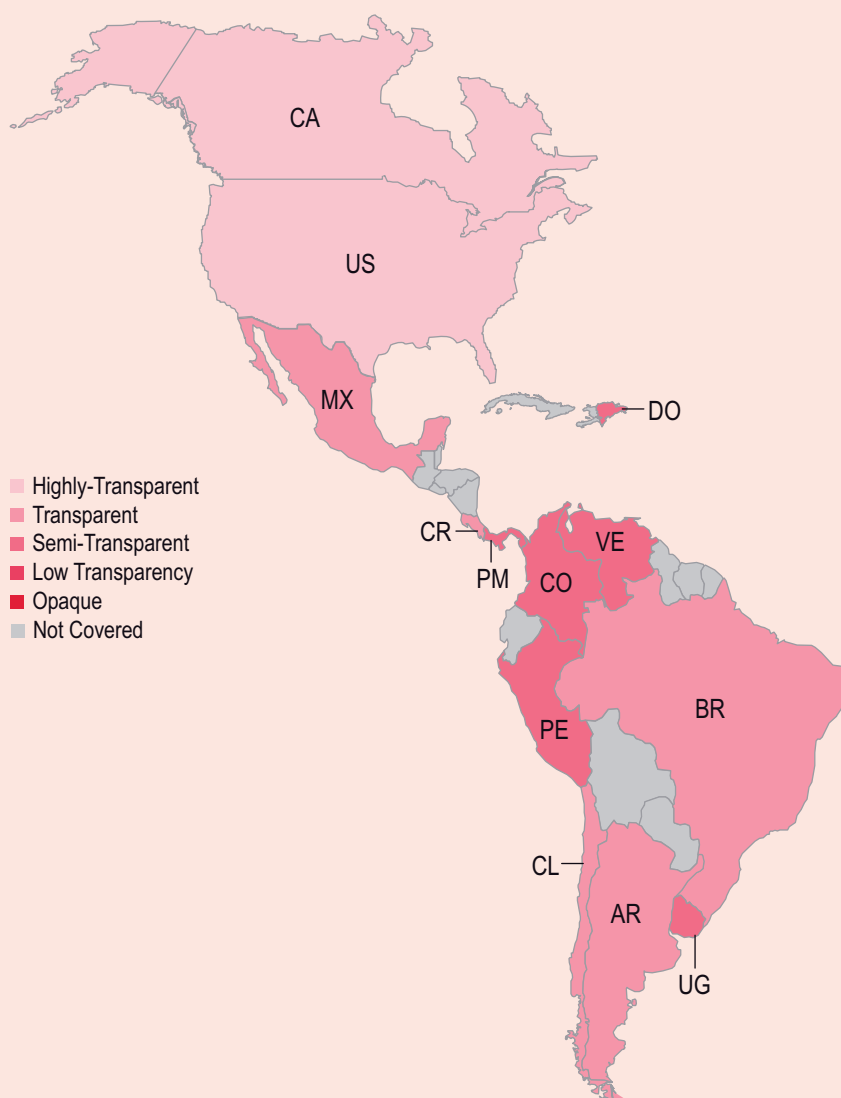
Financial Reporting Standards, improving transparency for global investors in the country's equity markets, including real estate firms. Looking forward, the strong foundation that Chile has built over the last 20 years of stability, steady growth, relatively free markets, sound fiscal management, clear regulations and plentiful legal protections will enable it to easily overcome short-term challenges, such as earthquake rebuilding and political transition, to become increasingly transparent and serve as a powerful beacon within Latin America to global investors.

Mexico: New investment vehicle to boost transparency

Although Mexico's transparency score did not improve in 2010, there was a significant improvement in domestic private equity regulations in 2009 that has enabled institutional investors, and in particular local pension funds (Afores), to invest in domestic private equity, including real estate, for the first time. Even though local pension funds are still prevented from direct investment in private equity and venture capital, the possibility of investing in these asset classes through the issuance of Capital Development Certificates (CKDs for its Spanish acronym) is a reality. At the end of Q1 2010 local pension funds had the equivalent of US\$97 billion in assets under management and only 1.1% allocated to CKDs. These consisted of four outstanding issues covering infrastructure and financing for small and medium-sized enterprises. Afores can now invest up to 8% of their assets in structured products, an investment category which includes CKDs.

