



Summary Preview

Global Real Estate Transparency Index 2020



Executive Briefing

The Global Real Estate Transparency Index, 2020

11th edition of the Global Real Estate Transparency Index

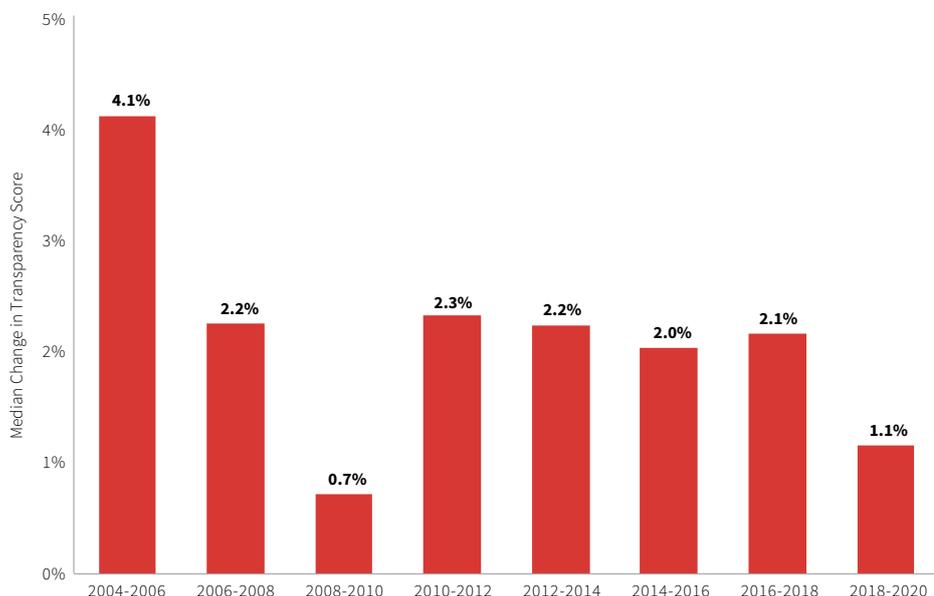
- JLL and LaSalle have been tracking real estate transparency and championing higher standards since 1999. This 11th edition of the Global Real Estate Transparency Index (GRET^I) covers 99 countries and territories, and 163 city regions.
- This latest survey has been extended to quantify 210 separate elements of transparency, with additional coverage on sustainability and resilience, health and wellness, proptech and alternatives sectors.

Overall progress is muted, while expectations are high

- The 2020 Index reveals that transparency is progressing across most countries and territories, but overall improvement is the weakest since the period directly following the Global Financial Crisis. While 70% of territories have registered an improvement in score, many jurisdictions are struggling to maintain progress.
- With growing pressure from investors, businesses and consumers, real estate transparency will need to improve further and faster to compete with other asset classes and meet heightened expectations about the industry's role in providing a sustainable and resilient built environment.
- Innovative new technologies are changing how real estate data is gathered and analyzed, and as these technologies become more widespread and the regulatory landscape rapidly evolves, improvements in transparency will depend even more on working closely and collaboratively with governments and civil society to achieve greater transparency.

Real Estate Transparency Improvements since 2004

Progress slows from previous levels as several markets regress



Median change for all markets included in each two-year period

Source: JLL, LaSalle

Dissecting the Global Ranking

The top-performing ‘Highly Transparent’ markets are driving higher standards

- The top ranks continue to be held by Anglophone countries, with the **UK**, the **U.S.** and **Australia** in the top three positions, while **France** (4th) and **Ireland** (8th) have registered notable gains. Transparency has been boosted in these ‘Highly Transparent’ markets by a combination of proptech and new data, sustainability initiatives, anti-money laundering regulations and enhanced tracking of alternatives sectors.

Top improvers are concentrated in South and Southeast Asia

- South and Southeast Asia have led advances globally. **India** has registered one of the largest improvements globally, with progress in the country’s REIT framework attracting greater interest from institutional investors. India has also edged into the top 20 for Sustainability Transparency through the active role of organizations like the Indian Green Building Council (IGBC) and Green Rating for Integrated Habitat Assessment (GRIHA).
- In Southeast Asia, **Thailand**, **Vietnam**, the **Philippines** and **Indonesia** are all among the global top 10 improvers. Progress in Thailand and Vietnam’s main cities, Bangkok and Ho Chi Minh City, has pushed each into a higher tier – ‘Transparent’ and ‘Semi-Transparent’ respectively.

Mainland China’s leading cities edge into ‘Transparent’ tier

- **Mainland China** has also continued to advance, with improved market fundamentals data, an active proptech sector and more coordinated land-use planning contributing to its place among the top global improvers. This has helped to push its leading cities, **Shanghai** and **Beijing**, into the ‘Transparent’ tier for the first time.

