Jones Lang LaSalle®

Real value in a changing world

Real Estate Transparency Index

Global Foresight Series 2008

From Opacity to Transparency

The Diverse World of Commercial Real Estate

JONES LANG LASALLE®

Real value in a changing world

Jones Lang LaSalle Real Estate Transparency Index
Executive Summary

An Enhanced Index

- The Jones Lang LaSalle Real Estate Transparency Index has been significantly enhanced. The fifth edition of the Index covers 82 markets, 26 more than in 2006.
- Transparency factors affecting occupiers, debt financing, and property valuations were added to bolster the five sub-index transparency categories:

  1. Performance Measurement
  2. Market Fundamentals
  3. Listed Vehicles
  4. Legal and Regulatory Environment
  5. Transaction Process

Global Results

- Transparency continues to rise. Nearly one-half (27 out of 56) of the countries surveyed in 2006 demonstrated improvement between 2006 and 2008. Eight countries moved up a full transparency tier.
- Many countries, by contrast, are not making progress in terms of transparency. Eighteen countries in lower tiers saw little or no improvement in transparency.
- Of the 5 categories, the availability of market fundamentals data and investment performance indices are the two lowest-scoring sub-indices. The transparency of the transaction process is the highest-scoring category.

Country and Regional Results

- The biggest improvements in transparency were found in Dubai, Romania, Ukraine, and Russia. Venezuela is the only country whose transparency score declined.
- Transparency is higher (on average) in Europe and lowest in the Middle East and North Africa (MENA).
- In 2008, the biggest improvers in Asia Pacific are India, the People's Republic of China (PRC), and Vietnam, all of which have received considerably greater attention from investors and corporate occupiers in recent years. Conversely, Indonesia, Malaysia, and South Korea posted negligible improvements in transparency over the same period.
- Real estate markets across the MENA region are attracting increased interest from international real estate investors, developers, and corporate occupiers. As a result, transparency is playing a more significant role in the development of the real estate sector, and is on the forefront of the regional governments agendas.
- Except for the Listed Vehicles sub-index, Europe achieves the highest aggregate scores for each of the five specific sub-indices used in the 2008 Composite Index. Almost half of the European markets now have their own Investment Property Databank (IPD) index.
- Brazil and Panama registered the largest increase in transparency in Latin America.

Conclusions

International real estate transparency is important to any cross-border strategy or investment.

A high level of transparency does not eliminate risk or guarantee a strong investment return or an efficient corporate transaction.

The steady improvement in transparency is closely linked to the forces of globalization. The movement of capital and corporations around the world has created a growing need for information about markets. It has also created an incentive for governments to streamline bureaucratic practices that hinder the free flow of capital.

An Enhanced Index

The Jones Lang LaSalle Real Estate Transparency Index has been significantly enhanced. A number of improvements have been made in response to feedback from clients, colleagues, an independent advisory board, and the ever-changing demands of cross-border investors and corporate occupiers. The addition of new Jones Lang LaSalle offices around the world allows us to survey 26 more markets in 2008 than in 2006. New questions dealing with occupier service charges and facilities management, debt financing, and the frequency and credibility of property valuations have been added to the Transparency Survey to bolster the five transparency sub-indices:

1. Performance Measurement
2. Market Fundamentals
3. Listed Vehicles
4. Legal and Regulatory Environment
5. Transaction Process

At the suggestion of an advisory board, we calculated sub-indices and listed the top-ranked market in each transparency category[1]. This allows users to understand how the various categories contribute to an overall "composite" transparency score. A number of questions were added to the Transparency Survey that focus on transparency from the perspective of corporate occupiers. In the past, the survey focused more on investor-oriented issues.

In previous years, transparency scores were calculated at the country level only (and pertained only to the major cities in any given country). Yet, in most emerging markets (and many mature markets), we found large differences in transparency between primary, secondary, and tertiary cities. In 2008, cities within the largest emerging markets were surveyed separately.

As in prior years, teams of researchers and business leaders from Jones Lang LaSalle and LaSalle Investment Management worked together to determine the transparency of each market. Wherever we were unsure how to score some of the technical questions, especially in emerging markets, experts from the disciplines of accounting, finance, and law were consulted. This expertise supplemented Jones Lang LaSalle's real estate knowledge and allowed us to include a broader range of markets in the Real Estate Transparency Index.

We trust that the result of all this effort will produce valuable insights, which different stakeholders can use to understand changes in real estate transparency—both over time and between markets. A complete description of the methodology is contained in an appendix to this report.

Transparency Continues to Rise

The unmistakable trend around the world is that real estate transparency continues to improve. Nearly one-half (27 out of 56) of the markets surveyed in 2006 demonstrated an improvement[2] in their composite transparency scores between 2006 and 2008. In 2008, eight countries moved up a full transparency tier and no countries moved down a tier.

Two countries moved from Tier 3 (semi-transparent) to Tier 2 (transparent) in 2008: the Czech Republic and Poland. Five markets moved from Tier 4 (low transparency) to Tier 3 (semi-transparent): the People's Republic of China (PRC), Dubai, India, Romania, and Ukraine. And one country, Vietnam, moved from Tier 5 (opaque) to Tier 4. Although Venezuela's score declined, it did not move to a lower tier.

The markets with the biggest improvements in their transparency scores were Dubai, Romania, Ukraine, and Russia. Chart 1 lists the markets with the largest changes. The diversity of this list is striking; it contains countries from four of the five transparency tiers and from nearly all of the continents where Jones Lang LaSalle has offices.

Chart 1: Largest Transparency Score Changes 2006-2008

Market	Change in Score
Dubai	1.04
Romania	1.02
Ukraine	0.76
Russia Tier 1 Cities	0.57
Egypt	0.56
Saudi Arabia	0.52
Poland	0.36
Czech Republic	0.34
Panama	0.33
China Tier 1 Cities	0.33
Vietnam	0.29
Italy	0.26
Brazil	0.25
Portugal	0.25
Ireland	0.23
Slovakia	0.23
Belgium	0.22
Israel	0.21
India Tier 1 Cities	0.20
Macau	0.15
Philippines	0.15
Thailand	0.15
Denmark	0.13
Hungary	0.11
Norway	0.11
Spain	0.10
Colombia	0.10
Venezuela	-0.13

Sources: Jones Lang LaSalle, LaSalle Investment Management

Note: Change in score is derived from the 2006 adjusted scores and 2008 classic score for accurate comparability.

[1] A complete ranking of all five transparency sub-indices is available on the firm's website: JonesLangLaSalle.com

[2] We define a meaningful change as any country whose score moved 0.10 or more between 2006 and 2008.

Chart 2: 2008 Real Estate Transparency Index

Transparency Level	2008 Composite Rank	Market	2008 Composite Score[1]	2008 Composite Tier
High	1	Canada	1.17	1
	2	Australia	1.20	1
	2	United States	1.20	1
	4	New Zealand	1.21	1
	5	United Kingdom	1.31	1
	6	Netherlands	1.33	1
	7	France	1.34	1
	8	Sweden	1.43	1
	9	Belgium	1.48	1
Transparent	10	Ireland	1.52	2
	11	Hong Kong	1.55	2
	11	Singapore	1.55	2
	13	Finland	1.56	2
	14	Germany	1.58	2
	15	Denmark	1.68	2
	16	Spain	1.70	2
	17	Austria	1.72	2
	17	Norway	1.78	2
	19	Italy	1.82	2
	20	Switzerland	1.87	2
	21	South Africa	1.96	2
	22	Portugal	2.09	2
	23	Malaysia	2.25	2
	24	Czech Republic	2.32	2
	25	Poland	2.37	2
	26	Japan	2.39	2
Semi	27	Hungary	2.50	3
	27	Israel	2.50	3
	29	Russia Tier 1 Cities	2.63	3
	30	Estonia*	2.64	3
	31	Slovakia	2.70	3
	32	Dubai	2.78	3
	33	Greece	2.79	3
	34	Russia Tier 2 Cities*	2.83	3
	35	Bulgaria*	2.91	3
	36	Brazil	2.92	3
	36	Romania	2.92	3
	38	Mexico	2.94	3
	39	Chile	2.95	3
	39	Latvia*	2.95	3
	41	Taiwan	3.07	3
	42	Lithuania*	3.08	3
	43	Russia Tier 3 Cities*	3.14	3
	44	South Korea	3.15	3
	45	Thailand	3.16	3
	46	Ukraine	3.18	3
	47	Bahrain*	3.23	3
	47	Philippines	3.23	3
	49	China Tier 1 Cities	3.33	3
	50	Argentina	3.34	3
	50	India Tier 1 Cities	3.34	3
	52	India Tier 2 Cities*	3.38	3
	53	Croatia*	3.42	3
	54	Abu Dhabi*	3.46	3
Low	55	Indonesia	3.51	4
	56	Saudi Arabia	3.53	4
	57	Macau	3.54	4
	58	Morocco*	3.55	4
	59	Egypt	3.56	4
	60	Oman*	3.59	4
	61	Qatar*	3.64	4
	62	Costa Rica	3.65	4
	62	India Tier 3 Cities*	3.65	4
	62	Panama	3.65	4
	65	China Tier 2 Cities*	3.68	4
	66	Kuwait*	3.71	4
	67	Turkey	3.75	4
	68	Colombia	3.81	4
	69	Peru	3.85	4
	70	Uruguay	3.89	4
	71	Venezuela	3.93	4
	72	China Tier 3 Cities*	3.97	4
	72	Pakistan*	3.97	4
	72	UAE - Other Emirates*	3.97	4
	75	Kazakhstan*	4.04	4
	76	Dominican Republic*	4.27	4
	77	Vietnam	4.29	4
Opaque	78	Belarus*	4.53	5
	79	Sudan*	4.65	5
	79	Cambodia*	4.67	5
	81	Algeria*	4.76	5
	81	Syria*	4.76	5