Over time, as more data is collected and the number of CKDs increases, in particular those related to real estate, enhanced information to develop price indices and returns metrics will undoubtedly accrue. Over the next few years Mexico's transparency score should improve considerably in the performance measurement and listed vehicles categories.

Americas Transparency



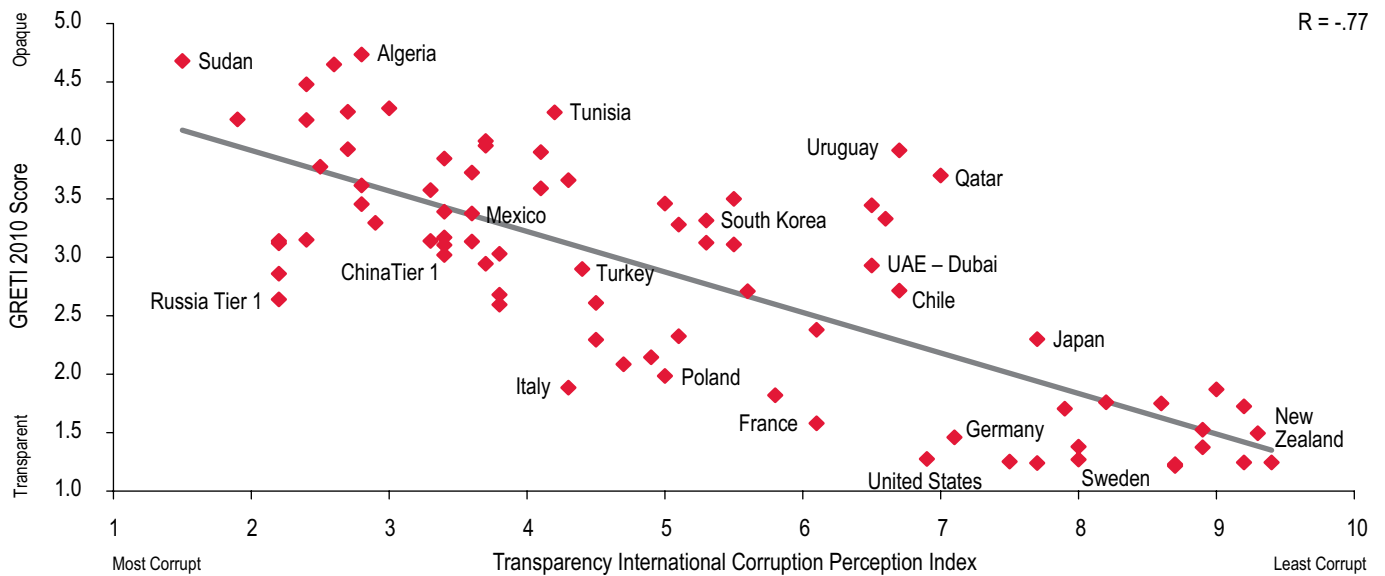
Index analysis

Chart 21: Standardised Index, Changes 2008–2010

	Market	Score Change 2008–2010	Rank Change 2008–2010		Market	Score Change 2008–2010	Rank Change 2008–2010	
Most Improved	Turkey	0.94	27	Improved	Norway	0.06	0	
	Poland	0.41	4		Ukraine	0.06	-2	
	China Tier 2 Cities	0.35	8		Australia	0.05	1	
	Portugal	0.30	3		Taiwan	0.05	-2	
	China Tier 3 Cities	0.27	5		Algeria	0.04	0	
	India Tier 2 Cities	0.27	0		Costa Rica	0.04	-4	
	Germany	0.26	3		New Zealand	0.04	0	
	Ireland	0.26	2		Russia Tier 1 Cities	0.04	-1	
	Romania	0.26	5		Syria	0.04	1	
	Greece	0.25	4		Russia Tier 2 Cities	0.02	-1	
	India Tier 1 Cities	0.25	3		Russia Tier 3 Cities	0.02	-5	
	China Tier 1 Cities	0.25	5		No Change	Belarus	0.00	0
	Hungary	0.25	0			Colombia	0.00	-1
	Denmark	0.24	3			Croatia	0.00	-5
	India Tier 3 Cities	0.24	3			Hong Kong	0.00	-1
	Israel	0.22	0			Malaysia	0.00	-3
	Spain	0.21	3			Morocco	0.00	-5
	Czech Republic	0.20	0			Netherlands	0.00	-4