Sustainability drives progress among top 10 improvers

- **Abu Dhabi** has emerged as the top global improver in 2020, with its score boosted by government initiatives to improve corporate and real estate sustainability. **Costa Rica**, also among the top 10 global improvers, has seen gains underpinned by continued enhancements to its sustainability standards. Meanwhile, new requirements for large companies to implement climate action plans have helped **Belgium** join the top improvers.

Sub-Saharan Africa, MENA and Latin America struggle to keep pace

- Large swathes of the Middle East, Sub-Saharan Africa and Latin America have seen progress stall due to political and/or economic headwinds. Several large middle-income markets – like **South Africa**, **Mexico**, **Brazil** and **Turkey** – have slipped several places in the global ranking as regulatory enforcement and corporate governance standards have struggled to advance.

A familiar roll call of names dominates the City-level Transparency Index

- Recognizing the material differences in transparency within some national territories, we have extended coverage to 163 city metropolitan areas. **London** once again takes top spot as the world’s most transparent real estate market. **Los Angeles**, **San Francisco**, **Sydney** and **Washington DC** round off the global top 5. **Paris** takes the top global position on sustainability transparency.

The Drivers of Real Estate Transparency Improvement

Steady improvement in sustainability transparency

- The most significant progress since 2018 has been made in the Sustainability components of the survey, where an increased focus on corporate social responsibility and acknowledgement of the need to create a sustainable built environment bring ESG considerations into the mainstream. Green building certification systems and energy efficiency standards are widespread in the higher-performing countries.
- **France** and **Australia** have taken the global lead on sustainability transparency and been among the first adopters of new sustainability initiatives, such as water efficiency standards or net zero carbon frameworks.

A new focus on zero carbon buildings

- There is a rising expectation that the real estate industry will deliver zero carbon buildings and, in response, the GRETI Survey now covers initiatives relating to net zero carbon building frameworks. Leading the charge are a number of Green Building Councils, such as UKGBC in the **UK** and GBCA in **Australia**, that have developed national frameworks for net zero carbon buildings.

Health and wellness take center stage

- The COVID-19 pandemic has brought the health agenda to the fore, and health and wellness building certification has been included in the Transparency Survey for the first time, although adoption is not currently widespread. WELL Building Standard and Fitwel, both originating from the **U.S.**, remain the foremost certification systems internationally. Nationally-developed systems are beginning to emerge such as **Australia's** NABERS Indoor Environment and **Singapore's** BCA-HPB Green Mark for Healthier Workplaces. **India** is also taking steps with its IGBC Health and Well-being Rating.

Building resilience rises up the agenda

- The impact of climate risks on physical assets is of increasing concern and has been outlined by the Task Force on Climate-related Financial Disclosures (TCFD). In response to these growing risks, the real estate industry is starting to develop its approach to resilience, and the Transparency Survey has put a stake in the ground by including building resilience codes in this year's edition, with industry groups in **Australia** and the **U.S.** taking the lead in creating resilience frameworks.

Technology, proptech and transparency

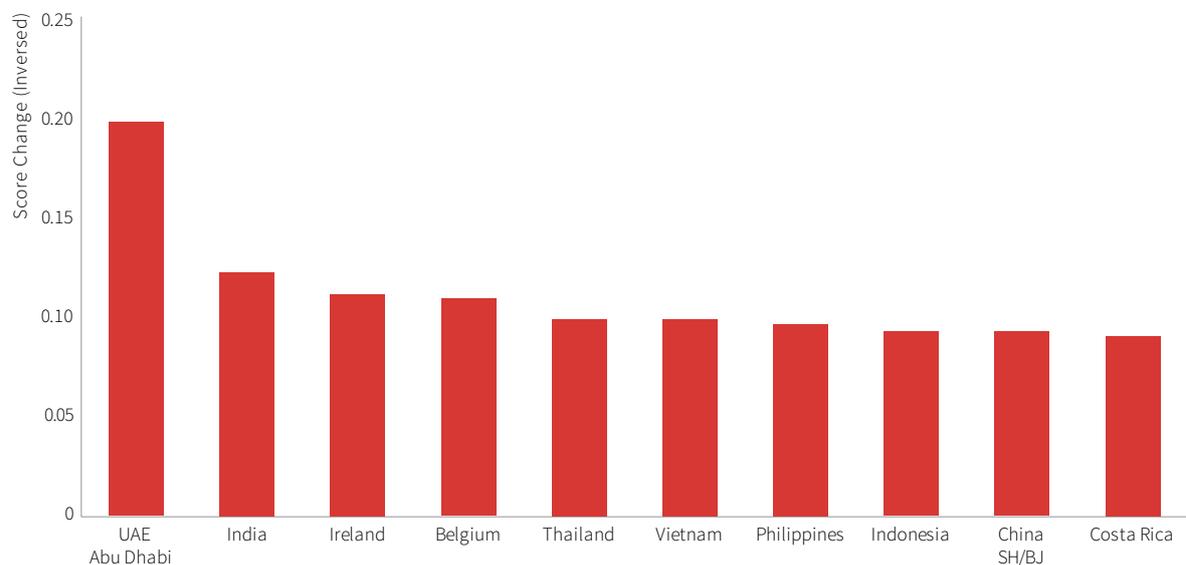
- We continue to see the rise of proptech across all parts of the real estate industry. The growing adoption of proptech platforms, digital tools and 'big data' techniques are rapidly increasing the volume of real estate market data available. Online marketplaces, shared economy platforms and asset management tools through to digital twins, smart cities and smart buildings are all serving to improve transparency.
- Our survey reveals that the highest level of proptech adoption is unsurprisingly in the 'Highly Transparent' markets – such as **France**, the **Netherlands**, **Australia**, the **UK**, **Canada** and the **U.S.**, as well as the high-income Asia Pacific markets like **South Korea**, **Singapore** and **Hong Kong SAR**. Significantly, several less transparent, larger emerging markets also stand out on proptech adoption – including **India**, **South Africa**, **Brazil** and **China**.

Enhanced tracking of alternatives sectors

- Institutional investors are active in alternatives sectors in over half of markets tracked by GRETI. A positive feedback loop between rising niche property-type institutional investment and greater market data availability has propelled sectors like self-storage, data centers and life sciences to the leading edge of real estate transparency improvement.
- Transparency in these niche sectors still has significant room for improvement, and we expect alternatives to be a primary driver of progress in the Transparency Index in coming years.

Top Transparency Improvers, 2018-2020

Largest improvers in South and Southeast Asia, Western Europe and MENA



Note: China - SH/BJ = Shanghai and Beijing
Source: JLL, LaSalle

What's Next for Real Estate Transparency?

COVID-19 creates a fast-changing legal and regulatory environment

- The Transparency Survey was completed in February and March 2020, just as the lockdown of economic activity was underway in the Americas and Europe, having already occurred in East Asia. As a result, the scoring of the fairness, effectiveness and clarity of the regulatory environment took place before many of the hastily enacted regulations intended to address a fast-moving pandemic had started to unfold.
- The COVID-19 crisis is shining a bright light on the transparency of real estate's legal and regulatory systems. New rules to establish how social distancing, virus testing and contact tracing all intersect with existing property and privacy laws are being created in a compressed time frame. As we go to press, sorting out these challenges still lies ahead in the second half of 2020 and in 2021.

Disruption leading to innovation and driving transparency

- Technology can contribute to higher transparency, but real estate markets have had trouble implementing new tech fast enough. The COVID-19 pandemic could help to fast-track digitization and stimulate innovation in the use of technology due to the need for accurate and just-in-time data to keep track of activity – especially relating to health, mobility and space usage.

- The pandemic is leading to an acceleration in new types of non-standard and high-frequency data being collected and disseminated, which is taking transparency to new levels due to its near-real-time nature. In the U.S. for example, organizations like the National Multifamily Housing Council (NMHC) and NAREIT pooled data on rent payments from software firms and property owners within a few weeks of the crisis escalating and have maintained this collaboration with subsequent updates. This has provided visibility into a previously opaque indicator and informed both policymakers and business through the crisis.

Increasing government engagement with proptech

- A few governments are now actively engaging and consulting with the proptech sector on how to improve services and make government data more available. Relatively few are doing so in a structured way however, but there are signs of change. The **UK's** Digital Street program is one of the best examples, running research programs and funding local authorities to trial digital property solutions.
- Despite the hype, governments are still at a relatively early stage in trialing the use of blockchain technology in transactions. Pilots in **Dubai** and **Sweden** are among the most advanced, while another 30 national governments are engaging with the technology.
- The use of technology will become more important in the record-keeping and forensic work used by governments to combat money laundering and insider trading. Cyber-security regulators in many countries have enhanced their ability to impose penalties and provide enforcement to reduce outbreaks of ransomware or phishing attacks.

A real estate industry under pressure to transform to a net zero carbon and resilient future

- Sustainability transparency has improved, but there is considerable room for further progress. With sustainability increasingly influencing investor and corporate decision-making, and with broader awareness of the fragility of our environment, pressures on the real estate industry to step up on climate change are mounting.
- Mandatory sustainability standards are still the exception; however, they are likely to take on much greater prominence in coming years, particularly in net zero carbon building frameworks and building resilience standards. These will become an essential ingredient of a 'Highly Transparent' real estate market.

Health and wellness come to the fore

- The pandemic is leading to elevated awareness of personal and environmental hygiene, health, work-life balance and social relations. Building owners and operators will need to adjust to keep workers and building users safe and healthy. Transparency of 'building health' will become far more important – in terms of access to metrics that track not only light and noise, but also building ventilation, air filtration, and cleaning. We could see the confluence of proptech and medtech in the next generation of smart buildings.
- The COVID-19 crisis has also increased awareness of unsafe conditions at building construction sites and in worker dormitories which could lead to safer worker conditions in buildings.

Transparency and city governance

- Real estate transparency is now front and center of the debate on city competitiveness and governance. Governments are recognizing the role that real estate transparency plays in boosting investment and business activity, supporting infrastructure investment, facilitating long-term planning and improving the quality of life of its citizens.

Cross-border investors demand higher transparency

- While investment into commercial real estate is slowing during the pandemic, the overarching trend is toward rising allocations to real estate. Improving transparency will become even more important to attract capital in this environment, with investors gravitating to 'Highly Transparent' markets with robust regulations. There will be a race to move from simply making policies to enforcing policies.

Global Real Estate Transparency Index, 2020

Transparency Tier	2020 Composite Rank	Market	2020 Composite Score	Transparency Tier	2020 Composite Rank	Market	2020 Composite Score
High	1	United Kingdom	1.31	Semi	51	Mauritius	3.33
	2	United States	1.35		52	Kenya	3.34
	3	Australia	1.39		53	Botswana	3.35
	4	France	1.44		54	Serbia	3.35
	5	Canada	1.51		55	Puerto Rico	3.37
	6	New Zealand	1.67		56	Vietnam	3.38
	7	Netherlands	1.67		57	Saudi Arabia	3.40
	8	Ireland	1.83		58	Macao SAR	3.49
	9	Sweden	1.89		59	Argentina	3.49
	10	Germany	1.93		60	Egypt	3.52
Transparent	11	Switzerland	1.96	Low	61	Morocco	3.60
	12	Finland	1.98		62	Colombia	3.60
	13	Belgium	1.99		63	Costa Rica	3.64
	14	Singapore	2.00		64	Zambia	3.65
	15	Hong Kong SAR	2.03		65	Sri Lanka	3.65
	16	Japan	2.03		66	Jordan	3.69
	17	Italy	2.08		67	Cayman Islands	3.74
	18	Denmark	2.10		68	Nigeria	3.74
	19	Spain	2.16		69	Ukraine	3.80
	20	Poland	2.24		70	Bahrain	3.83
	21	Austria	2.32		71	Bahamas	3.84
	22	Norway	2.33		72	Myanmar	3.85
	23	Chinese Taipei	2.34		73	Pakistan	3.88
	24	South Africa	2.37		74	Kuwait	3.98
	25	Czech Republic	2.41		75	Qatar	4.03
	26	Portugal	2.42		76	Iran	4.07
	27	Hungary	2.44		77	Uruguay	4.10
	28	Slovakia	2.44		78	Rwanda	4.11
	29	Malaysia	2.56		79	Kazakhstan	4.13
	30	South Korea	2.57		80	Ghana	4.15
	31	Luxembourg	2.59		81	Oman	4.16
	32	China - SH/BJ	2.59		82	Ecuador	4.18
	33	Thailand	2.64		83	Panama	4.26
Semi	34	India	2.69	84	Belarus	4.30	
	35	Romania	2.71	85	Angola	4.32	
	36	UAE - Dubai	2.75	86	Tunisia	4.36	
	37	Israel	2.80	87	Lebanon	4.38	
	38	Russia	2.81	88	Honduras	4.41	
	39	Mexico	2.83	89	Mozambique	4.44	
	40	Indonesia	2.86	90	Uganda	4.44	
	41	Greece	2.86	91	Algeria	4.44	
	42	Bulgaria	2.87	92	Ivory Coast	4.48	
	43	Turkey	2.91	93	Guatemala	4.50	
	44	Philippines	2.91	94	Senegal	4.52	
	45	Brazil	2.93	95	Tanzania	4.54	
	46	Croatia	3.00	96	Dominican Republic	4.54	
	47	Chile	3.05	97	Iraq	4.60	
	48	UAE - Abu Dhabi	3.10	98	Ethiopia	4.64	
	49	Peru	3.21	99	Libya	4.73	
		50	Slovenia	3.32			

Note: China - SH/BJ = Shanghai and Beijing

Source: JLL, LaSalle



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