Sources: Jones Lang LaSalle, LaSalle Investment Management

[1] The composite scoring is calculated using 2006 questions and new 2008 questions.

* Denotes new market added in 2008.

The steady improvement in transparency is closely linked to the forces of globalization.

Only Venezuela posted a lower transparency score in 2008 compared to 2006. Changes in government regulations and taxation targeting foreign investors contributed to the modest declines for Venezuela.

The steady improvement in transparency is closely linked to the forces of globalization. These forces drive investors to move across borders in search of higher risk-adjusted returns. They have also compelled multi-national corporations to buy or lease space in lower-cost labor markets or in fast-growing countries, where they hope to gain market share. This movement of capital and corporations around the world has created a growing need for information about markets. It has also created an incentive for governments to streamline bureaucratic practices that prevent foreigners from injecting capital and opening up offices, stores or manufacturing facilities. Not all governments have embraced these changes, however, as revealed by the wide dispersion of transparency scores found in the Real Estate Transparency Index.

Another finding worth noting is the number of countries whose transparency scores have remained remarkably stable over the last few years. In 2008, 28 countries posted transparency scores that were within 10 basis points of their score in 2006. This consistency is to be expected among the most liquid real estate markets, such as Australia, Hong Kong, Singapore, the United Kingdom, and the United States, where a high degree of transparency is taken almost for granted. But, a consistently low transparency score over the last few years—a period when trade, finance, and commerce pushed across borders at an unprecedented rate—is somewhat surprising. Argentina, Greece, Indonesia, and Peru have not participated in the global rise of transparency to nearly the same extent as other countries.

Regional and Sub-Index Comparisons

In broad regional terms, transparency is higher (on average) in Europe and lowest in the Middle East and North Africa (MENA). In global terms, the categories most in need of transparency improvement are: Market Fundamentals (the ability to track supply/demand/vacancy/rental rate statistics over time, by property type) and Performance Measurement (the existence of listed real estate securities and investment performance indices for private real estate). Improvements are registered in both of these categories, but the progress is slow in emerging markets and in smaller markets outside of the G-7 countries.

The sub-index that measures the transparency of the transaction process earned the highest average scores around the world. This category looks at the availability of asset-specific information for properties on the market (for sale or lease), the enforcement of professional standards for agents and real estate advisors, and three new attributes covering:

1. Facilities and project management services and fees
2. Occupier service charges
3. Debt financing commitments, terms, and fees

The outcome of the transaction process measure suggests that the information needed to transact can be obtained, even in markets with low transparency. In other words, the specifications of buildings for sale or lease, the fees charged by service providers, and the terms of debt finance are often available, even when complete information about the broader market, listed real estate companies, and performance benchmarks are not. For corporations, who may need to understand total occupancy and transaction costs ahead of any move, this may be encouraging news. For institutional investors used to analyzing broad market statistics and historic performance benchmarks, this situation illustrates the challenge of investing in emerging markets—you can find out what properties are selling for and their exact specifications, but it is much less clear how they will perform as investments.

Chart 3 shows the global and regional average score for each sub-index. Chart 4 lists the top 20 scores for each sub-index, as well as other summary statistics.

The 2008 Composite Index

Rankings Shuffle

Several important new dimensions have been added to the Real Estate Transparency Index, which shuffled the rankings of the countries relative to prior years. As a result, we show two views of the 2008 results. Chart 6 shows a "classic" version without the new variables (to allow comparison with prior years) and Chart 2 shows a "new and improved" composite. Markets entering the Index for the first time are shown in Chart 2, which contains the composite rank, score and tier for 2008. While the relative position of

Chart 3: Sub-Indices Global and By Region

Global	
Performance Measurement	3.33
Market Fundamentals	3.24
Listed Vehicles	2.78
Regulatory and Legal	2.54
Transaction Process	2.51
Average	2.88
Americas	
Performance Measurement	3.80
Market Fundamentals	3.68
Listed Vehicles	3.69
Regulatory and Legal	2.77
Transaction Process	2.49
Average	3.29
Europe	
Performance Measurement	2.79
Market Fundamentals	2.68
Listed Vehicles	2.40
Regulatory and Legal	2.06
Transaction Process	2.01
Average	2.39
Asia Pacific	
Performance Measurement	3.15
Market Fundamentals	3.16
Listed Vehicles	2.40
Regulatory and Legal	2.56
Transaction Process	2.72
Average	2.80
MENA	
Performance Measurement	4.36
Market Fundamentals	4.21
Listed Vehicles	3.24
Regulatory and Legal	3.42
Transaction Process	3.46
Average	3.74

Sources: Jones Lang LaSalle, LaSalle Investment Management

Note: The sub-index averages do not include Tier 2 or Tier 3 cities.

Chart 4: Top Markets in Each Sub-Index

PERFORMANCE MEASUREMENT

Rank	Market	Sub-Index Score	2008 Composite Score
1	Australia	1.00	1.20
1	New Zealand	1.00	1.21
1	United Kingdom	1.00	1.31
4	Canada	1.14	1.17
4	France	1.14	1.34
4	Sweden	1.14	1.43
4	United States	1.14	1.20
8	Ireland	1.29	1.52
9	Netherlands	1.43	1.33
9	Norway	1.43	1.78
11	Germany	1.57	1.58
11	Portugal	1.57	2.09
11	South Africa	1.57	1.96
11	Spain	1.57	1.70
15	Italy	1.71	1.82
16	Finland	1.86	1.56
17	Belgium	2.00	1.48
17	Denmark	2.00	1.68
17	Switzerland	2.00	1.87
20	Hong Kong	2.29	1.55
20	Singapore	2.29	1.55

LISTED VEHICLES

Rank	Market	Sub-Index Score	2008 Composite Score
1	Canada	1.00	1.17
1	Denmark	1.00	1.68
1	Finland	1.00	1.56
1	Ireland	1.00	1.52
1	Netherlands	1.00	1.33
1	South Africa	1.00	1.96
1	Sweden	1.00	1.43
1	Switzerland	1.00	1.87
1	United States	1.00	1.20
10	Australia	1.33	1.20
10	Dubai	1.33	2.78
10	Hong Kong	1.33	1.55
10	Macau	1.33	3.54
10	New Zealand	1.33	1.21
10	Singapore	1.33	1.55
10	United Kingdom	1.33	1.31
17	Abu Dhabi	1.67	3.46
17	Austria	1.67	1.72
17	Belgium	1.67	1.48
17	Germany	1.67	1.58
17	Italy	1.67	1.82
17	Malaysia	1.67	2.25
17	Portugal	1.67	2.09

TRANSACTION PROCESS

Rank	Market	Sub-Index Score	2008 Composite Score
1	France	1.00	1.34
2	Canada	1.14	1.17
2	Netherlands	1.14	1.33
2	New Zealand	1.14	1.21
5	Belgium	1.29	1.48
5	Denmark	1.29	1.68
5	Finland	1.29	1.56
5	Ireland	1.29	1.52
5	United Kingdom	1.29	1.31
10	Sweden	1.43	1.43
10	United States	1.43	1.20
12	Australia	1.57	1.20
12	Austria	1.57	1.72
12	Hong Kong	1.57	1.55
12	South Africa	1.57	1.96
16	Germany	1.71	1.58
16	Singapore	1.71	1.55
16	Spain	1.71	1.70
16	Switzerland	1.71	1.87
20	Mexico	1.86	2.94
20	Norway	1.86	1.78