	Kazakhstan	0.19	2			Panama	0.00	-1
	Oman	0.19	2			Peru	0.00	-2
Sweden	0.18	3	Singapore	0.00		-2		
Macau	0.17	3	South Africa	0.00	-2			
Indonesia	0.15	-1	United States	0.00	-4			
Improved	Argentina	0.14	-2	Weaker	Qatar	-0.02	-2	
	Belgium	0.14	-2		Canada	-0.02	-4	
	France	0.14	4		Egypt	-0.02	-5	
	Philippines	0.14	-1		South Korea	-0.02	-2	
	Thailand	0.14	3		Austria	-0.03	-3	
	UAE – Abu Dhabi	0.14	-2		Sudan	-0.03	-1	
	United Kingdom	0.12	3		Italy	-0.04	-2	
	Uruguay	0.12	2		Bulgaria	-0.05	-2	
	Brazil	0.11	1		Mexico	-0.05	-2	
	Slovakia	0.11	-1		Saudi Arabia	-0.05	-3	
	Switzerland	0.11	0		Bahrain	-0.07	-8	
	Finland	0.11	-1		UAE – Dubai	-0.08	-4	
	Vietnam	0.09	0		Venezuela	-0.10	0	
	Chile	0.08	-2		Kuwait	-0.13	-4	
	Dominican Republic	0.07	0		Pakistan	-0.17	-3	
	Japan	0.07	0					

The Standardised Index excludes scores relating to debt transparency. See Technical Note.
 Note: Scores shown rounded to two decimal places; rankings are based on unrounded scores.
 Sources: Jones Lang LaSalle, LaSalle Investment Management

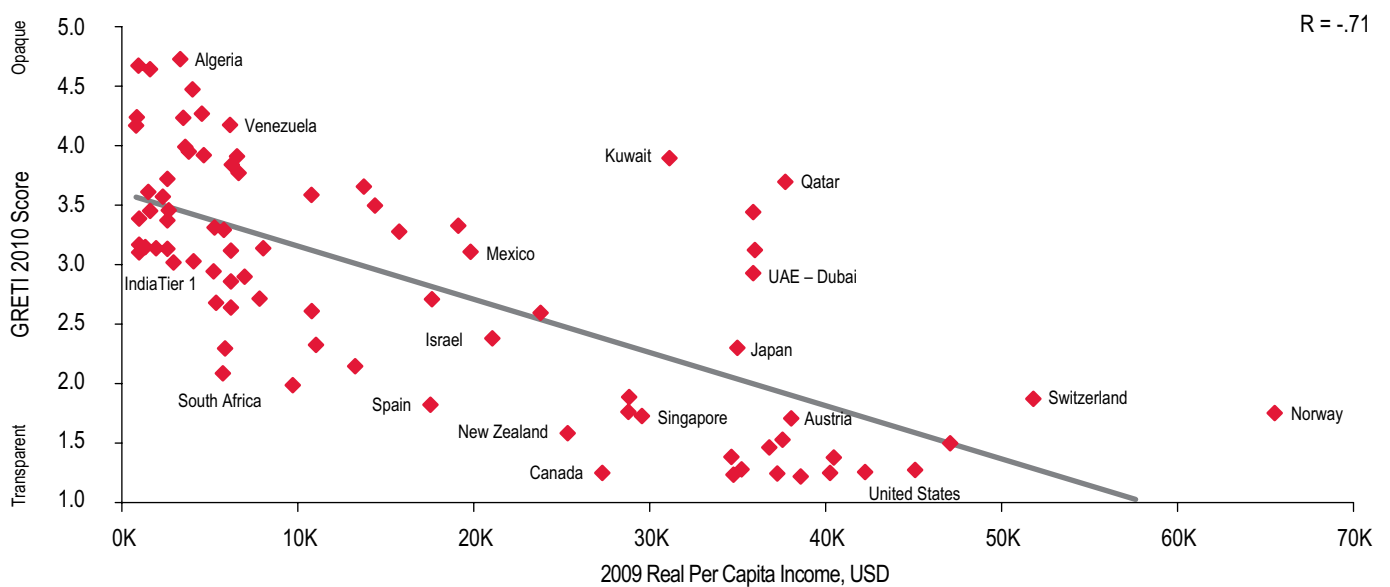
Chart 22: Real Estate Transparency Index 2010 v Corruption Perception Index



Sources: Jones Lang LaSalle, LaSalle Investment Management

Real estate transparency is closely correlated with corruption as measured by Transparency International's Corruption Perception Index.

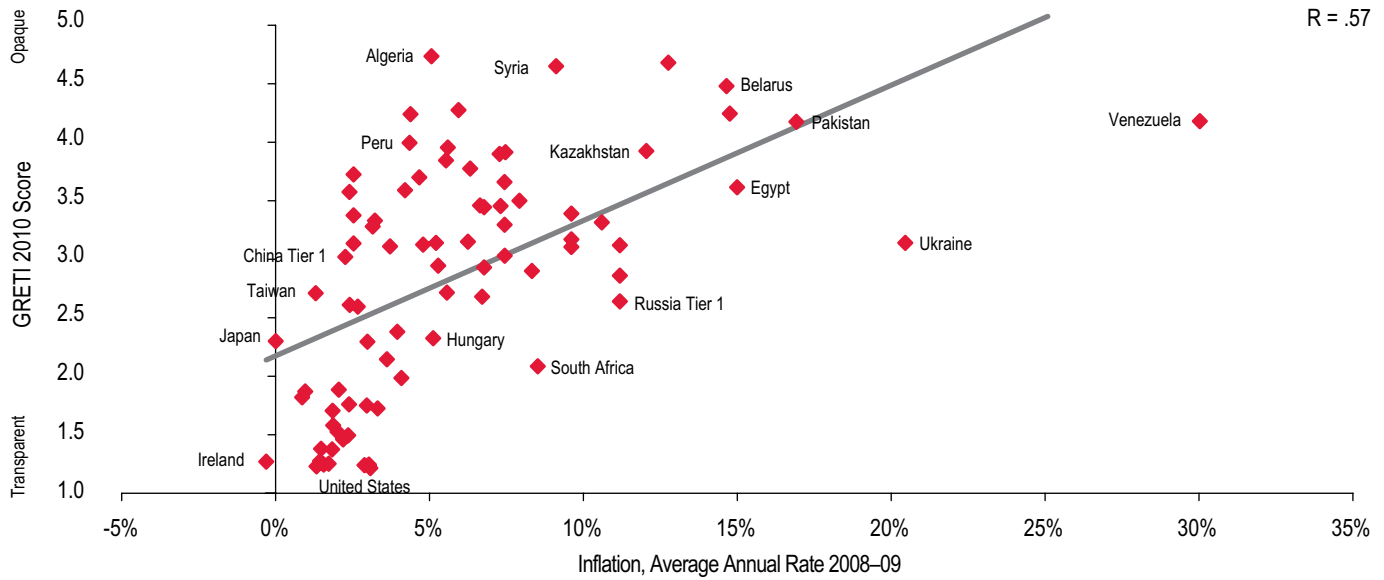
Chart 23: Real Estate Transparency Index 2010 v GDP per Capita



Sources: Jones Lang LaSalle, LaSalle Investment Management

High real estate transparency is associated with economies with high per capita incomes. The outliers are in the Gulf, a region featuring semi- and low transparent markets.