MARKET FUNDAMENTALS

Rank	Market	Sub-Index Score	2008 Composite Score
1	Australia	1.00	1.20
1	United States	1.00	1.20
3	Belgium	1.20	1.48
3	Canada	1.20	1.17
3	France	1.20	1.34
6	Hong Kong	1.40	1.55
6	New Zealand	1.40	1.21
6	Singapore	1.40	1.55
9	Czech Republic	1.60	2.32
9	Poland	1.60	2.37
9	United Kingdom	1.60	1.31
12	Austria	1.80	1.72
12	Germany	1.80	1.58
12	Netherlands	1.80	1.33
12	Spain	1.80	1.70
16	Slovakia	2.00	2.70
16	Sweden	2.00	1.43
18	Hungary	2.20	2.50
18	Israel	2.20	2.50
18	Italy	2.20	1.82
18	Russia Tier 1 Cities	2.20	2.63

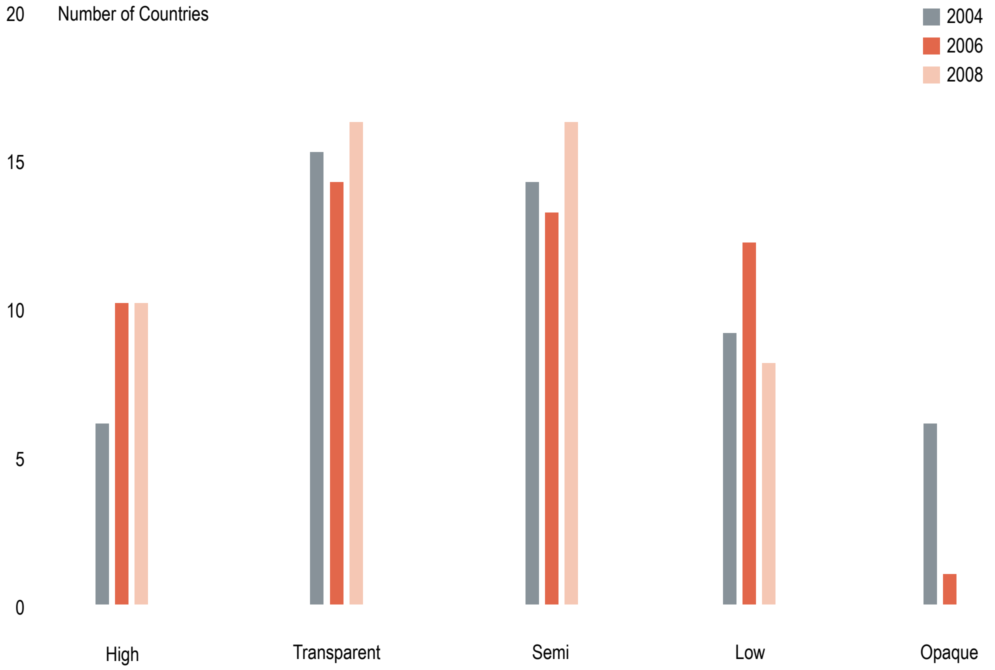
LEGAL AND REGULATORY ENVIRONMENT

Rank	Market	Sub-Index Score	2008 Composite Score
1	Finland	1.00	1.56
1	Hong Kong	1.00	1.55
1	Singapore	1.00	1.55
4	Australia	1.18	1.20
4	South Africa	1.18	1.96
6	Canada	1.27	1.17
6	Sweden	1.27	1.43
6	United Kingdom	1.27	1.31
9	Austria	1.36	1.72
9	Denmark	1.36	1.68
9	Germany	1.36	1.58
9	Malaysia	1.36	2.25
9	Netherlands	1.36	1.33
9	New Zealand	1.36	1.21
9	Switzerland	1.36	1.87
9	United States	1.36	1.20
17	Estonia	1.45	2.64
17	Ireland	1.45	1.52
19	Italy	1.55	1.82
19	Norway	1.55	1.78
19	Spain	1.55	1.70

Sources: Jones Lang LaSalle, LaSalle Investment Management

Market rankings differ greatly for each category of transparency.

Chart 5: Change in Transparency 2004–2008



Sources: Jones Lang LaSalle, LaSalle Investment Management

Note: The chart only includes countries that were surveyed in 2004, 2006, and 2008.

some of the lower ranked countries did not change, the addition of many semi-transparent markets created big changes in the rankings of countries like Costa Rica, Peru, Venezuela, and Vietnam (all of which fell in the rankings). Canada emerged slightly ahead of the two countries that tied for the highest transparency in prior years: the United States and Australia. But we caution users of the Index that the small decimal differences between these top-ranked countries are not especially meaningful.

Of greater interest to investors and corporations moving into the "frontier" markets are the rankings of some of the new markets scored for the first time. Five of them were scored as "opaque" (Tier 5): Algeria, Belarus, Cambodia, Sudan, and Syria. Other new entrants—Abu Dhabi, Bahrain, Bulgaria, Croatia, Estonia, Latvia, and Lithuania—scored in the semi-transparent range (Tier 3). Pakistan, Qatar, Dominican Republic, Morocco, Oman, Kuwait, Kazakhstan, and UAE (Other Emirates) all scored in the low transparency tier (Tier 4). The very fact that we found it difficult to score these markets in the past, but we are now able to, is indicative of how the markets have opened up to international corporate occupiers, investors, and service providers. Nevertheless, we were unable to calculate transparency scores for many low income countries because their commercial real estate markets remain undeveloped and largely inaccessible. While we suspect that many of these countries would also be scored in the low transparency or opaque categories, we did not even have enough information to justify this suspicion.

The Uses and Limitations of the Index

The experience and history of Jones Lang LaSalle and LaSalle Investment Management point to the importance of real estate transparency as an important factor in the growth of international commercial real estate markets. Increases in the free flow of capital, tenants, management/development talent, and market information around the world are closely coupled with the rising productivity of the real estate sector. This productivity can be measured by

Middle-tier transparency countries show the most improvement.

High levels of transparency do not ensure strong investment returns.

investment returns and in terms of a corporations' ability to provide efficient workspaces, logistics facilities, retail environments, and business and leisure centers for travelers and domestic markets alike.

Understanding the nuances of international real estate transparency is an important part of any cross-border strategy or project. There are many uses for the Real Estate Transparency Index. Here are a few examples:

- Heighten awareness of the challenges presented by cross-border transactions.
- Raise awareness of government officials in a position to improve transparency.
- Understand the range of services available in other markets.
- Understand the extra costs associated with cross-border activities.
- Calculate risk premiums for cross-border investing.
- Monitor changes in transparency over time.
- Compare countries and regions as part of an international strategy.

However, a high level of transparency does not eliminate risk or guarantee a strong investment return or an efficient corporate transaction. The recent sub-prime woes in the United States and the struggling United Kingdom investment market are two recent examples. In fact, while exotic financial instruments like CDOs, SIVs, and CMBS may have given the impression of higher transparency and market efficiency, the opposite was actually true. Investors in highly structured debt instruments had no idea what they were buying and the transparency of commercial and residential real estate finance clearly plummeted during both the credit boom and the subsequent credit crisis.

The IPD Indices for the United Kingdom are arguably the most authoritative and deep database of private equity real estate performance anywhere in the world[3]. An active derivative market in the United Kingdom based on the IPD is testimony to the market's confidence in this performance benchmark. Yet, all of this transparency did not prevent the British market from falling faster than any other commercial real estate index in the wake of the credit crisis. Less carefully constructed performance indices may hide negative results in other countries for a period of time. But, the larger point is that high transparency does not prevent market volatility. The most transparent commercial real estate investment markets—listed real estate securities—are also the most volatile.

The irony is that country-wide transparency is bound to miss the nuances of regional, city, and asset-specific investments. Real estate is the ultimate fixed, local investment; "immobilière" as the French (and many other countries) call it. High transparency can be found in tertiary cities in India and the PRC, which are organizing themselves to attract capital. On the other hand, low transparency can plague markets in the United States when transactions stall and price discovery takes months or years to occur. So, we caution readers to understand the limitations of the Real Estate Transparency Index. Ultimately, the Index is an excellent tool for high-level understanding; however, it should be used along with the on-the-ground analysis and fact-checking that are vital for any significant real estate transaction.

[3] The performance measurement sub-index for 2008 gives the highest scores of 1.00 to Australia, New Zealand and the United Kingdom.

Asia Pacific

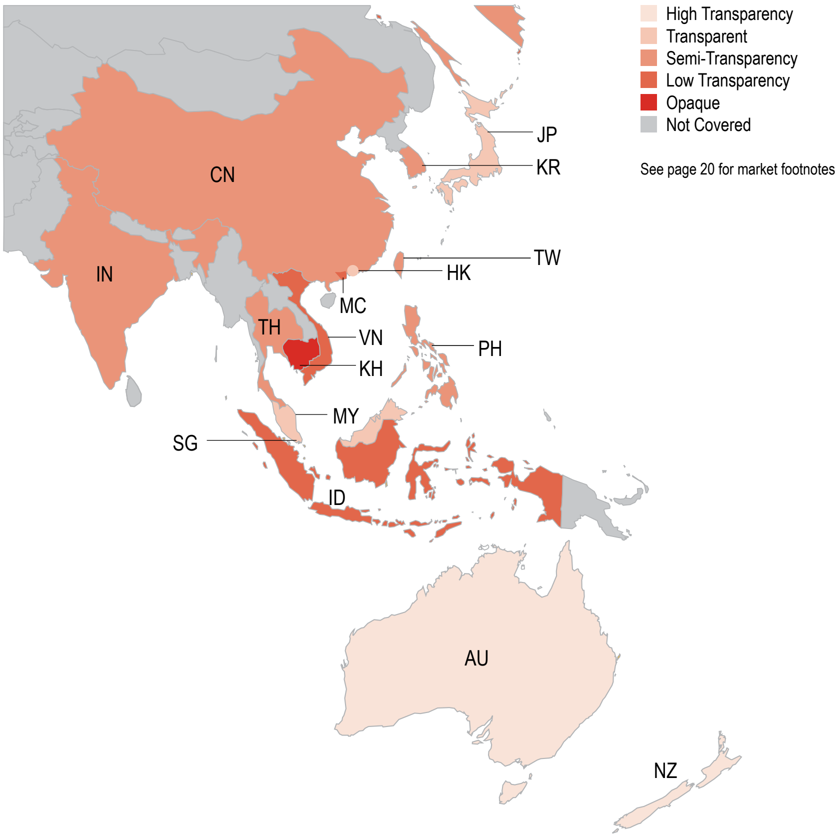
Regional Overview

Sixteen countries in the Asia Pacific region are included in the 2008 Transparency Survey. Cambodia has been included for the first time. In addition, we provide a more disaggregated analysis of the markets in the PRC and India by assessing market transparency at the city level.

Asia Pacific contains some of the world's beacons of real estate transparency, such as Australia and New Zealand, as well as some of the least transparent countries, such as Cambodia and Vietnam. While transparency has improved across most of the region since 2006, the gains are relatively modest for most countries, particularly when compared with the larger improvements between 2004 and 2006, and the more recent gains in Europe and MENA.

Over the past two years, transparency improved in all but four countries in Asia Pacific: Australia, Hong Kong, New Zealand, and Singapore (the four most transparent markets in the region). In 2008, the biggest improvers in Asia Pacific are India, PRC, and Vietnam, all of which have received considerably greater attention from investors and corporate occupiers in recent years. Conversely, Indonesia, Malaysia, and South Korea posted negligible improvements in transparency over the same period, while the remainder posted modest gains. There is also little change in the ranking of countries in terms of transparency. The most noteworthy change is that the PRC has moved into the semi-transparent tier (Tier 3) and is now considered more transparent than India; however, the two emerging economic giants of the region remain very close in terms of overall real estate transparency.

Asia Pacific Transparency



See page 20 for market footnotes

Comparative Performance

The Asia Pacific region outperformed MENA markets in all sub-index categories and also scored better on average than the Americas in all categories other than the Transaction Process. On the other hand, Asia Pacific fared worse than Europe in all categories, with the exception of Listed Vehicles. Contributing to the last outcome has been the presence of the real estate investment trust (REIT) sector for many years in Australia and the strong growth of this sector in Asia in recent years.

Asia Pacific has some of the most and least transparent markets in the world.

Where improvements are observed, a key reason has been the increased availability of data on major market fundamentals, particularly for the office sector. The growth of the REIT sector has also had a further positive impact on improving financial disclosure across the region, building on gains observed between 2004 and 2006. In relation to the impact of government, the processes surrounding compulsory acquisition of real estate by the public sector has also become more transparent over the past two years. At the other end of the spectrum, there is 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. As Pan Asian real estate funds become more prominent within global investment portfolios and institutional ownership increases in developing markets, more indices should become available. Some regulatory factors, such as the consistent application of taxes, building and planning codes, and the enforceability of contracts, remain areas of concern in a number of markets. Aspects of the real estate transaction process also remain wanting in some countries.

The impact of the additional criteria included in the 2008 Transparency Survey is typically a minor fall in the score for the more transparent markets and a minor improvement in the score for the less transparent markets. For the composite score, which includes the additional questions, Hong Kong and Singapore moved slightly down to the top of the transparent tier (Tier 2). However, the overall ranking for countries is not impacted when the additional measures are included in the Index. Considering these additional aspects, the levying of occupier service charges is the main area where many countries across the region performed poorly, due to the common market practice of levying a standard service charge, with little recourse for recovery of excess charges.

Cambodia is the least transparent market in the region and the only market considered opaque (Tier 5) overall [following Vietnam which moved up a tier, from opaque (Tier 5) to low transparency (Tier 4), over the past two years]. Despite the country gaining increased attention from real estate investors recently, Cambodia still scores poorly on all of the measures considered in the Survey.

Most countries in Asia Pacific scored as expected when considering the correlation between real estate transparency and other measures of the broader business environment, corruption, and economic performance. In general, the most transparent countries in the region performed as expected, while the less transparent and developing markets also performed in line with the global correlation. The outliers in the region are the relatively established economies of Japan, South Korea, and Taiwan, which generally do not perform as well in relation to real estate transparency as they do under other more general measures of transparency and economic competitiveness.

The correlation between the growth in cross-border real estate transaction volumes and the levels of transparency is not strong. For example, Japan and South Korea have recorded solid increases in cross-border transaction volumes over the past two years, despite recording minimal improvements in transparency. Antiquated regulations do hold back growth in foreign investment in some markets, in particular India and Vietnam. However, rather than transparency enhancements being the key determinant of regional capital flows, market fundamentals appear to be the main driving force behind transaction volumes. Nevertheless, higher transparency is resulting in a more dispersed flow of capital between countries across the region. It is, therefore, noteworthy that most of the countries surveyed are continuing to improve on the transparency measures and, as a result, enhancing the attractiveness of these markets for real estate investors and corporate occupiers.

Middle East and North Africa

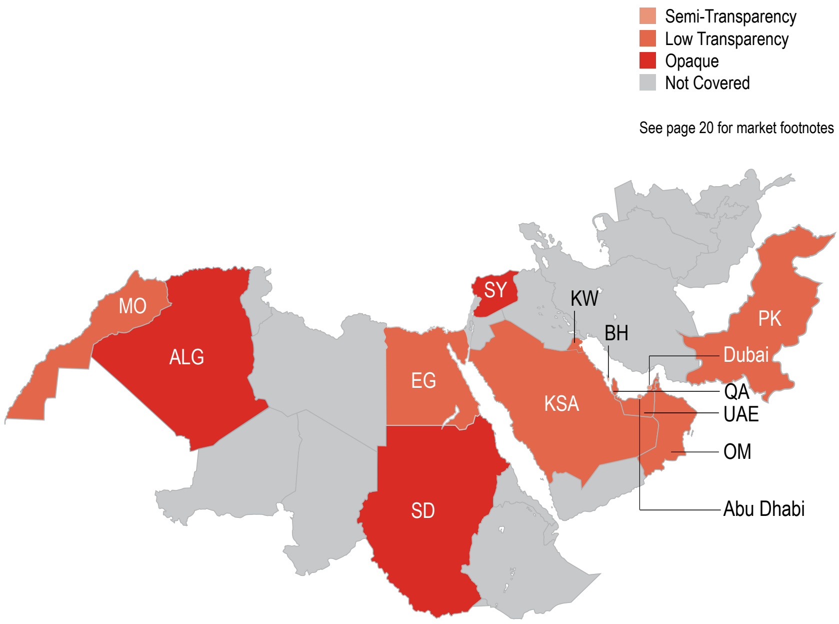
Regional Overview

Real estate markets across the Middle East and North Africa (MENA) region are attracting increased interest from international real estate investors, developers, and corporate occupiers. As the MENA markets have opened up, the issue of transparency has garnered heightened attention from the region's real estate communities and governments. In response to this growing interest in transparency in the region, our coverage in the MENA region has been significantly expanded in 2008 from three markets in the 2006 Survey—Dubai, Egypt, and the Kingdom of Saudi Arabia—to fourteen markets in the current survey with the addition of Abu Dhabi, Algeria, Bahrain, Kuwait, Morocco, Oman, Pakistan, Qatar, Sudan, Syria, and the UAE (Other Emirates). The index covers each market at a country level with the exception of The United Arab Emirates, a federation of seven emirates, which has been delineated at the city level. The UAE cities have been divided into 3 sub-markets: Dubai, Abu Dhabi and the Other Emirates (Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah, and Fujairah).

Dubai has emerged as the major focus of real estate development across the MENA region over the past five years. One of the main drivers of the increased level of both development and investment activity has been a significant improvement in the transparency of the Dubai market. Dubai has, in fact, witnessed the greatest improvement in transparency over the past two years of any market covered by the Real Estate Transparency Index.

The government of Dubai has recognized the importance of improving the transparency of the real estate market and has pushed through a number of major reforms over the past few years.

MENA Transparency



Note: Dubai, Bahrain, and Abu Dhabi are Semi-Transparent.

These have included:

- A freehold law which allows both local and foreign investors to purchase freehold land in various parts of the city.
- The creation of a new regulatory authority (RERA) to act as a market regulator and a 'one-stop shop' for addressing queries and grievances between landlords/tenants and developers/investors.
- The registering of all sales with the Dubai Lands Department.
- Safeguards for potential purchasers through new strata title regulations (based on Australian law) aimed at ensuring the ongoing maintenance of the asset and the introduction of escrow accounting requirements for real estate developers.

Transparency among MENA markets is low but rising quickly.

As a result of these reforms, Dubai has improved its position in the global ranking from 45th in 2006 to 32nd in the 2008 Index. Dubai was elevated from a low transparency status in 2006 to a semi-transparent status in 2008.

Comparative Performance

A number of other markets across the MENA region have recognized the importance of improving transparency. Among these, Bahrain and the Emirate of Abu Dhabi are positioned in the same 'semi-transparent' tier as Dubai (Tier 3). Bahrain is currently marketing itself as a 'business friendly' hub, as it attempts to regain some of the ground it lost in recent years to Dubai as the financial capital of the Middle East. A key part of Bahrain's message is focused on the relatively open and transparent nature of the market. Bahrain's clearly defined property laws and flexible government regulations concerning foreign investment have positioned it as the second highest ranking MENA market in the 2008 Index.

As part of its drive to increase the transparency of the local market, Abu Dhabi has introduced various reforms to property laws relating to the registration of property transactions and the identification of further areas where freehold land will be available for foreign investors. The centerpiece of their strategy is, however, a desire to improve certainty through the adoption of an urban master plan (Abu Dhabi 2030 is an urban structure framework plan), an initiative that is unique amongst Middle Eastern cities.

While other markets across MENA are currently classified as low transparency (Tier 4 or 5), there are signs that some of these markets are likely to become increasingly transparent over the next few years, with Oman and UAE (Other Emirates) attracting significant investor interest.

In Saudi Arabia, foreign (those not part of the Gulf Cooperation Council) investors are only allowed to purchase real estate for their own use (subject to a minimum price of around USD 8 million). While no major change is expected to the restrictions on foreign ownership over the next few years, significant improvements are expected in the other aspects of real estate transparency. Among the regulations currently being implemented are a new mortgage law and the introduction of more clearly defined planning regulations. The mortgage law will pave the way for growth in the housing financing and brokerage industries. The government has also set up a title registry. Once completed, this system will provide for an electronic title search that combined with a credit bureau will allow for the introduction of a housing bond market. These and other proposed changes will elevate the level of transparency and stimulate further investment in the Saudi Arabian real estate market over the next few years.

Europe

Regional Overview

The Real Estate Transparency Index covers 33 markets[4] within the European region. This includes the addition of seven countries concentrated around the Balkan and Baltic states: Belarus, Bulgaria, Croatia, Estonia, Kazakhstan, Latvia, and Lithuania. In addition, the 2008 Index provides a more granular treatment of the Russian market by assessing market transparency at the city level. It now distinguishes between Tier 1 (Moscow), Tier 2 (St. Petersburg), and Tier 3 Russian cities (e.g., Yekaterinburg) in order to fully articulate the varying dynamic of such a vast geographic area.

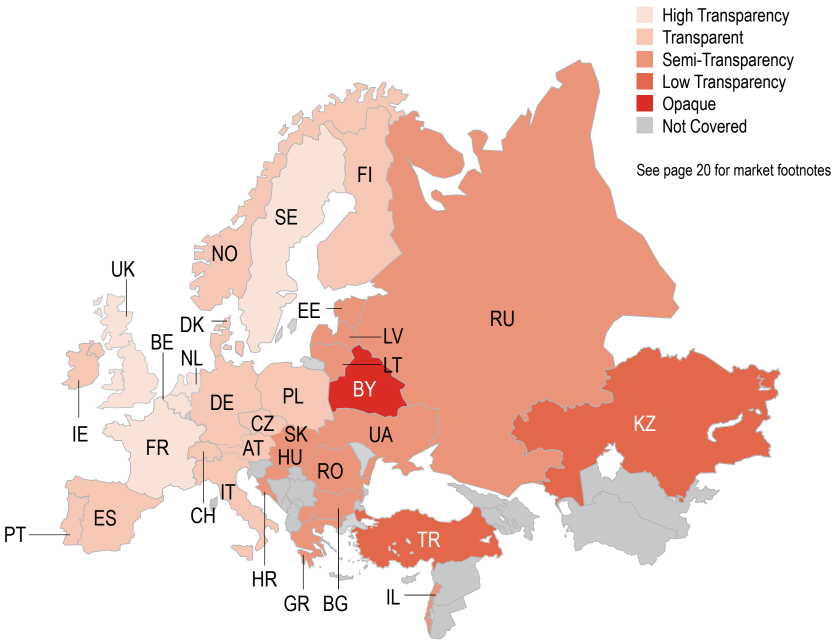
Comparative Performance

In a global context, the European region is characterized by a high level of market transparency. Aside from the level of information available on listed vehicles, which is equal to the level of transparency achieved in Asia Pacific, European countries achieve the highest aggregate scores on each of the five specific sub-indices used in the 2008 Composite Index. For instance, almost half of the markets covered by the Index have their own IPD index—a sure indication of transparency in terms of market performance measurement.

At a sub-index level, the European markets achieved their highest score on the transaction process. This reflects both the high levels of cross-border transactions in the region and the demands this makes on the process, in addition to the well-established presence of many multinational real estate advisors. These help ensure consistent professional standards across the region, often regardless of local practices. The weakest sub-indices are performance measurement and market fundamentals. Only the office sector has comprehensive data while data availability for less developed sectors, or those less targeted by institutional investors, such hotels, has room for improvement.

Despite the strong global standing of Europe in the 2008 Index, there remains significant contrast between markets within the region, as observed in previous editions. Most notable are the contrasts between Western and Central and Eastern Europe. While Western and Central Europe[5] had an average composite score of 1.7, the Central and Eastern European countries[6] scored 3.1 on average, placing them just below the aggregate score for Asia Pacific. Nevertheless, the gap is closing as investors broaden their real estate universe and countries seek to legislate in order to improve and facilitate

Europe Transparency



[4] Austria, Belgium, Belarus, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Kazakhstan, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom.

[5] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.

[6] Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kazakh-stan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Turkey, Ukraine.

European markets make up half of the largest transparency improvers since 2006.

inward investment. This is reflected in the improvement in index scores for all eight of the Central and Eastern Europe markets covered in both 2006 and 2008.

As has been the case in the 2004 and 2006 editions of the Index, the United Kingdom and the Netherlands remain Europe's most transparent real estate markets. On a like-for-like comparative basis with 2006, there are no new European additions to the highly transparent tier. However, the addition of new questions to the Survey and the creation of a 2008 Composite Index did enhance the performance of Belgium to the extent that it can now also be classified as highly transparent. Since the publication of the 2006 Index, Belgium has seen the development of a new IPD Property Index, which clearly enhanced transparency in terms of the Performance Measurement category. Although there has been little movement in the Index as a result, the establishment of two new REIT markets since 2006 (UK and Germany) and increased use of derivatives as an investment tool, which are starting to be developed outside of the United Kingdom, demonstrates that even transparent and highly transparent markets continue to evolve.

In line with the general trend within Central and Eastern Europe, both the Czech Republic and Poland, which may be regarded as two of the more established real estate markets in the sub-region, have improved from semi-transparent (Tier 3) to transparent (Tier 2) markets since 2006. Romania and Ukraine have also moved up a tier—from low transparency (Tier 4) to semi-transparent (Tier 3), with Romania the largest mover on a score and rank basis within the whole of Europe, and second only to Dubai globally. The Tier 1 city in Russia (Moscow) also moved up significantly when compared to 2006. This market now is on the cusp of transition to the transparent classification. As one would expect, the select Tier 2 and Tier 3 Russian cities scored less well than Moscow, but both are also classified as semi-transparent. Given the historic connection and geographical proximity of the Ukraine, it is unsurprising to see it ranked alongside the Tier 3 Russian cities.

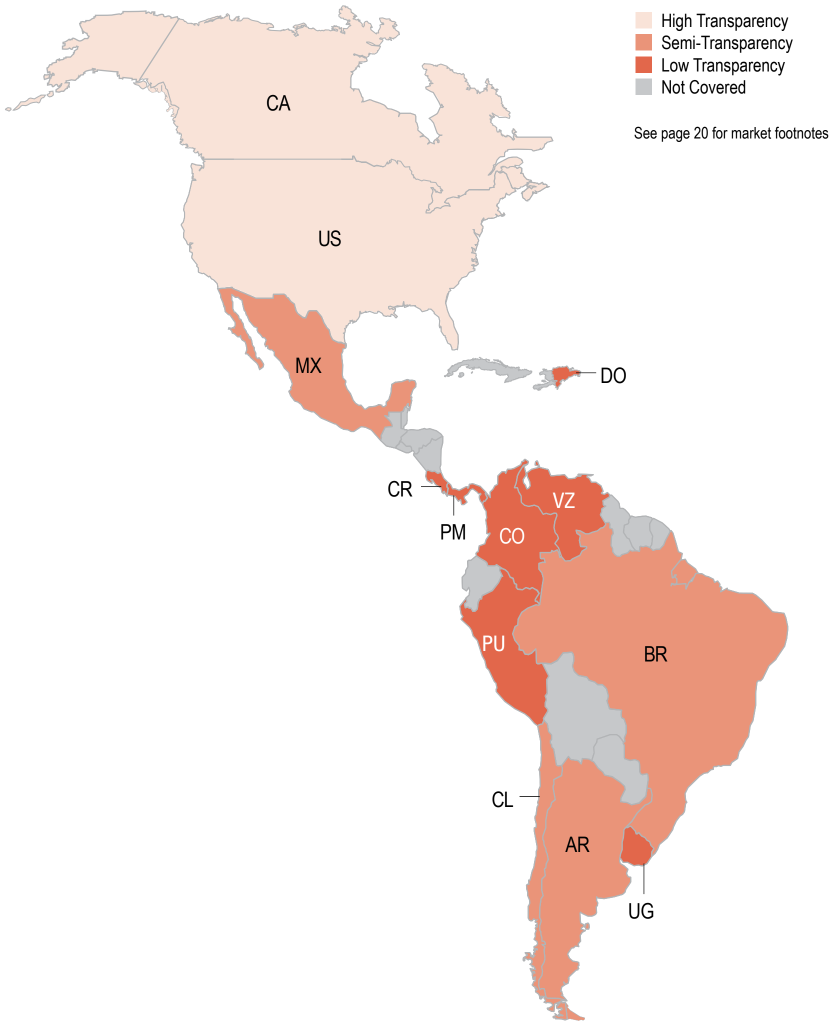
It is interesting to note that the most recent country to join the European Union (EU)—Romania—has witnessed the largest movement in terms of index score and ranking position within the region. In contrast, Turkey, which has accession status but no certainty about when or if it will join the EU, has remained a market characterized by low transparency, and there has been little improvement in either its score or ranking since 2006. There has been increased investor appetite for markets in Turkey—particularly in the retail sector—from those seeking to tap into a growing consumer market and as multinationals seek a foothold in that marketplace. No doubt some of these investors are hoping to exploit their first mover advantage, later selling onto a second wave of buyers as transparency improves.

Americas

Regional Overview

Our survey for Latin America considers 11 countries (the Dominican Republic was added to the 2008 Index), four of them (Argentina, Brazil, Chile, and Mexico) are semi-transparent (Tier 3) while the remaining seven (Columbia, Costa Rica, Panama, Peru, Uruguay, Venezuela, and the Dominican Republic) have low transparency (Tier 4). Over the last two years, seven countries (Panama, Brazil, Colombia, Mexico, Costa Rica, Peru, and Uruguay) improved their scores, two remained flat (Argentina and Chile), and one declined (Venezuela); however, the overall improvement was marginal and the region's ranking has been pushed down by many semi-transparent countries from other regions entering the Index for the first time. Outside of Latin America, the Index tracks Canada and the United States. Both countries remain highly transparent in 2008. These two highly transparent countries have seen very little movement in transparency since the Index's inception. According to the 2008 Composite Index, Canada ranks first among all 82 countries surveyed while the United States ranks second.

North and South America Transparency



Comparative Performance

Compared to other countries in the Americas, Brazil and Panama saw the largest increase in transparency while Venezuela saw the only decrease in transparency across all regions. Despite its low transparency compared to other countries globally, Panama achieved better scores in four out of five categories and now ranks sixth among the countries scored in Latin America. Over the last few years, large multinational corporations have established their regional offices in Panama, leading to the development of large office projects and in turn improving the quantity and quality of real estateinformation. At the same time, Panama has become an increasingly attractive retirement destination. Among the factors leading to this increase in activity are:

- The country's central location within the Americas
- Economic and political stability
- Low cost of living
- Favorable climate
- Socioeconomic conflicts in neighboring countries have made Panama attractive
- The depth of local financial markets (i.e., CMBS and real estate investment funds), which have been able to provide capital for real estate.

The Performance Measurement category continues to be the "Achilles' heel" for the Latin American countries.

Brazil has the second largest improvement in transparency, increasing its scores in four out of five categories. The improvement has put Brazil ahead of Mexico under both the composite and classic scoring system. Over the last few years many real estate companies (both real estate investment funds and corporations) have gone public, thereby improving the quantity and quality of information. For example, some of these companies, such as General Shopping Brasil, are providing more information and adhering to higher standards of corporate governance in order to appeal to a larger investor base. As a result of the country's inflation targeting policy and government debt levels, Brazil's credit rating was upgraded in April 2008 to investment grade (BBB-) by Standard and Poor's and is now the third country in the region to achieve that status, joining Mexico (BBB+) and Chile (A+). At the opposite end of the spectrum is Venezuela, the only country to show a decline in transparency since 2006. Its transparency level declined over the past two years in three of the five categories. Through its recent political and economic decisions, Venezuela has moved away from a market economy, making domestic and foreign investment increasingly difficult for both investors and corporations. The increase in regulations and the outlook for the country is causing some real estate companies, including the only public one (Fondo de Valores Inmobiliarios), to look elsewhere.

The Performance Measurement category continues to be the "Achilles' heel" for the Latin American countries in the Index. All countries in this category have low transparency (Tier 4). While investor-owned assets are valued to high standards, the region does not have either public or private performance indices. Over 70 real estate investment funds (fundos de investimento imobiliário), which are similar to REITs, exist in Brazil. These same investment vehicles also exist in Chile, Costa Rica, and Panama but are much less prevalent. Such vehicles report average industry returns, which should spur the development of performance indices in the medium term.

Transaction Process is the most transparent category among Latin American countries. The increasing presence of global service firms and capital providers continues to align the interest of the different players in the real estate market.

The Listed Vehicles category continues to have low transparency for the Latin American countries surveyed, but it has improved the most since 2006. Colombia now has publicly traded real estate companies, while other countries, such as Brazil, Costa Rica, and Panama, have improved the quantity and quality of their information and are adhering to higher governance standards. In Mexico, there has been recent legislation and new regulations to promote infrastructure and real estate investment funds called FIBRAS (which are similar to REITs); however, the first IPO has not yet been tendered.

Few changes have occurred since 2006 in either Canada or the United States—the two most transparent countries in the Americas and in the world. According to the 2008 Composite Index, Canada ranks as the most transparent country in the world, above both the United States and Australia. Canada outperforms both of these countries in the Legal and Regulatory Environment category, as well as the Transaction Process category. Canada's Transaction Process score is lower than its 2008 composite score, suggesting that its transaction process is more transparent than other components of its commercial real estate market. The United States ranks the highest of all countries in the Listed Vehicles and Market Fundamental categories. However, it falls behind Australia, New Zealand, Ireland, and the United Kingdom in the Performance Measurement category. This is due to the fact that property valuations are not conducted as frequently in the United States as in these other countries. In terms of the breadth and depth of the Performance Measurement category, the United States ranks in line with other highly transparent countries.

Understanding Transparency at the City Level

The Transparency Survey has traditionally focused on the characteristics and differences in real estate transparency at a national level, although the national transparency scores are based on real estate conditions in the principal cities in each country. While this approach provides robust international benchmarks against which to compare transparency between countries, in reality transparency levels are not necessarily uniform within national boundaries. In some countries, particularly in emerging markets, notable differences can be observed in transparency not only between cities, but within cities as well.

The issue of real estate transparency at a sub-national city level is gaining importance as real estate investors and corporate occupiers extend into new regions in their search for higher returns or cost-effective locations. International investors and occupiers are moving into secondary and tertiary cities that have not been traditional targets of the real estate community. Additionally, an increasing awareness of city-level transparency also reflects a growing appreciation by city governments around the world of the importance of transparent real estate markets in contributing to city expansion and competitiveness.

Jones Lang LaSalle's World Winning Cities program has highlighted that transparency can be a key factor in driving city success, not only because a more transparent market is likely to attract the interest of property investors and corporate occupiers, but because it is a critical component of an open and globally connected city. Transparent markets also project a city's vision and highlight to the global community that the city is "open for business."

The coverage of the Real Estate Transparency Index has been extended to a number of secondary and tertiary cities to expand our understanding of the differences in real estate transparency between cities. These cities are located in larger countries where intranational transparency levels would be expected to potentially show the greatest divergence. Transparency scores have been produced for select Tier 1, Tier 2, and Tier 3 cities in the PRC, India, and Russia. City tiers in each country have been derived on the basis of comparative levels of commercial real estate market activity.

Future regional/country-specific reports will provide detailed reviews and interpretations of city-level transparency scores. Summaries of several countries appear below.

People's Republic of China: Transparency in Motion

Among the large emerging markets, the PRC shows the widest variance in transparency between Tier 1 and Tier 2/3 cities. It is evident that the pressure of foreign investment and the need to create business-friendly environments has resulted in steady improvements in transparency in the PRC's Tier 1 cities—Shanghai and Beijing—with these two markets moving from low transparency (Tier 4) to semi-transparent (Tier 3) status over the past two years. However, Tier 2 cities, such as Chengdu and Tianjin, and Tier 3 cities, such as Wuxi and Zhengzhou, continue to have low transparency scores, due to poorer quality market information and more challenging regulatory and legal environments. Among many Tier 2/3 cities nonetheless, there is a greater appreciation by their city governments of the conditions needed to attract new investment, which we expect will lead to improvements in the regulatory and legal environments in these cities over the next few years.

China and Russia have the greatest variation between city tiers, India the least.

India: Transparency—A State of Mind

In India, the variance in transparency levels between Tier 1, Tier 2, and Tier 3 cities is lower than in the PRC. This reflects the fact that the regulatory and legal framework is set at the state level, and therefore cities within the same state will have similar transparency scores regardless of their tier. The main differences among Tier 1, 2, and 3 cities are the availability of market information and the transparency of the transaction process. While Delhi retains its position as India's most transparent market, some of the most transparent markets are in Tier 3 cities, such as Chandigarh and Kochi, which sit alongside the Tier 1 cities of Mumbai and Bangalore.

Russia: Changing Perceptions

In Russia, investors are overwhelmingly focused on Moscow (Tier 1) and to a lesser extent on St. Petersburg (Tier 2), and transparency levels in both cities have improved since 2006. Yet over the past two years, we have also witnessed the expansion of Russia's 11 "Millionniki" cities (cities with 1–1.5 million people), which have started to attract the attention of the real estate community. Perceptions that the business environment is significantly more challenging in Russia (prevalent among those investors less familiar with Russia) are partly discredited by the findings of our latest Transparency Survey. The Survey also demonstrates that the transparency between Moscow and the most business-friendly Millionniki cities (such as Yekaterinburg and Kazan) is relatively narrow, with the largest differences in the areas with reliable market information, efficient transaction processes, and professional standards.

Dubai: A Tale of Two Cities

A further complexity arises in some countries, where differences in transparency are not only evident between cities, but also even within cities. This can be a feature of cities that have created special economic zones (or free-zones) to attract new investment. Dubai, for example, has seen a significant improvement in real estate transparency in recent years, but no more so than in the Dubai International Financial Centre (DIFC), a 110-acre free-zone established in 2004. Within the DIFC, higher real estate transparency (than in the rest of the emirates) reflects a more streamlined regulatory framework and allowance of 100% foreign ownership of land. The DIFC has in effect its own legal jurisdiction, with a separate legal code (based on British rather than Dubai law) enforced by its own court.

Chart 6: Real Estate Transparency Classic Score Analysis

2008 Classic Rank	2006 Classic Rank[1]	Market	2008 Classic Score 1-5[2]	2008 Classic Tier	2006 Classic Tier	Transparency Change
1	1	Australia	1.15	1	1	
1	1	United States	1.15	1	1	
3	3	Canada	1.16	1	1	
4	4	New Zealand	1.25	1	1	
5	5	United Kingdom	1.30	1	1	
6	6	Netherlands	1.37	1	1	
7	7	Sweden	1.38	1	1	
8	8	France	1.40	1	1	
9	9	Hong Kong	1.46	1	1	
9	9	Singapore	1.46	1	1	
11	14	Ireland	1.62	2	2	**
11	12	Germany	1.62	2	2	
13	11	Finland	1.63	2	2	
14	16	Belgium	1.67	2	2	**
15	13	Denmark	1.72	2	2	*
16	17	Spain	1.81	2	2	*
17	14	Austria	1.85	2	2	
17	19	Norway	1.85	2	2	*
19	21	Italy	1.88	2	2	**
20	18	Switzerland	1.93	2	2	
21	20	South Africa	2.07	2	2	
22	23	Portugal	2.19	2	2	**
23	22	Malaysia	2.21	2	2	
24	25	Czech Republic*	2.35	2	3	***
25	24	Japan	2.40	2	2	
25	26	Poland*	2.40	2	3	***
27	26	Hungary	2.65	3	3	*
27	35	Russia Tier 1 Cities	2.65	3	3	***
27	28	Israel	2.65	3	3	**
30	-	Estonia	2.76	3	-	
30	29	Slovakia	2.76	3	3	**
32	45	Dubai*	2.83	3	4	***
33	-	Russia Tier 2 Cities	2.90	3	-	
34	-	Bulgaria	2.96	3	-	
35	-	Latvia	3.00	3	-	
36	36	Brazil	3.06	3	3	**
36	48	Romania*	3.06	3	4	***
38	31	Greece	3.10	3	3	
39	30	Chile	3.11	3	3	
40	-	Bahrain	3.12	3	-	
40	33	Taiwan	3.12	3	3	
42	32	Mexico	3.15	3	3	
43	33	South Korea	3.16	3	3	
44	-	Lithuania	3.20	3	-	
44	46	Ukraine*	3.20	3	4	***
46	37	Thailand	3.21	3	3	*
47	-	Russia Tier 3 Cities	3.25	3	-	
48	38	Philippines	3.32	3	3	*
49	42	China Tier 1 Cities*	3.34	3	4	***
50	40	India Tier 1 Cities*	3.39	3	4	**
51	-	India Tier 2 Cities	3.44	3	-	
52	-	Abu Dhabi	3.52	4	-	
53	39	Argentina	3.56	4	4	
53	-	Oman	3.56	4	-	
55	41	Indonesia	3.59	4	4	
56	-	Qatar	3.62	4	-	
56	53	Saudi Arabia	3.62	4	4	***
58	-	Morocco	3.63	4	-	
59	-	Croatia	3.66	4	-	
60	44	Macau	3.71	4	4	*
61	-	Kuwait	3.73	4	-	
62	55	Egypt	3.74	4	4	***
63	-	China Tier 2 Cities	3.76	4	-	
64	-	India Tier 3 Cities	3.79	4	-	
65	43	Costa Rica	3.80	4	4	
66	-	Pakistan	3.84	4	-	
67	54	Panama	3.85	4	4	***
68	47	Turkey	3.95	4	4	
69	51	Colombia	4.00	4	4	*
69	-	UAE - Other Emirates	4.00	4	-	
71	48	Peru	4.05	4	4	
72	52	Uruguay	4.10	4	4	
73	-	China Tier 3 Cities	4.14	4	-	
74	-	Kazakhstan	4.15	4	-	
75	48	Venezuela	4.20	4	4	~
76	-	Dominican Republic	4.30	4	-	
77	56	Vietnam*	4.36	4	5	**
78	-	Belarus	4.50	5	-	
79	-	Sudan	4.60	5	-	
80	-	Syria	4.70	5	-	
81	-	Algeria	4.76	5	-	
82	-	Cambodia	4.80	5	-	

High Transparency | Transparent | Semi-Transparency | Low Transparency | Opaque

Sources: Jones Lang LaSalle, LaSalle Investment Management

[1] Scores for 2006 were revised for some countries.
[2] The classic score is calculated from questions only used in 2006 and no new questions added in 2008.
* Denotes market moved up one tier from 2006.

* Slight improvement in transparency
** Moderate improvement in transparency
*** Significant improvement in transparency
~ Decline in transparency

Real estate transparency captures much more than the presence or absence of corruption.

Transparency in a Changing World

Constantly seeking an edge in a competitive environment, businesses are expanding operations and human capital across the world. As a result, the demand for and usage of commercial real estate is also increasing. Therefore, it is important for investors, developers, corporate occupiers, and lenders to stay abreast of the ever-changing global real estate environment. In an effort to stay abreast of the changing global landscape, 26 markets were added to the Real Estate Transparency Index. In addition, questions have been added to the Transparency Survey to gather information on occupier service charges and facilities management, debt financing, and the frequency and methods of property valuations. The new questions add depth to both the investor and the occupier approach to real estate transparency. This type of information should be invaluable to portfolio managers responsible for global platforms.

The addition of new transparency factors, however, does complicate the task of measuring transparency changes over time. To address this issue, Chart 6 (on the previous page) shows the transparency scores from 2008 using just the "classic" metrics from prior surveys. A side-by-side comparison of the 2006 and 2008 ranks and transparency tiers illustrate how the high transparency markets have not changed much at all, while the middle-tier transparency markets contain the major movers.

Jones Lang LaSalle and LaSalle Investment Management take a broader approach to real estate transparency than just equating "low transparency" with "corruption." The presence or absence of corruption is only one component of real estate transparency. Other components include consistently applied and interpreted laws and regulations, the respect of private property rights, the access to and time series of investment performance indices and market fundamentals data, and ethical standards of professionals in the commercial real estate market.

Jones Lang LaSalle/LaSalle Investment Management has been measuring real estate transparency since 1999 in an effort to help real estate market participants understand opportunities around the globe. The Index provides real estate market participants with a rigorous framework for comparing levels of transparency of real estate markets in 76 markets. The Index can also be used as a strategic tool to classify markets and/or evaluate market risk.

By measuring transparency in a rigorous way, we hope to raise awareness of the wide diversity of markets found all around the world. In some markets, the information that investors, corporate occupiers, and service providers need to make decisions is readily available, regulations are efficiently and fairly enforced, and private property rights are respected. In many others, some of these factors are limited or missing altogether. As a global real estate services firm, we are actively engaged in the process of raising transparency. Our Transparency Index provides evidence of how much improvement has taken place in recent years. It also shows how much work still lies ahead. We hope that readers will join us in this ongoing effort.

Technical Notes

Methodology of the Transparency Survey

The 2008 Transparency Survey consists of 20 major questions that attempt to objectively determine relative real estate transparency across the globe. The Survey is distributed to the global network of Jones Lang LaSalle and LaSalle Investment Management researchers. Regional coordinators distribute the Survey along with a User's Guide to the network of researchers and they act as the point person for that region. A global benchmarking process is conducted to ensure that the questions are being interpreted the same way by everyone. 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 were developed for each category to capture the experience and perceptions of senior Jones Lang LaSalle or LaSalle Investment Management personnel working in each office. Business leaders and research staff worked together to rank each market.

Methodology of Calculating the Index

A composite Index was compiled from the results of the 20 major questions on the Transparency Survey. Ten of the 20 questions have more than the one part. Of these ten, five questions ask the same question from both the perspective of domestic owner and occupier, as well as from the perspective of the non-domestic owner and occupier. The Index weights each of the five categories based on how important each one is to measuring real estate transparency. No single question is given more than a 5.0% weighting. The classic scores represent the same questions and the same weights as the 2006 Survey. The 2006 score is most comparable with the 2008 classic score and can be used for time series analysis. The 2008 composite score includes the new questions added in 2008 and all of the 2006 questions. The 2008 composite score is not directly comparable to the 2006 scores but it can be used for cross-sectional analysis. Both the 2008 classic and composite scores are based on a scale from 1.00 to 5.00. A region with a perfect 1.00 would be a market with the highest level of transparency. A market with a 5.00 would be a market with total opacity. The resulting composite scores were assigned to each of the five transparency tiers as follows:

- Tier 1: Highly Transparent (total score: 1.00–1.49)
- Tier 2: Transparent (total score: 1.50–2.49)
- Tier 3: Semi-Transparent (total score: 2.50–3.49)
- Tier 4: Low Transparency (total score: 3.50–4.49)
- Tier 5: Opaque (total score: 4.50–5.00)

The Jones Lang LaSalle Real Estate Transparency Index is unique. It is compiled using a neutral weighting for the total number of questions on the Transparency Survey. It is a simple tool and generally should only be used in broad impressionistic ways. For particular assignments, it may be appropriate to apply different weights (e.g., for investment strategy work, or occupier services work). However, where this is the case, under no circumstances should the resulting work be described as the Jones Lang LaSalle Real Estate Transparency Index.

The Index is a useful device to engage clients in discussion on the risk profile of city, national, regional or global property markets. However, it should not be used as the only indicator in decision-making. The 2008 Index is based on an enhanced survey with additional questions. While we believe the results are broadly consistent in terms of presentation (the same scoring system and many of the same attributes), the 2008 Index is not strictly comparable to previous editions.

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Additional References

1. Transparency Index: Guidelines for Preparation and Interpretation, Jones Lang LaSalle/LaSalle Investment Management, Updated February 2008.
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Asia Pacific Transparency Map
Australia (AU), Cambodia (KH), China (CN), Hong Kong (HK), India (IN), Indonesia (ID), Japan (JP), Macau (MC), Malaysia (MY), New Zealand (NZ), Philippines (PH), Singapore (SG), South Korea (KR), Taiwan (TW), Thailand (TH), Vietnam (VN).

MENA Transparency Map
Algeria (ALG), Bahrain (BH), Egypt (EG), Kuwait (KW), Morocco (MO), Oman (OM), Pakistan (PK), Qatar (QA), Kingdom of Saudi Arabia (KSA), Sudan (SD), Syria (SY), UAE (Other Emirates).

Europe Transparency Map
Austria (AT), Belgium (BE), Belarus (BY), Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Israel (IL), Italy (IT), Kazakhstan (KZ), Latvia (LV), Lithuania (LT), Netherlands (NL), Norway (NO), Poland (PL), Portugal (PT), Romania (RO), Russia (RU), Slovakia (SK), South Africa (ZA), Spain (ES), Sweden(SE), Switzerland (CH), Turkey (TR), Ukraine (UA), United Kingdom (GB).

North and South America Transparency Map
Argentina (AR), Brazil (BR), Canada (CA), Chile (CL), Colombia (CO), Costa Rica (CR), Dominican Republic (DO), Mexico (MX), Panama (PA), Peru (PE), United States (US), Uruguay (UY), Venezuela (VE).

Real value in a changing world

Jones Lang LaSalle Research

Jones Lang LaSalle Research is a multi-disciplinary professional group with core competencies in economics, real estate market analysis and forecasting, locational analysis, and investment strategy. The Research Group is able to draw on an extensive range and depth of experience from the Company's network of offices, operating across more than 150 key markets worldwide. Our aim is to provide high-level analytical research to assist practical decision-making for all investors, owners, and occupiers of real estate.

In order to complete the 2008 Real Estate Transparency Index, senior researchers at Jones Lang LaSalle and LaSalle Investment Management worked closely with business leaders across the Company's network of offices.

The Research team comprises more than 300 professional staff and supports Investor and Occupier Services and LaSalle Investment Management through the analysis of real estate markets, forecasting of future market conditions and application of these trends for location decisions and investment strategies.

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