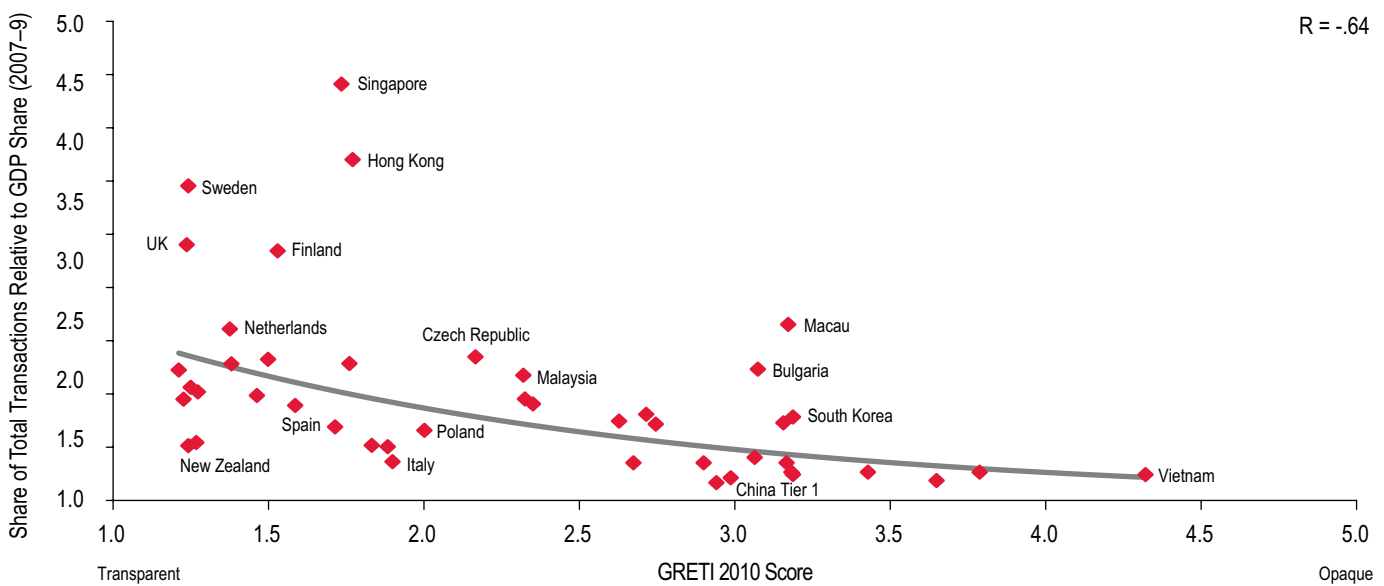
Chart 24: Real Estate Transparency Index 2010 v Inflation



Sources: Jones Lang LaSalle, LaSalle Investment Management

High real estate transparency is generally associated with countries with macro-economic stability, as measured by average inflation.

Chart 25: Real Estate Transparency Index 2010 v Real Estate Investment Volumes, 2007–2009



Sources: Jones Lang LaSalle, LaSalle Investment Management, Transparency International, Global Insight

Rising levels of real estate transparency are associated with rising levels of foreign direct investment – a powerful incentive for encouraging the free flow of information and the fair and consistent application of local property laws.

Technical note

The transparency survey

The Global Real Estate Transparency Index (GRETI) is compiled from a Survey of the global business network of Jones Lang LaSalle and LaSalle Investment Management. The Survey has been conducted since 1999, and is updated every two years. GRETI 2010 represents the sixth update.

The 2010 Survey consists of 20 major questions that set out to objectively determine relative real estate transparency across the world. The Survey is distributed to the global network of business leaders and researchers across Jones Lang LaSalle and LaSalle Investment Management, who work together to answer the survey for their respective country. Regional coordinators act as point persons to ensure objectivity and rigour. A global benchmarking process is overlaid to ensure that the questions are being interpreted consistently by all participants. Accounting, finance and legal experts are consulted on some technical questions to supplement the collective real estate knowledge.

The Survey is broken out into five major categories that address unique and separate factors affecting real estate transparency across the globe. The categories are:

- Performance Measurement
- Market Fundamentals
- Listed Vehicles
- Regulatory and Legal Environment
- Transaction Process

Survey questions have been developed for each category to capture the experience and perceptions of senior Jones Lang LaSalle or LaSalle Investment Management personnel working in each country. The 20 questions have a five choice answer (1–5); answering ‘1’ for a question means the market is Highly-Transparent for that question; an answer of ‘5’ corresponds to an Opaque market. Unless specified, the Survey is based on conditions in the principal city of each country. The exceptions are in India, China and Russia, where the Survey differentiates between primary, secondary and tertiary cities.

Methodology for calculating the transparency index

The Composite Transparency Index is compiled from the weighted scores of the 20 major questions. 10 of the 20 questions have more than the one part. Of these 10, five questions ask the same question from both the perspective of domestic and non-domestic owners and corporate occupiers. No single major question is given more than a 5.0% weighting of the Composite Transparency Index. Sub-Index scores for each of the five Transparency categories are calculated from the average scores of the relevant questions.

The Composite Transparency Index scores range on a scale from 1.00 to 5.00. A country or market with a perfect 1.00 score has total real estate transparency; a country or market with a 5.00 score has total real estate opacity. Countries/markets are assigned to one of five transparency tiers as follows:

- **Tier 1: Highly Transparent**
Total Composite Score: 1.00–1.49
- **Tier 2: Transparent**
Total Composite Score: 1.50–2.49
- **Tier 3: Semi-Transparent**
Total Composite Score: 2.50–3.49
- **Tier 4: Low-Transparency**
Total Composite Score: 3.50–4.49
- **Tier 5: Opaque**
Total Composite Score: 4.50–5.00

GRETI time series

Since its inception in 1999, the Transparency Index has evolved and been refined to reflect the changing demand of cross-border investors and corporate occupiers. Specifically:

- In **2008**, new questions were added to embrace the perspective of corporate occupiers relating to occupier service charges and facilities management. Questions concerning debt financing and the frequency and credibility of property valuations were also added.
- In **2010**, the existing questions regarding debt financing have been substantially revised to more appropriately reflect the key issues of debt transparency, relating to the availability of information on commercial real estate debt and the role of bank regulators in monitoring commercial real estate lending. There have also been revisions to questions on the transaction process covering pre-sale information and the bidding and negotiating process.

In presenting and mapping out the historic time-series of GRETI, we have used the Transparency Index scores derived from the questions posed at that year’s Survey, rather than attempting to standardise the series since 1999. As a consequence, the historic change in Transparency Index scores between Surveys may not truly reflect the actual change in transparency conditions.

Composite vs standardised indices

The **Composite Index** is compiled from the weighted scores of the 20 major questions, and is used to compare and contrast real estate transparency conditions in 2010. However, recognising that recent changes in transparency scores are an important feature of understanding market conditions, we have provided a Standardised Index for both 2008 and 2010 in order to facilitate comparisons. The Standardised Transparency Index strips out the scores relating to debt transparency, and the weighting of the debt questions has been reallocated to other questions.

Contacts:**Global****Jacques Gordon**

LaSalle Investment Management

jacques.gordon@lasalle.com

+1 312 228 2760

LaSalle Investment Management**Melissa Reagen**

Chicago

melissa.reagen@lasalle.com

+1 312 228 2808

Jones Lang LaSalle**Josh Gelormini**

Chicago

josh.gelormini@am.jll.com

+1 312 228 2060

Jeremy Kelly

Jones Lang LaSalle

jeremy.kelly@eu.jll.com

+44 20 3147 1199

Manuel Zapata

Mexico City

manuel.zapata@lasalle.com

+52 55 5980 8090

Jeremy Kelly

London

jeremy.kelly@eu.jll.com

+44 20 3147 1199

Alistair Seaton

London

alistair.seaton@lasalle.com

+44 20 7852 4525

Craig Plumb

Dubai

craig.plumb@jll.com

+971 4 426 6999

Olivier Mege

Tokyo

olivier.mege@lasalle.com

+81 3 5501 9234

Myles Huang

Hong Kong

myles.huang@ap.jll.com

+852 2846 5793

Additional contributors:

Rahul Ahmad, Dan Mahoney

Editors:

Ben Breslau, Rosemary Feenan, Jacques Gordon, Jane Murray, Nigel Roberts

A special thanks to the following organisations which have helped complete Transparency Index 2010:**Akershus Eiendom AS**, Oslo, Norway**Athens Economics**, Athens, Greece**Gonzalez Calvillo**, Mexico City**John S. Murray & Associates**, Johannesburg, South Africa**Landix Real Estate**, Sao Paulo, Brazil**Mayer Brown JSM**, Ms Dao NGUYEN, Vietnam**Sadolin & Albaek**, Copenhagen, Denmark**Schofield and Partners**, Geneva, Switzerland**www.joneslanglasalle.com/Transparency**

COPYRIGHT © JONES LANG LASALLE IP, INC. 2010

This publication is the sole property of Jones Lang LaSalle IP, Inc. and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle IP, Inc. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication.