August 2014

Valuation Report

Project Diem

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Date	21 August 2014

Emaar Malls Group LLC
Building 3 Emaar Square
PO Box 191741
Dubai, United Arab Emirates
For the attention of the Board of Directors

Morgan Stanley & Co. International Plc
Dubai International Financial Centre, Level 7, Precinct 3
PO Box 506501
Dubai, United Arab Emirates
For the attention of Mr. Jascha Tielsch, Vice President

J.P. Morgan Securities Plc
25 Bank Street
London, E14 5JP
United Kingdom
For the attention of Emanuele Bena, Executive Director

Merrill Lynch International
2 King Edward Street
London, EC1A 1HQ
United Kingdom
For the attention of Rajan Somchand, Director

Gentlemen

Valuation Report and Property Schedules
Project Diem

Please find enclosed our Valuation Report and Property Schedules for Project Diem.

We trust that these meet your requirements with regard to this assignment. If having reviewed our report, you have any questions, please do not hesitate to contact me.

Yours faithfully

Simon Brand FRICS
Head of Valuation Advisory
MENA

For and on behalf of JLL

Encl. Valuation Report and Property Schedules

Contents

1 Executive Summary

This Executive Summary must be read in conjunction with the following Valuation Report.

Instructions and Purpose of Valuation:	We are instructed to provide our opinion of the Market Value of the freehold interest in the various Properties for inclusion in the prospectus to be published by Emaar Malls Group LLC in connection with the proposed Initial Public Offering of shares and the listing of those shares on the Dubai Financial Market.
Valuation Standards:	Our opinions of value and this Valuation Report are prepared in accordance with the RICS Valuation – Professional Standards (January 2014) (“Standards”) which comply with the International Valuation Standards.
Subject of Valuation:	The portfolio comprises various retail properties together with ancillary uses located in Dubai, United Arab Emirates, as detailed in the following Property Schedules (“Properties”).
Basis of Valuation:	We have provided our opinion of the Market Value of the Properties, defined by the Standards as: *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*
Date of Valuation:	30 June 2014
Aggregate Market Value:	**AED 39,789,940,000** **(THIRTY NINE BILLION SEVEN HUNDRED EIGHTY NINE MILLION AND NINE HUNDRED FORTY THOUSAND UAE DIRHAMS)** The aggregate Market Value reported above is the sum of the Market Value of each Property valued individually and does not necessarily represent the Market Value of the Properties if sold as a single portfolio. In line with local market practice, no allowance has been made in our valuations for a seller’s costs of realisation, purchaser’s costs of acquisition or for any tax liability. For individual asset values please refer to the following schedule.

2 Schedule of Market Values

Property No.	Portfolio	Property Name	Market Value as at 30 June 2014 (AED)
1	n/a	The Dubai Mall (incl. The Dubai Mall Fashion Avenue extension)	34,400,000,000
2	n/a	Dubai Marina Mall and Pier 7	1,587,000,000
3	n/a	Souk Al Bahar	893,000,000
4	BD	Dukkan Al Manzil	75,580,000
5	BD	Dukkan Qamardeen	44,030,000
6	BD	Dukkan Tamerhind	49,490,000
7	BD	Residences 1 Retail	86,210,000
8	BD	Residences 2 Retail	69,490,000
9	BD	Residences 3 Retail - South Ridge	79,460,000
10	BD	Building 789 Retail	15,060,000
11	BD	Emaar Square Buildings 1 and 4 Retail	71,520,000
12	BD	8 Boulevard Walk Retail	28,430,000
13	BD	Burj Views Retail	37,540,000
14	BD	The Lofts Retail	49,670,000
15	BD	Boulevard Plaza Retail	125,780,000
16	BD	Claren 1 Retail	105,690,000
17	BD	Boulevard Central Retail	28,660,000
18	BD	29 Boulevard Retail	52,860,000
19	BD	Stand Point Retail	50,630,000
20	BD	The Address Boulevard Retail	197,730,000
21	BD	Boulevard Specialty	92,860,000
22	MR	Marina Walk	291,590,000
23	MR	Al Majarah and Al Sahab Retail	19,380,000
24	MR	Marina Promenade aka 7WX Retail	108,770,000
25	MR	Marina Quays Retail	43,940,000
26	MR	Park Island Retail	55,970,000
27	n/a	Dubai Marina Mall - Pier 7	Incl. in DMM
28	MR	Marina Plaza Retail	23,010,000
29	n/a	Gold and Diamond Park	470,000,000
30	CC	The Meadows City Centre	37,280,000
31	CC	The Meadows Town Centre	151,050,000
32	CC	The Springs Community Centre	76,460,000
33	CC	Emaar Towers Retail	10,900,000
34	CC	Arabian Ranches 1	117,020,000
35	CC	The Greens Community Centre	120,070,000
36	n/a	The Dubai Mall Fashion Avenue extension	Incl. in TDM
37	CC	Arabian Ranches 2	123,810,000

3 Property Schedule Executive Summaries

3.1 Summary Overview Table

Property Details			Leasable Areas (sq ft)			Occupancy	Weighted Avg. Lease Term	Gross Passing Rent	Methodology	Yields		Market Value as at 30 June 2014	
No.	Portfolio	Name	Total	Main Units	Other		(Years)	(AED pa)		Equivalent	Initial	(AED)	(AED/sq ft)
1	n/a	The Dubai Mall (incl. The Dubai Mall Fashion Avenue extension)	4,229,369	4,083,023	146,346	85%	2.54	1,993,686,188	Discounted cash flow	n/a	5.19%	34,400,000,000	8,134
1	n/a	The Dubai Mall (excl. The Dubai Mall Fashion Avenue extension)	3,665,369	3,519,023	146,346	99%	2.54	1,993,686,188	Discounted cash flow	n/a	5.95%	29,650,000,000	8,089
2	n/a	Dubai Marina Mall and Pier 7	425,407	401,119	24,288	96%	2.62	124,193,539	Discounted cash flow	n/a	6.06%	1,587,000,000	3,731
3	n/a	Souk Al Bahar	209,389	183,597	25,792	90%	1.98	65,827,500	Discounted cash flow	n/a	7.02%	893,000,000	4,265
4	BD	Dukkan Al Manzil	31,923	29,630	2,293	99%		5,645,823	Income Capitalisation	9.03%	7.10%	75,580,000	2,368
5	BD	Dukkan Qamardeen	24,474	24,474	0	9%		410,340	Income Capitalisation	9.00%	n/a	44,030,000	1,799
6	BD	Dukkan Tamerhind	20,192	17,394	2,798	94%		3,468,861	Income Capitalisation	10.03%	6.91%	49,490,000	2,451
7	BD	Residences 1 Retail	44,618	33,421	11,197	82%		5,402,329	Income Capitalisation	9.39%	6.16%	86,210,000	1,932
8	BD	Residences 2 Retail	30,400	18,028	12,372	98%		5,169,112	Income Capitalisation	9.41%	7.34%	69,490,000	2,286
9	BD	Residences 3 Retail - South Ridge	33,246	30,032	3,214	72%		3,829,843	Income Capitalisation	9.40%	4.71%	79,460,000	2,390
10	BD	Building 789 Retail	10,979	8,346	2,633	87%		1,150,002	Income Capitalisation	9.20%	7.54%	15,060,000	1,372
11	BD	Emaar Square Buildings 1 and 4	30,327	20,316	10,011	87%		4,059,958	Income Capitalisation	9.51%	5.57%	71,520,000	2,358
12	BD	8 Boulevard Walk Retail	11,891	11,891	0	63%		1,540,160	Income Capitalisation	9.70%	5.31%	28,430,000	2,391
13	BD	Burj Views Retail	20,237	16,603	3,634	91%		2,899,654	Income Capitalisation	9.15%	7.63%	37,540,000	1,855
14	BD	The Lofts Retail	23,650	19,007	4,643	96%		3,791,653	Income Capitalisation	9.21%	7.53%	49,670,000	2,100
15	BD	Boulevard Plaza Retail	65,790	45,581	20,209	90%		7,605,216	Income Capitalisation	9.26%	5.94%	125,780,000	1,912
16	BD	Claren 1 Retail	40,775	25,869	14,906	84%		5,682,137	Income Capitalisation	9.32%	5.27%	105,690,000	2,592
17	BD	Boulevard Central Retail	19,698	11,389	8,309	90%		2,187,092	Income Capitalisation	9.32%	7.53%	28,660,000	1,455
18	BD	29 Boulevard Retail	27,548	20,048	7,500	89%		3,399,727	Income Capitalisation	9.31%	6.33%	52,860,000	1,919
19	BD	Stand Point Retail	24,695	16,816	7,879	100%		4,276,608	Income Capitalisation	9.17%	8.35%	50,630,000	2,050
20	BD	The Address Boulevard Retail	49,459	32,684	16,775	67%		8,047,440	Income Capitalisation	9.42%	3.96%	197,730,000	3,998
21	BD	Boulevard Specialty	28,812	20,500	8,312	89%		7,007,965	Income Capitalisation	9.12%	7.45%	92,860,000	3,223
22	MR	Marina Walk	105,778	68,582	37,196	81%		18,756,145	Income Capitalisation	9.33%	5.77%	291,590,000	2,757
23	MR	Al Majarah and Al Sahab Retail	11,485	9,037	2,448	68%		989,835	Income Capitalisation	8.93%	2.27%	19,380,000	1,687
24	MR	Marina Promenade aka 7WX Retail	46,646	36,199	10,447	97%		8,302,854	Income Capitalisation	9.22%	7.07%	108,770,000	2,332
25	MR	Marina Quays Retail	27,705	15,857	11,848	82%		2,175,410	Income Capitalisation	9.04%	4.77%	43,940,000	1,586
26	MR	Park Island Retail	32,175	21,911	10,264	83%		4,030,360	Income Capitalisation	9.14%	5.61%	55,970,000	1,740
27	MR	Dubai Marina Mall - Pier 7	Incl. in DMM	n/a	n/a	n/a		Incl. in DMM	Discounted cash flow	n/a	n/a	Incl. in DMM	n/a
28	MR	Marina Plaza Retail	11,532	9,869	1,663	78%		1,254,885	Income Capitalisation	8.94%	5.21%	23,010,000	1,995
29	n/a	Gold and Diamond Park	526,121	526,121		89%	1.50	42,917,775	Discounted cash flow	n/a	7.99%	470,000,000	893
30	CC	The Meadows City Centre	18,398	15,079	3,319	100%		3,685,949	Income Capitalisation	9.50%	9.29%	37,280,000	2,026
31	CC	The Meadows Town Centre	65,925	61,992	3,933	99%		13,436,975	Income Capitalisation	9.41%	8.21%	151,050,000	2,291
32	CC	The Springs Community Centre	217,644	n/a	n/a	n/a		n/a	Residual Land Value	9.05%	n/a	76,460,000	n/a
33	CC	Emaar Towers Retail	13,179	11,616	1,563	65%		943,810	Income Capitalisation	9.96%	4.55%	10,900,000	827
34	CC	Arabian Ranches 1	47,508	42,568	4,940	99%		9,319,884	Income Capitalisation	9.39%	7.30%	117,020,000	2,463
35	CC	The Greens Community Centre	40,994	32,459	8,535	97%		10,506,857	Income Capitalisation	9.55%	8.19%	120,070,000	2,929
36	n/a	The Dubai Mall Fashion Avenue extension	Incl. in TDM	n/a	n/a	n/a	n/a	n/a	Residual Land Value	n/a	n/a	Incl. in TDM	n/a
37	CC	Arabian Ranches 2	129,963	n/a	n/a	n/a		n/a	Residual Land Value	9.05%	n/a	123,810,000	n/a

Property 1 -The Dubai Mall (incl. The Dubai Mall Fashion Avenue extension)

Property Name/Address: The Dubai Mall, Downtown Dubai, Dubai, UAE.

Property Inspection: The Property was inspected on 13 May 2014 by Simon Brand FRICS, Head of Valuation Advisory MENA and Christian Luft MRICS , Director, both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property is located in Downtown Dubai, Dubai, UAE adjacent to the Burj Khalifa and Dubai fountains and forms part of the Downtown Dubai development by Emaar Properties. The Dubai Mall currently comprises retail space with a leasable area of 3,469,050 sq ft and a total leasable area (including terraces and storage) of 3,665,369 sq ft.

The Property also includes the Fashion Avenue extension which is currently under construction. When complete this will provide an additional 613,973 sq ft of lettable area according to the plans provided by the Company. Construction of the extension will require the redevelopment of 49,973 sq ft of leasable space, resulting in a total leasable area of 4,229,369 sq ft after completion of the planned works.

Basis of Value: We have provided our opinion of the Market Value of the Property including the Fashion Avenue extension.

Key Valuation Consideration including Fashion Avenue Extension:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Operational Expenses (AED pa)	Initial Yield (%)	IRR (%)
1,993,686,188*	85%	2,160,173,071**	208,199,102	5.19%	9.45%

Key Valuation Consideration excluding Fashion Avenue Extension:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Operational Expenses (AED pa)	Initial Yield (%)	IRR (%)
1,993,686,188*	99%	1,533,207,754**	208,199,102	5.95%	8.92%

* Gross Passing Rent includes any contractual stepped increases during the following 12 months and leasing up of any current vacancy. This figure also includes turnover rent and other additional rental income.
** Market Rent is expressed as a day one amount and excludes turnover rent and additional rental income.

Date of Valuation: 30 June 2014

Market Value including Fashion Avenue extension:	**AED 34,400,000,000** **(THIRTY FOUR BILLION, FOUR HUNDRED MILLION UAE DIRHAMS)** In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.
Market Value excluding Fashion Avenue extension:	**AED 29,650,000,000** **(TWENTY NINE BILLION, SIX HUNDRED AND FIFTY MILLION UAE DIRHAMS)** In line with local market practice, no deduction has been made for purchaser's costs, cost of realisation or taxation.

Property 2 - Dubai Marina Mall and Pier 7

Property Name/Address: Dubai Marina Mall and Pier 7, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 13 May 2014 by Simon Brand FRICS, Head of Valuation Advisory MENA, Christian Luft MRICS, Director, Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: Dubai Marina Mall comprises part of the Dubai Marina Mall complex, which was completed in December 2008 and includes a 200 room 5 star hotel, 440 hotel apartments, Dubai Marina Mall and Pier 7.

Dubai Marina Mall comprises two main basement car parking levels and four main retail levels offering a total of 140 units with a leasable area of 314,631 sq ft and a total leasable area of 338,919 sq ft (including terrace and storage units).

Pier 7 completed in May 2013, comprises an eight storey stand-alone building offering a total of seven food and beverage outlets (benefitting from alcohol licences) with a total leasable area of 86,488 sq ft (including terrace units).

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Operational Expenses (AED pa)	Initial Yield (%)	IRR (%)
124,193,539*	96%	102,307,580**	28,059,589	6.06%	8.99%

* Gross Passing Rent includes any contractual stepped increases during the following 12 months and leasing up of any current vacancy. This figure also includes turnover rent and other additional rental income.
** Market Rent is expressed as a day one amount and excludes turnover rent and additional rent.

Date of Valuation: 30 June 2014

Market Value:

AED 1,587,000,000
(ONE BILLION, FIVE HUNDRED AND EIGHTY SEVEN MILLION UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 3 - Souk Al Bahar

Property Name/Address: Souk Al Bahar, Downtown Dubai, Dubai, UAE.

Property Inspection: The Property was inspected on 13 May 2014 by Christian Luft MRICS, National Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a series of retail and restaurant/F&B units. The total leasable area extends to approximately 209,389 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property has been operational since 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Operational Expenses (AED pa)	Initial Yield (%)	IRR (%)
65,827,500	90%	65,563,985	9,069,538	7.02%	9.99%

Date of Valuation: 30 June 2014

Market Value:

AED 893,000,000
(EIGHT HUNDRED AND NINETY THREE MILLION UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 4 - Dukkan Al Manzil

Property Name/Address: Dukkan Al Manzil, Downtown Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail centre located in the Downtown District of Dubai. The total leasable area extends to approximately 31,923 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2007.

Basis of Value We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
5,645,823	99%	7,016,557	n/a	7.10%	9.03%

Date of Valuation: 30 June 2014

Market Value:

AED 75,580,000
(SEVENTY FIVE MILLION, FIVE HUNDRED AND EIGHTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 5 - Dukkan Qamardeen

Property Name/Address: Dukkan Qamardeen, Downtown Dubai, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a modern, open air retail souk in the Downtown District of Dubai. The total leasable area extends to approximately 24,474 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2007.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
410,340	9%	5,514,030	1,048,218	n/a	9.00%

Date of Valuation: 30 June 2014

Market Value:

AED 44,030,000
(FORTY FOUR MILLION AND THIRTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, cost of realisation or taxation.

Property 6 - Dukkan Tamerhind

Property Name/Address: Dukkan Tamerhind, Downtown Dubai, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail community centre located in the Downtown District of Dubai. The total leasable area extends to approximately 20,192 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
3,468,861	94%	5,105,270	51,053	6.91%	10.03%

Date of Valuation: 30 June 2014

Market Value:

AED 49,490,000
(FORTY NINE MILLION, FOUR HUNDRED AND NINETY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 7 - Residences 1 Retail

Property Name/Address: Residences 1 Retail, Downtown Dubai, UAE.

Property Inspection The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Residences 1' tower in Downtown Dubai. The total leasable area extends to approximately 44,618 sq ft (including terrace space but excluding ATM's). The Property has been operational since 2006.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
5,402,329	82%	8,516,938	0	6.16%	9.39%

Date of Valuation: 30 June 2014

Market Value:

AED 86,210,000
(EIGHTY SIX MILLION, TWO HUNDRED AND TEN THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 8 - Residences 2 Retail

Property Name/Address: Residences 2 Retail, Downtown Dubai, UAE.

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alex Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Residences 2' tower in Downtown Dubai. The total leasable area extends to approximately 30,400 sq ft (including terrace and storage space). The Property has been operational since 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
5,169,112	98%	6,714,720	0	7.34%	9.41%

Date of Valuation: 30 June 2014

Market Value:

AED 69,490,000
(SIXTY NINE MILLION, FOUR HUNDRED AND NINETY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 9 - Residences 3 Retail - South Ridge

Property Name/Address: Residences 3 Retail - South Ridge, Downtown Dubai, UAE.

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'South Ridge' towers in Downtown Dubai, which is a six tower residential development. The total leasable area extends to approximately 33,246 sq ft (including terrace space). The Property has been operational since 2008 and received practical completion in 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
3,829,843	72%	8,556,002	0	4.71%	9.40%

Date of Valuation: 30 June 2014

Market Value:

AED 79,460,000
(SEVENTY NINE MILLION, FOUR HUNDRED AND SIXTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation

Property 10 - Building 789 Retail

Property Name/Address: Building 789 Retail, Downtown Dubai, UAE.

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Building 789 in Downtown Dubai. The total leasable area extends to approximately 10,979 sq ft (including terrace space). The Property has been operational since 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
1,150,002	87%	1,419,354	0	7.54%	9.20%

Date of Valuation: 30 June 2014

Market Value:

AED 15,060,000
(FIFTEEN MILLION AND SIXTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 11 - Emaar Square Buildings 1 and 4 Retail

Property Name/Address: Emaar Square Buildings 1 and 4 Retail, Downtown Dubai, UAE.

Property Inspection: The Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Surveyor and Alexandros Arvalis MRICS, Senior Surveyor. The Property was inspected externally and internally on a visual basis only.

Property Description: The Property comprises a collection of retail units located on the ground floor of Emaar Square Buildings 1 and 4, located in Downtown Dubai. The total leasable retail area of both buildings extends to approximately 30,327 sq ft (including terrace space but excluding ATMs). The Property has been operational since 2008.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
4,059,958	87%	7,459,428	0	5.57%	9.51%

Date of Valuation: 30 June 2014

Market Value:

AED 71,520,000
(SEVENTY ONE MILLION, FIVE HUNDRED AND TWENTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 12 - 8 Boulevard Walk Retail

Property Name/Address: 8 Boulevard Walk Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the '8 Boulevard Walk' tower in Downtown Dubai. The total leasable area extends to approximately 11,891 sq ft. The Property has been operational since 2009.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
1,540,160	63%	2,932,020	0	5.31%	9.70%

Date of Valuation: 30 June 2014

Market Value:

AED 28,430,000
(TWENTY EIGHT MILLION, FOUR HUNDRED AND THIRTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 13 - Burj Views Retail

Property Name/Address: Burj Views Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Burj Views' towers in Downtown Dubai. Burj Views is a complex of three residential towers. The total leasable area extends to approximately 20,237 sq ft (including terrace and storage space). The property received practical completion in 2010.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
2,899,654	91%	3,436,236	0	7.63%	9.15%

Date of Valuation: 30 June 2014

Market Value:

AED 37,540,000
(THIRTY SEVEN MILLION, FIVE HUNDRED AND FORTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 14 - The Lofts Retail

Property Name/Address: The Lofts Retail, Downtown Dubai, UAE

Property Inspection: The Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally on a visual basis only.

Property Description: The Property comprises a series of retail units which occupy the ground floor of the 'Lofts' tower located in Downtown Dubai. The total leasable area extends to approximately 23,650 sq ft (including terrace and storage space). The Property has been operational since 2011 and received practical completion in 2010.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
3,791,653	96%	4,695,914	0	7.53%	9.21%

Date of Valuation: 30 June 2014

Market Value:

AED 49,670,000
(FORTY NINE MILLION, SIX HUNDRED AND SEVENTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 15 - Boulevard Plaza Retail

Property Name/Address: Boulevard Plaza Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Boulevard Plaza' office towers in Downtown Dubai. Boulevard Plaza office towers (Towers 1 and 2) stand at 36 and 30 storeys and share a common podium. The two towers arch convexly as they rise. The total leasable area extends to approximately 65,790 sq ft (including terrace and storage space). The Property has been operational since 2011.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
7,605,216	90%	12,777,290	0	5.94%	9.26%

Date of Valuation: 30 June 2014

Market Value:

AED 125,780,000
(ONE HUNDRED AND TWENTY FIVE MILLION, SEVEN HUNDRED AND EIGHTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 16 - Claren 1 Retail

Property Name/Address: Claren 1 Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Claren 1' tower in Downtown Dubai. The total leasable area extends to approximately 40,775 sq ft (including terrace and storage space). The Property has been operational since 2012 and received practical completion in 2012.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
5,682,137	84%	10,518,893	0	5.27%	9.32%

Date of Valuation: 30 June 2014

Market Value:

AED 105,690,000
(ONE HUNDRED AND FIVE MILLION, SIX HUNDRED AND NINETY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 17 - Boulevard Central Retail

Property Name/Address: Boulevard Central Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Boulevard Central' tower. The Property extends to a leasable area of 19,968 sq ft. (including terrace and storage space). The Property has been operational since 2013 and received practical completion in 2012.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
2,187,092	90%	2,766,676	0	7.53%	9.32%

Date of Valuation: 30 June 2014

Market Value:

AED 28,660,000

(TWENTY EIGHT MILLION, SIX HUNDRED AND SIXTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 18 - 29 Boulevard Retail

Property Name/Address: 29 Boulevard Retail, Downtown Dubai, UAE.

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the '29 Boulevard' towers 1 and 2. The total leasable area extends to approximately 27,548 sq ft (including terrace space). The Property has been operational since 2013 and received practical completion in 2013.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
3,399,727	89%	5,170,582	0	6.33%	9.31%

Date of Valuation: 30 June 2014

Market Value:

AED 52,860,000
(FIFTY TWO MILLION, EIGHT HUNDRED AND SIXTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 19 - Stand Point Retail

Property Name/Address: Standpoint Retail, Downtown Dubai, UAE.

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Standpoint' tower A and B. The total leasable area extends to approximately 24,695 sq ft (including terrace space). The Property has been operational since 2013 and received practical completion in 2012.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
4,276,608	100%	4,674,492	0	8.35%	9.17%

Date of Valuation: 30 June 2014

Market Value:

AED 50,630,000
(FIFTY MILLION, SIX HUNDRED AND THIRTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 20 - The Address Boulevard Retail

Property Name/Address: The Address Boulevard Retail, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally on a visual basis only.

Property Description: The Subject Property comprises the retail units which occupy the ground floor level of the 'Address Boulevard' tower. The total leasable area extends to approximately 49,459 sq ft (including terrace space). The Property has been operational since 2013.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
8,047,440	67%	20,950,975	0	3.96%	9.42%

Date of Valuation: 30 June 2014

Market Value:

AED 197,730,000
(ONE HUNDRED AND NINETY SEVEN MILLION, SEVEN HUNDRED AND THIRTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 21 - Boulevard Specialty


Property Name/Address: Boulevard Specialty, Downtown Dubai, UAE

Property Inspection: The Subject Property was inspected on 15 May 2014 by Youcef Elhachemi MRICS, Senior Valuer and Alexandros Arvalis MRICS, Senior Valuer. The Property was inspected externally and on a visual basis only.

Property Description: The Subject Property comprises a series of retail units, terraces and kiosks along Sheikh Mohammed bin Rashid Boulevard in Downtown Dubai District. The total leasable area of the retail units and terraces (excluding kiosks) extends to approximately 28,812 sq ft.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
7,007,965	89%	8,768,575	0	7.45%	9.12%

Date of Valuation: 30 June 2014

Market Value:

AED 92,860,000
(NINETY TWO MILLION, EIGHT HUNDRED AND SIXTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 22 - Marina Walk

Property Name/Address: Marina Walk, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property comprises a community centre/strip retail offering approximately 68,582 sq ft of leasable main unit retail space and a total leasable area of 105,778 sq ft (inclusive of terrace and storage space and speciality leasing but excluding mezzanine areas). We have not been provided with a Building Completion Certificate for the Property but understand it has been operational since May 2005.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
18,756,145	81%*	28,696,865	1,923,814	5.77%	9.33%

* Occupancy = 90% if the mezzanine areas are excluded from the calculation

Date of Valuation: 30 June 2014

Market Value:

AED 291,590,000
(TWO HUNDRED NINETY ONE MILLION FIVE HUNDRED NINETY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 23 - Al Majarah and Al Sahab Retail

Property Name/Address: Al Majarah and Al Sahab Retail, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property comprises a series of retail units, some with outdoor terrace areas, situated on the promenade and ground floor levels of the Al Majarah and Al Sahab complexes. The total leasable area within Al Majarah extends to approximately 10,655 sq ft and within Al Sahab to approximately 830 sq ft (one unit). Al Majarah and Al Sahab received Building Completion Certificates on 22 June and 5 July 2005 respectively.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
989,835	68%	2,037,629	534,791	2.27%	8.93%

Date of Valuation: 30 June 2014

Market Value:

AED 19,380,000
(NINETEEN MILLION THREE HUNDRED EIGHTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser’s costs, costs of realisation or taxation

Property 24 - Marina Promenade aka 7WX Retail

Property Name/Address: Marina Promenade aka 7WX Retail, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property comprises a series of retail units, some with outdoor terrace areas, situated on the promenade and ground floor levels of the residential towers forming Marina Promenade. The total leasable area extends to approximately 46,646 sq ft. The Property received its Building Completion Certificate on 21 April 2008.

Basis of Value : We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
8,302,854	97%	10,862,268	605,164	7.07%	9.22%

Date of Valuation: 30 June 2014

Market Value:

AED 108,770,000
(ONE HUNDRED EIGHT MILLION SEVEN HUNDRED SEVENTY THOUSAND UAE DIRHAMS

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 25 - Marina Quays Retail

Property Name/Address: Marina Quays Retail, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property comprises a series of retail units, some with outdoor terrace areas, situated on the promenade level of the residential towers forming Marina Quays. The total leasable area extends to approximately 27,705 sq ft. We have not been provided with a Building Completion Certificate for the Property but understand it has been operational since May 2012.

Basis of Value We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
2,175,410	82%	4,237,073	77,096	4.77%	9.04%

Date of Valuation: 30 June 2014

Market Value:

AED 43,940,000
(FORTY THREE MILLION NINE HUNDRED FORTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 26 - Park Island Retail

Property Name/Address: Park Island Retail, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager both internally and externally. The Property was inspected on a visual basis only.

Property Description: The Property comprises a series of retail units, some with outdoor terrace areas, situated on the promenade and ground floor levels of the four towers forming Park Island. The total leasable area extends to approximately 32,175 sq ft. The Property received its Building Completion Certificate on 03 September 2012.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
4,030,360	83%	5,851,133	838,522	5.61%	9.14%

Date of Valuation: 30 June 2014

Market Value:

AED 55,970,000
(FIFTY FIVE MILLION NINE HUNDRED SEVENTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser’s costs, costs of realisation or taxation.

Property 27 - Dubai Marina Mall - Pier 7

Included in Property 2 – Dubai Marina Mall and Pier 7

Property 28 - Marina Plaza Retail

Property Name/Address: Marina Plaza Retail, Dubai Marina, Dubai, UAE.

Property Inspection: The Property was inspected on 11 May 2014 by Nicholas Brown MRICS, Deputy Head of Valuation Advisory and George Cavalli MBA, Manager, both internally and externally. The Property was inspected on a visual basis only.

Property Description: Marina Plaza is a 41 storey commercial office tower forming part of the Dubai Marina Mall complex. The Property comprises a total of six retail units, five of which are situated on the ground floor of the tower, with one at promenade level and two outside terraces, one on each level. The total leasable area is approximately 11,532 sq ft. Construction of Marina Plaza was completed in September 2010; however the building did not receive its Building Completion Certificate until 10 October 2013.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
1,254,885	78%	2,194,434	55,332	5.21%	8.94%

Date of Valuation: 30 June 2014

Market Value:

AED 23,010,000
(TWENTY THREE MILLION TEN THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser’s costs, costs of realisation or taxation.

Property 29 - Gold and Diamond Park

Property Name/Address: Gold and Diamond Park, Sheikh Zayed Road, Dubai, UAE.

Property Inspection: The Property was inspected on 14 May 2014 by Christian Luft MRICS, National Director, Andrew Neilson MRICS, Associate Director and Malik AlAhdal. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a series of retail, manufacturing and office buildings which together form the Gold and Diamond Park located in Dubai. The total leasable area extends to approximately 526,121 sq ft (excluding speciality units/kiosks/ATM's). The Property has been operational since 2001 and was extended substantially to its current form in 2005.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Operational Expenses (AED pa)	Initial Yield (%)	IRR (%)
42,917,775	89%	44,994,373	8,256,239	7.99%	10.75%

Date of Valuation: 30 June 2014

Market Value:

AED 470,000,000
(FOUR HUNDRED AND SEVENTY MILLION UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, cost of realisation or taxation.

Property 30 - The Meadows City Centre

Property Name/Address: Meadows City Centre, The Meadows/The Springs, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail community centre located at the boundary of The Meadows and The Springs residential communities. The total leasable area extends to 18,398 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2006.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
3,685,949	100%	3,950,710	257,572	9.29%	9.50%

Date of Valuation: 30 June 2014

Market Value:

AED 37,280,000
(THIRTY SEVEN MILLION TWO HUNDRED EIGHTY THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 31 - The Meadows Town Centre

Property Name/Address: The Meadows Town Centre, The Springs, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail community centre located in The Springs residential community. The total leasable area extends to approximately 65,925 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2006.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
13,436,975	99%	15,255,436	922,936	8.21%	9.41%

Date of Valuation: 30 June 2014

Market Value:

AED 151,050,000

(ONE HUNDRED AND FIFTY ONE MILLION, FIFTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 32 - The Springs Community Centre

Property Name/Address: The Springs Community Centre, Dubai, UAE.

Property Inspection: The Property was inspected on 30 June 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis and externally only.

Property Description: The Property comprises a re-development scheme which when complete will provide a retail community centre within Springs residential community located in Emirates Hills. The total leasable area will extend to approximately 217,644 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property is due for completion in June 2016.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Hypothetical Market Rent (AED pa)	Equivalent Yield (%)	Gross Development Value (AED)	Total construction Costs (AED)	Discount Rate (%)
43,484,340	9.05%	416,140,000	142,038,400	17.50%

Date of Valuation: 30 June 2014

Market Value:

AED 76,460,000
(SEVENTY SIX MILLION, FOUR HUNDRED AND SIXTY THOUSAND UAE DIRHAMS)

In line with local Market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 33 - Emaar Towers Retail

Property Name/Address: Emaar Towers Retail, Dubai, UAE.

Property Inspection: The Property was inspected on 30 June 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis and externally only.

Property Description: The Property comprises ground floor retail units in Emaar Towers building which is located in Rigga Al Buteen, Deira Centre, Dubai. The total leasable area extends to approximately 13,179 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2004.

We understand that the Property can only be transferred to GCC nationals and cannot be freely transferred to international owners/entities.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
943,810	65%	1,225,470	454,054	4.55%	9.96%

Date of Valuation: 30 June 2014

Market Value:

AED 10,900,000
(TEN MILLION, NINE HUNDRED THOUSAND UAE DIRHMAS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 34 - Arabian Ranches 1

Property Name/Address: Arabian Ranches 1, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail community centre located in Arabian Ranches. The total leasable area extends to approximately 47,508 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2005.

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
9,319,884	99%	11,810,520	783,152	7.30%	9.39%

Date of Valuation: 30 June 2014

Market Value:

AED 117,020,000
(ONE HUNDRED AND SEVENTEEN MILLION, TWENTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 35 - The Greens Community Centre

Property Name/Address: The Greens Community Centre, Emirates Hills, Dubai, UAE.

Property Inspection: The Property was inspected on 01 May 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected on a visual basis only both internally and externally.

Property Description: The Property comprises a retail community centre located in The Greens Community. The total leasable area extends to approximately 40,994 sq ft (including terraces but excluding speciality units/kiosks/ATM's). The Property achieved practical completion in 2004.

Basis of Value: We have provided our opinion of the Market Value.

Key Valuation Consideration:

Gross Passing Rent (AED pa)	Occupancy (%)	Market Rent (AED pa)	Non-recoverable Op Ex (AED pa)	Initial Yield (%)	Equivalent Yield (%)
10,506,857	97%	12,132,235	668,834	8.19%	9.55%

Date of Valuation: 30 June 2014

Market Value:

AED 120,070,000
(ONE HUNDRED AND TWENTY MILLION, SEVENTY THOUSAND UAE DIRHAMS)

In line with local market practice, no deduction has been made for purchaser's costs, costs of realisation or taxation.

Property 36 - The Dubai Mall Fashion Avenue Extension

Included in Property 1 – The Dubai Mall

Property 37 - The Arabian Ranches 2

Property Name/Address: Arabian Ranches 2, Dubai, UAE.

Property Inspection The Property was inspected on 26 June 2014 by Andrew Neilson MRICS, Associate Director. The Property was inspected externally on a visual basis.

Property Description: The Property comprises a retail community centre, a standalone restaurant building and a standalone Residents' club building. The total leasable area extends to approximately 129,963 sq ft (including terraces but excluding speciality units/kiosks/ATM's).

Basis of Value: We have provided our opinion of the Market Value of the Property.

Key Valuation Consideration:

Hypothetical Market Rent (AED pa)	Equivalent Yield (%)	Gross Development Value (AED)	Outstanding construction Costs (AED)	Discount Rate (%)
22,886,935	9.05%	216,480,000	25,587,000	17.50%

Date of Valuation: 30 June 2014

Market Value:

AED 123,810,000
(ONE HUNDERED AND TWENTY THREE MILLION, EIGHT HUNDRED AND TEN THOUSAND UAE DIRHAMS)

In line with local market practice no deduction has been made for purchaser's costs, costs of realisation or taxation.

4 Terms of Engagement

4.1 Client

Emaar Properties PJSC.

4.2 Addressees

Emaar Malls Group LLC ("Company"), J.P. Morgan Securities Plc, Merrill Lynch International and Morgan Stanley & Co. International Plc (as joint sponsors and underwriters). Subject to the transaction completing, reliance will be extended to EFG Hermes UAE Limited ("EFG"), HSBC Bank Middle East Limited ("HSBC") Emirates Financial Securities PSC ("EFS") and National Bank of Abu Dhabi ("NBAD" together with EFG, HSBC, and EFS, as joint bookrunners)).

4.3 Instructions and Purpose of Valuation

We are instructed to provide our opinion of the Market Value of the freehold interests in the various Properties for inclusion in the prospectus to be published by the Company in connection with the proposed Initial Public Offering of shares by the Company and the listing of those shares on the Dubai Financial Market.

This Valuation Report is subject to and should be read in conjunction with our Scope of Work and Terms of Engagement, dated 8 and 17 April 2014 respectively, as amended on 18 June 2014 and our General Principles Adopted in the Preparation of Valuations and Reports, attached as Appendix A.

4.4 Valuation Standards

Our opinions of value and this Valuation Report are prepared in accordance with the RICS Valuation – Professional Standards (January 2014) ("Standards") which comply with the International Valuation Standards.

4.5 Subject of Valuation

The portfolio comprises various retail properties together with ancillary uses located in Dubai, United Arab Emirates, as detailed in the following schedules ("Properties"). Our opinion of value reflects the value of the land, buildings and plant and machinery required to provide normal building services.

4.6 Previous Involvement

We have had no previous material involvement with the Properties.

4.7 Conflict of Interest

We are not aware of any existing conflicts or potential conflicts of interest, either on the part of JLL or the individual members of the valuation team assigned to this project, which prevent us from providing an independent and objective opinion of the value of the Properties.

4.8 Status of Valuer

Simon Brand FRICS, Head of Valuation Advisory MENA has supervised and is the 'Responsible Valuer' for the Project. He has been assisted by other valuers at JLL as detailed in the following schedules, and the term "we" refers to this team collectively. We have sufficient current local and international knowledge of the market for the Properties and the skills and understanding to undertake the valuations competently.

We are acting as an External Valuer, defined in the Standards as:

"a valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment".

4.9 Interest Valued

We have valued the freehold interest in the Properties. Please refer to Sub-section 5.2.1 for further information.

4.10 Basis of Valuation

We have provided our opinion of the Market Value of the Properties, defined in the Standards as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In line with local market practice, no allowance has been made in our valuations for a seller's costs of realisation, a purchaser's costs of acquisition or for any tax liability.

Further commentary on the definition of Market Value and its application can be found in Appendix B.

4.11 Valuation Date

The valuation date is 30 June 2014.

4.12 Currency to be adopted

The currency adopted is United Arab Emirate Dirhams (AED).

4.13 Publication

This Valuation Report (or part thereof) or reference thereto may only be included or quoted in any pre-offering announcement, road show materials, admission document, offering circular prepared in connection with the IPO, with our prior written consent (such consent not to be unreasonably withheld or delayed) and the detailed wording to be included must first be reviewed by us and we must be given the opportunity to update or amend this Valuation Report (or part thereof) (as the case may be) if necessary. We will only allow limited use of this Valuation Report in promotional material.

We consent to the Valuation Report being included in the Prospectus, subject to our approval of the form and context of the publication within the Prospectus, such consent not to be unreasonably withheld or delayed, and to us being given reasonable opportunity to update or amend the Valuation Report

Neither the whole of the Valuation Report, nor any part, nor reference thereto, may be published in any other document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context which it will appear. Our approval is not required if disclosure is required by law.

4.14 Liability

This Valuation Report may only be relied upon for the Purpose. No reliance may be placed on draft versions of this Valuation Report.

Our liability to the public investors, the Company and the addressees for this Valuation Report shall be unlimited. Notwithstanding the previous sentences, in the event that the Initial Public Offering does not complete, our liability in contract, tort (including negligence or breach of statutory duty), misrepresentation or otherwise howsoever caused arising out of or in connection with this engagement shall, save for fraud, death and personal injury, be limited to USD 1 million in aggregate to all of the Addressees.

You undertake to ensure that third parties save those buying pursuant to the Initial Public Offering, to whom this Valuation Report is disclosed are made aware that this is on a non-reliance basis and JLL disclaims any responsibility or liability whatsoever to such a party in relation to this Valuation Report.

5 Investigations

5.1 Nature and sources of information relied upon

Emaar Malls Group have, unless stated otherwise in the following Property Schedules, provided us with the information relating to the Properties listed below which we have fully relied upon:

- Title Deeds issued by the Dubai Land Department;
- Site Plans issued by the Dubai Land Department;
- Al Tamimi & Company Legal Due Diligence Key Findings Report dated 10 July 2014;
- Al Tamimi & Company Report on Investigations with Dubai Land Department dated 17 August 2014;
- Building Completion Certificates;
- Floor plans;
- Tenancy schedules as at 30 June 2014;
- Ernst & Young Report on Factual Findings dated 03 August 2014;
- Example of Effective Base Rent and Turnover Rent calculation;
- Tenant turnover for the previous three years;
- Invoiced Effective Base Rent and invoiced Turnover Rent for the previous three years;
- Operating expenses for the previous three years;
- Community Service Fees invoices for the previous three years for the Marina Retail portfolio;
- Service charge, chilled water and property marketing contribution recovery for the past three years;
- Car park operation and management agreements, income and management fee schedules;
- Template lease agreements;
- Footfall data for the previous three years.

We have not verified the information provided. Emaar Malls Group/Emaar Properties PJSC have certified, for and on behalf of all parties providing information to us, that any and all information and documentation provided to us is accurate and complete in all material respects. Should this prove not to be the case, we reserve the right to amend our valuation accordingly as any change to the above information relied upon may materially affect the value of the Property.

Prior to delivery of this Valuation Report and/or the release of any letters we are required to issue, Emaar Malls Group have informed us in writing of any material facts or information of which they are aware and that could reasonably be expected to:

- Influence the conclusions to be made by us in this Valuation Report, and any bring down letters; and/or

- Affect the correctness, accuracy or completeness of the documents provided by the Company or its agents to us;
- In each case, as soon as reasonably practicable after the Company becomes aware of any such facts or information.

We confirm that Emaar Malls Group have formally advised us that no material changes have occurred.

5.2 Extent of Investigations

We have reported within the extent of our expertise, on the understanding that you will seek further specialist advice where necessary. Where we have reasons for concern, we have raised these in this Valuation Report and caveated them accordingly. Following subsequent detailed investigations, we reserve the right to review and amend our valuations accordingly.

5.2.1 Title and Tenure

We have ourselves not undertaken title investigations with the Dubai Land Department. We have been provided with a Report on Investigations with Dubai Land Department prepared by Al Tamimi & Company, dated 17 August 2014. They have carried out investigations with the Dubai Land Department and have confirmed the following:

- Emaar Malls Group LLC is the registered owner of the 60 titles investigated.
- There is no restriction, mortgage or other encumbrances registered against any of the 60 titles investigated.
- The 10 titles pertaining to Emaar Towers are not located in a designated area and are therefore available for ownership by GCC Nationals only.
- The 50 remaining titles are located in designated areas and are therefore available for unrestricted ownership by foreigners on a freehold basis.

We have attached a copy of this report for completeness at Appendix C.

Al Tamimi & Company have also provided us with Site Plans prepared by the Dubai Land Department, which relate to the 60 titles investigated. We have cross-referenced these against the Title Deeds and floor plans provided by the Company and they reflect the Properties we have valued.

The only exception to the above is for Boulevard Speciality, which is not held by way of a separate title deed and for which investigations/Site Plans have not been made available to us. We are instructed that this Property was constructed on land owned by Emaar Properties PJSC and that it has subsequently been transferred to Emaar Malls Group.

Having regard to Al Tamimi & Company's report and the instructions of Emaar Malls Group, we have valued the Properties on the basis of good and marketable freehold titles clear of all mortgages, charges, encumbrances and third party interests that can, with the exception of Emaar Towers, be transferred to foreign owners/entities. If the title includes the wider building/complex or common areas in which the Property is located, we have assumed that a separate freehold title exists or can be obtained at no cost on the same basis detailed above.

If at a later date any defects in title or restrictions on the transferability of the Properties are proven, this may affect our opinion of value and we reserve the right to review and amend our valuation accordingly.

5.2.2 Inspection and Areas

For the purposes of our valuations we have undertaken an external/internal visual inspection of the Properties. Emaar Malls Group have confirmed that there have been no material changes to the physical attributes of the Properties and the areas in which they are situated since the dates of our inspections.

We have not undertaken a measured survey of the Properties. You have agreed that we can rely upon the site and leasable areas provided to us by you. We are advised that these are prepared in accordance with the measurement policy of Emaar Malls Group, which is not in accordance with the RICS Code of Measuring Practice (6th Edition). We recommend that specialists be instructed to verify the areas provided to us.

5.2.3 State of Repair

We have not undertaken building surveys. Unless advised by you and stated in the following schedules, we have assumed that the structure of the Properties are in good condition and the state of repair is commensurate with their age and use. We recommend that specialists be instructed to verify this.

5.2.4 Utilities and Building Services

We have not tested the utilities available to the Properties nor the plant and equipment required to provide normal building services. We have assumed that the utilities and building services are of sufficient capacity for the current operation and future use/expansion of the Properties and are in good condition. We recommend that specialists be instructed to verify this.

5.2.5 Planning and Building Regulations

We have not undertaken planning or building investigations. Unless advised by you and stated in the following schedules, we have assumed that the Properties have received appropriate building permits/completion certificates issued by the Dubai Municipality or that these can be obtained at no cost, and that the Properties have been constructed in accordance with all relevant regulations.

We note that Al Tamimi & Company advise in their Legal Due Diligence Key Findings Report dated 10 July 2014 that they have not been provided with some Building Completion Certificates but that there is no immediate risk attached to the lack of building completion certificates since the Properties have been completed.

5.2.6 Contamination and Hazardous Substances

We have not undertaken investigations into contamination and hazardous substances. Unless advised by you and stated in the following schedules, we have assumed that the Properties are not adversely affected by contamination and hazardous substances. We recommend that specialists be instructed to verify this.

5.2.7 Environmental Matters

We have not undertaken investigations into environmental matters. Unless advised by you and stated in the following schedules, we have assumed that the Properties are not adversely affected by environmental matters and that ground conditions are sufficient for any proposed developments/extensions. We recommend that specialists be instructed to verify this.

5.2.8 Operational Licences/Permits/Certificates/Agreements

We have not undertaken investigations into the status of operational licences/permits/certificates/agreements. Unless advised by you and stated in the following schedules, we have assumed that valid licences/permits/certificates/agreements are in-place for the on-going operation of the Properties in accordance with all relevant regulations and that these licences/permits/certificates/agreements will be renewed without issue or significant cost upon expiry.

We note that Al Tamimi & Company advise in their Legal Due Diligence Key Findings Report dated 10 July 2014 that The Dubai Mall and Dubai Marina Mall are not compliant with the statutory requirements in relation to chilled and domestic water quality, Civil Defence evacuation drills and other requirements. We have assumed that this will be rectified at no cost and with no interruption to the operation of these Properties.

We note that Al Tamimi & Company recommend in their Legal Due Diligence Key Findings Report dated 10 July 2014 that the Company put in place arrangements with the Palace Hotel and the Address Marina Hotel to ensure that they provide the requisite consents and support to tenants in relation to the securing of licences to serve alcohol at Souk Al Bahar and Pier 7 respectively. We have assumed that these arrangements can be obtained at no cost and have therefore made no explicit allowance in our valuations for this.

We note that Al Tamimi & Company advise in their Legal Due Diligence Key Findings Report dated 10 July 2014 that some commercial service/supply agreements have not been entered into by the correct contracting party (Emaar Malls Group LLC) or have expired and it is unclear whether and on what terms they have been renewed. We have assumed that these issues will be resolved at no cost and with no interruption to the operation of the Properties.

5.2.9 Tenancy Schedule

We have been provided with tenancy schedules for the Properties as at 30 June 2014. This details the unit's location, number, type and function, tenant's name, brand name, leasable area (in square feet), rent start date and rent end date, annual base rent, service charge, chilled water charge and turnover rent percentage. We have not cross-referenced signed lease agreements with the tenancy schedules.

We have been provided with a Report on Factual Findings prepared by Ernst & Young, dated 03 August 2014. They have reviewed a representative sample of signed lease agreements and cross-referenced these against the tenancy schedules. They state that they have found no inconsistencies between these and that the tenancy schedules are complete and accurate. We have attached a copy of this report for completeness at Appendix D.

We have valued the Properties on the basis detailed above. If at a later date any inaccuracies in the tenancy schedule are proved, this may affect our opinion of value and we reserve the right to review and amend our valuation accordingly.

5.2.10 Occupational Tenancies

We have provided our opinion of value on the basis that all lease agreements have been agreed at arm's length and on market related terms.

Unless stated in the following schedules, we have not reviewed a sample of actual, signed lease agreements for the Properties. Emaar Malls Group have provided us with 'template' lease agreements and have confirmed to us that these are the standard occupational lease agreements used across all of the Properties. We have assumed the terms of these 'template' lease agreements are consistent with (or are at least a very close variation of) all actual signed lease agreements. If at a later date this is proved not to be the case, we reserve the right to amend our valuation accordingly. We recommend your lawyers verify the position.

A summary of the key terms of the 'template' lease agreements is provided below.

Term	Detail
Lessor	Emaar Malls Group
Fit Out Period	Agreed per terms of the lease.
Base rent (annual)	To be paid in advance using post-dated cheques.
Turnover rent	Applied to all retail leases.
Service charge and chilled water	A proportionate share to be paid by the tenant. Lessor is entitled to revise the Service Charge and Chilled Water charge by serving notice to the tenant.
Assignment/sub-letting	Permissible subject to prior landlord approval.
Renewal	Subject to mutually agreed terms. No automatic renewal provision exists. The lease is for a limited term and is not subject for renewal.
Alterations	Alterations to unit permissible subject to prior written consent from the landlord.
Fit-out	At tenant's own expense and in accordance with landlord's requirements.

Source: the Company

We note that Al Tamimi & Company advise the following in their Legal Due Diligence Key Findings Report dated 10 July 2014:

- Non-renewal clauses are not in compliance with Article 25 (2) of Law No. 26 of 2007 as amended, which lays down limited grounds for termination of a lease on its expiry. Thus, when any leases expire the Company must agree on the terms of a new lease with existing tenants.
- The automatic escalation of base rent for the subsequent tenancy year based on turnover is a commercial understanding pre-agreed between the parties and should not be considered in breach of Decree No. 43 of 2013 for determining the increase in real estate rentals in Dubai.
- All short terms leases have been registered and Ejaris have been obtained.
- A lack of long term (tenure exceeding 10 years) lease registration. All leases should be registered with the relevant authorities out of abundant caution.

6 Market Commentary

6.1 Global Market Trends

Whilst there is still undoubtedly a place and a future for convenience shopping, consumers now expect nothing but the best from a comparison based shopping trip; consumers expect retail venues to be 'destinations' in their own right. Interesting architecture, the latest range of brands, and a host of activities to do, other than shop, are among the things that consumers have come to expect, and indeed take for granted, from a shopping trip. However, whilst consumers expect cinemas, ice rinks, bowling alleys and restaurants as a matter of course, they are also increasingly looking for something else, something to thrill and excite. It could be a trampoline park, a performing arts centre, a freefall simulator, ski slope or events, but one thing is certain: with competing entertainment offers, both in the physical and virtual worlds, becoming more compelling, retail places need to raise their overall offer and experience.

In essence, consumers expect Disneyland, a place to be wowed and to hang out and to play. It is not really about shopping, but about brands competing to create a more and more theatrical, convivial and immersive experience for consumers. Here it is about retailers experimenting with technology and innovation in order to create new, interactive experiences for consumers. In addition, in an ever more 'noisy' world of information and choice, consumers not only want to be able to access the 'latest and greatest', but they also want to escape and retrench, if and as and when they choose.

As yet, the institutional real estate structure that frames the retail marketplace has not sufficiently caught up with the changing consumer and retailer landscape. The rigid and relatively inflexible physical space that retail real estate has become over the last few decades, is arguably outdated and of a previous era.

Over the next 25 years landlords and retailers will have to keep pace with a rate of change that will be faster than before. More and more, shoppers will expect 'nothing but the best' from their physical retail places, given the breadth of channels available to them. Whilst the challenges are real, with the right attributes retail places can and will prosper in an increasingly virtual world. In the UK and across Europe the non-retail share of shopping centre revenue has risen from the 5% once seen as standard to 10-15% and could rise to over 20% over the next five years.

Economic Fundamentals

The most basic commercial principle of demand and supply has to be the starting point for any retail place. If the retail place created is truly a game changer, then the 'build it and they will come' principle will apply, but for most, latent demand helps to determine the commensurate supply of space and offer.

For example Morocco Mall, which won an ICSC Gold Award in 2012, borders the Atlantic Ocean on the Casablanca Corniche coast. It is the first and only destination mall in Northern Africa, and stretches over 24,700 acres, with over 750,000 sq ft of commercial space over three levels, 350 stores and over 320,000 sq ft of exterior landscaping. Morocco Mall hosts a luxury VIP Mall, an aquarium, souk and mosque, as well as a Galeries Lafayette, FNAC and Imax cinema.

Morocco Mall is a good example of the matching of a large scale, broad retail and leisure offer to a huge, and largely untapped population (c.13 million in the primary and secondary catchments). Pre Morocco Mall, the existing offer in Casablanca was small, and generally uninspiring. Morocco Mall has redressed this shortfall, but it has also created a landmark for an aspiring and emerging city and country, and as such is a source of pride and a symbol of Morocco's burgeoning status in the world.

In most developed markets, retail and retail space is competing for a pot of spend that does not dramatically grow year-on-year, whereas in frontier, emerging and developing markets, the size of the prize is growing at a far faster rate. As a result, in developed markets, the offer and space allocated to retail has gradually increased in terms of quality and sophistication, as retailers and landlords try to outdo each other to compete for a finite amount of available spend.

In developing economies the rulebook is being rewritten, as new retail places emerge that embrace many of the attributes needed in this new era of retail. In mature economies it is about retrofitting and changing strategy to adapt. Either way, it is easier to start with a blank canvas than to change an ‘old master'. To that end, developing economies are beginning to take a lead over developed economies when it comes to creating innovative, future-proofed retail places.

For example Harbour City in Hong Kong comprises three linked developments, namely Ocean Terminal, Ocean Centre and the Gateway Arcade with around 2 million sq ft of retailing floor space making it the largest shopping centre in Hong Kong. Ocean Terminal is the oldest of the three developments and was originally designed to serve as a cruise terminal and a shopping centre for affluent cruise travellers and wealthy locals. Following the completion of two hotels, office towers and serviced apartments in Ocean Centre and The Gateway, the retail components of these three developments were re-branded as Harbour City.

The shopping centre has undergone numerous revamps over the years to ensure that it remains relevant and competitive against new developments located nearby, such as Elements, K11 and The One. Currently boasting over 450 shops, including 50 restaurants and two cinemas, Harbour City is one of the most iconic shopping centres in the city, and has a catchment area encompassing the entire Hong Kong area.

For investors and developers, there is a fundamental conflict between the search for growth and the reduced appetite for risk since the global financial crisis. Even where the fundamentals of supply and demand are strong, other potential risks, such as the political and economic stability of the marketplace, particularly in the developing world, must be factored in.

A good example of this is Metropolis, Moscow, a major retail development, located just outside Moscow’s congested city centre. Conveniently accessible to the majority of Moscow's 11 million population, it is a rapidly developing retail, recreation and business destination in the northern district of the city.

The shopping and business centre is a major destination offering world class retail, entertainment and dining, anchored by a 12 screen cinema, a Stockmann department store and a Karusel hypermarket. The scheme also benefits from high quality urban landscaping, as well as excellent access and transport infrastructure as it sits above a metro station. The fundamentals of supply matching demand are strong in Metropolis, with the 250 stores easily absorbed by the huge and dense resident population of northern Moscow, due to the relative paucity of high quality competing offer. Morgan Stanley acquired 50% of this asset for one of their real estate funds in Q1 2013 for approximately €900m reflecting a yield over 8%.

Connectivity

We live in an increasingly urban world, where cities connect globally and populations are gravitating towards the vibrancy and convenience of urban living. Congestion is a huge issue in some of our cities, with accessibility becoming more and more challenging. Thus, whether in town or out of town, connectivity and ease of access are paramount for retail spaces, to link demand with supply.

Road networks, public transport, pedestrian access, cycle routes, boat terminals, bus charters; the more connected a retail place is to its catchment population, and indeed the world beyond, the more accessible it is. Put simply, remote, inaccessible places, or places that have better-connected competition, will fail, unless counter measures are put in place to improve connectivity. This is a fundamental rule of retail, and one that is increasing in importance all the time, as time-constrained consumers crave speed and convenience above all else.

All reasonable efforts should be made to remove barriers that stand between demand and supply. Mixed-use schemes with office or residential elements benefit from having strong footfall drivers on site; airports and train termini profit from passenger flow; and city centres gain from large 'captive workforces. In the absence of demand from on-site office or resident populations, high air or rail passenger flows, or captive workforces, pure play traditional retail will need to constantly work at connecting with the demand. Without this strong connection, the demand will simply go elsewhere, regardless of the strength of the offer.

Good connectivity also covers internal connectivity once someone is in a retail space. How easy is it to navigate, to move around a retail space, to meet friends and family, to link with neighbouring spaces and places. Ultimately, consumers are seeking a seamless, stress-free and convenient retail experience.

Diversity

Physical build in the new world will play a far greater role in the make-up of a successful place. Architecture, fit-out, materials, flexibility of space, layout, public realm; all need to combine to create modern, vibrant places that look and feel 'special' and truly connect with a community. Concept design therefore will come of age in this more competitive, dynamic era of retail. Flexibility of space is crucial here too; retail places will need to embed as much flexibility as possible to enable space to change, evolve, adapt and extend.

New-build locations (often located in the developing world) have the advantage here; they can start with a blank sheet of paper knowing the needs and demands of consumers, and can design and build to suit, using best practice from around the world. Some of the most iconic retail places ever developed, in terms of design and architecture, are emerging in the developing world. For existing retail places (often in mature, developed economies) it is all about clever redesigns, and playing to advantages in creating multidimensional, future-proofed retail places.

Located in Shanghai's most prime location, Shanghai IFC stands in the heart of the Lujiazui financial trade zone, which not only houses the most premium office buildings in the city, but also attracts millions of tourists from all over the country to its magnificent skyline. The development consists of 110,000 sq m high-end mall, two Premium Grade-A office towers, one five-star hotel, and a deluxe serviced apartment. The master design was created by world-renowned Cesar Pelli and the shopping mall by Benoy Architects.

Developed by Sun Hung Kai Properties, the mall features over 180 top retail outlets from around the world. Nearly 15% of the tenants were new to the mainland market and 40% made their Shanghai debuts in IFC. The scheme won the Grand Gold Prize of the International Council of Shopping Center's Asia Shopping Center Award for 'Design and Development: Innovative Design and Development of a New Retail Project category in 2011. It currently offers the most inspiring shopping environment in Shanghai, with top quality interiors, design, and connectivity to the financial district.

Using the space to meet the emotional needs of the visitor is increasingly important in ensuring resilient retail places remain resilient; creating spaces that entertain and are pleasurable, and are fulfilling environments to spend time within, is essential. Providing a secure environment is a given, but creating a visitor journey, an experience that stimulates the emotional senses, will provide additional destination appeal and, ultimately, visitor delight. The emotional environment is also about creating a real sense of visitor well-being, be it through the provision of sufficient daylight, or linking spaces to nature, which is proven to make us 'feel good' (an effect known as 'biophilia'). Studies show that customers in 'biophilic' retail settings regard merchandise as worthy of prices that are up to 25% higher so the benefits can be tangible.

Identity

Ultimately, retail places that combine an innovative built environment with a stimulating emotional environment will have the best chance of combating the future threat of online, and differentiating themselves as multidimensional retail places. Retail places have to create an environment which is attractive and fulfilling enough to draw time-constrained consumers away from the myriad attractions and diversions of modern life, both in the real world and online.

The Dubai Mall is arguably the largest shopping and entertainment destination in the world; it accommodates 1,200 shops over four levels in 5.4 million sq m of space. The development's total built up area is over 1 million sq m, which is larger than 48 football pitches.

Located in the Downtown Dubai District next to the tallest tower in the world, the Dubai Mall's stunning architecture forms a critical part to the Downtown master plan. Emaar Properties PJSC, had the ambition to create a world-class Downtown district that would elevate Dubai as a global city. Their brief for Dubai Mall was quite simply, 'to create the largest and the best mall in the world.' Despite opening at the height of the economic downturn, the Dubai Mall launched with nearly 600 retailers. A 'countdown' B2B communications strategy was employed, which resulted in strengthened relationships with retailers, and drove the sense of partnership and urgency for successful project completion.

Dynamism

Regardless of how attractive, stimulating, well-located and connected a retail place is, it will only attract visitors if it has an offer that meets (or exceeds) the demanding requirements of the new consumer. The recipe for ultimate retail success will combine the best of online and in-store, to provide: convenience, product choice, pricing, service, experience and innovation.

The 400,000 sq m Siam Paragon is the centrepiece of Bangkok's core shopping district. Opened in 2005, Siam Paragon connects directly to the city's busiest mass transit station at Siam Square, as well as linking to the recently renovated Siam Center. In addition to over 250 stores, the renowned retail complex also offers a cineplex with over 15 large theatres, the Siam Ocean World aquarium, an exhibition hall and a Thai museum.

The ground and first level floors are home to some of the world's most prestigious luxury brands, while the basement houses a gourmet supermarket and a broad range of dining options. The Paragon department store and lifestyle retailers on the upper levels complete the holistic shopping package. This diversity, vitality and breadth of offer provided by Paragon is a major draw for both domestic and foreign shoppers; Bangkok is reportedly the most visited city by overnight international visitors according to MasterCard's Global Destination City Index, with nearly 16 million visitors expected in 2013.

For larger retail places, retail alone is unlikely to be enough to meet the broader needs of the modern 'visitor'. Diversity of mix and service will become increasingly important to differentiate retail places from physical and online competition. Location 'anchors' may be retail or leisure-orientated, or perhaps cultural. For struggling centres, why not consider incorporating educational or technical colleges, or even medical, sports or health clinics.

Partly, diversity and vitality in larger retail places is about meeting the demand for 'experience' retailing, creating the wow factor that the modern consumer craves. The point is that the mix needs to move towards providing a more enriched balance of both tangible and intangible products, services and experiences.

As with the environment, the creation of a diverse and 'vital' offer will be one of the best defences against online competition. Despite technological advances, the variety of offer and experience provided by, say London's West End or a trip to Madrid's Xanadu will never be replicated online.

Causeway Bay is the premier shopping and entertainment destination in Hong Kong and ranks amongst the most expensive retail locations in the world. The main retailing thoroughfares in Causeway Bay are Russell Street, Hennessy Road, Percival Street and Lockhart Road and the destination is renowned internationally for the huge variation on offer.

The district houses a hugely diverse area which offers something for everyone, day and night, ranging from local mass market to some of the world's most luxurious brands. Retailing in Causeway Bay comes in a wide range of formats, including street stalls; street shops; small-scale retail podiums; mega malls; department stores and ginza-type commercial developments. For diners, there is also a wide range of local and international cuisines on offer. The diversity and vitality of Causeway Bay attracts shoppers from a highly diverse demographic profile.

Marketing

Building and promoting a strong identity for retail places is becoming essential, in an environment where competition is rife and where the shelf life of products and services appears to be diminishing. A strong identity can build loyalty. Also, the sum of the whole in places with a mixed-use offer - retail and leisure, entertainment, etc. - is often greater than the sum of the parts. Consumers want a holistic offer, and a location with the right mix and identity can help in building both destination appeal, and long-standing customer loyalty.

Brand building and then communicating with the end user is moving into the virtual space. Physical marketing, brand building and promotion will always provide an important conduit to consumers, but multidimensional online communication and information exchange provides another increasingly powerful means to reach out, and also to listen.

To this end, retail places need to have a social media strategy, as this is how younger shoppers stay connected and share experiences. Social media is a great tool for building brand and identity, but also for monitoring the shopping habits and profiles of customers and ultimately, influencing their shopping decisions.

With a total floor area of 407,000 sq m, the SM Mall of Asia serves as the anchor development of the Mall of Asia complex district in the capital city of Manila. The mall has built its brand as a shopping and lifestyle destination due to its strength and depth of retail offer and its unique location beside Manila Bay. Despite being known as one of the largest malls in the world, the SM Mall of Asia also relies on proactive and innovative marketing to attract a stable catchment of shoppers.

The marketing of the mall typically comes in the form of hosting various local and international events. This is complemented by its digital presence (website and social media), which details the mall, promotions and upcoming events, amongst other things. The success of the SM Mall of Asia model has led to it being replicated in newer SM Malls around the country.

6.2 International Market Summary

A perceptible change in global real estate dynamics has occurred in recent months as a result of more encouraging signs from occupational markets across all commercial real estate sectors. For most of the past five years, investor and occupational markets have moved along separate paths, but in the last two quarters we have seen a distinct improvement in corporate occupier sentiment, further supporting investors' decision-making.

First quarter investment volumes were predictably down on the record levels of Q4 2013 as investors digested the robust activity of the second half of last year. Nonetheless, the appetite for commercial real estate is as strong as ever with yields continuing to compress and capital values once again accelerating. The increasing number of large single assets and portfolios on the market points to further volume growth in 2014; JLL has therefore maintained its full-year 2014 forecasts at US$650bn, a 15% uplift on 2013, with a growing likelihood that projections will be upgraded at mid-year.

Many of the most desired assets remain in the world's primary hubs. Four cities – Tokyo, New York, London and Paris – accounted for 20% of all transaction volumes in Q1. But cross-border trading is boosting volumes in select ' secondary' cities such as Philadelphia, Houston and Melbourne, and investors are also seeking out markets further up the risk curve like Poland and Mexico, or those markets that until recently were considered 'out of bounds' such as Ireland, Spain and Italy.

2014 is expected to be a year when many of the dominant office markets move into a more robust recovery phase. Although overall leasing volumes were still relatively flat in Q1, there is mounting evidence of a much broader spread of occupier demand by industry, geography and property sector. The major U.S. cities, London, Seoul, Mexico City and Manila are among markets with the strongest occupier demand. With improving economic fundamentals and corporate sentiment, we forecast global leasing volumes in 2014 to be 5-10% higher than in 2013. Corporate occupiers are expected to remain cost-cautious, however, with a clear preference for cost-effective space that drives productivity and adds value to the business.

Requirements for retail space across the globe are fundamentally changing in response to shifts in consumer preferences, spending patterns and robust growth in e-commerce. Yet despite these challenges, the U.S. and European retail sectors have maintained their steady recoveries. Meanwhile, retailers continue to look for growth opportunities in Asia arising from economic outperformance. Gateway cities such as London, New York, San Francisco, Dubai, Hong Kong and Shanghai are increasing their global dominance, attracting top retailers and outperforming their regional peers.

Retail Markets

Requirements for retail space across the globe are fundamentally changing in response to shifts in consumer preferences, spending patterns and robust growth in e-commerce. International retailers are focused on acquiring high-quality retail space in markets with healthy market fundamentals. London, New York, Miami, Houston, San Francisco, Dubai, Hong Kong, Shanghai and the premier German retail locations (eg. Dusseldorf and Cologne) continue to attract top retailers and are outperforming their regional peers.

Despite these structural challenges and newly-announced store closings, the U.S. retail sector has continued on its solid recovery and is exhibiting tightening market conditions. The vacancy rate decreased 10 basis points to

6.5% in Q1; net absorption, which totalled 24.2 million sq ft in Q1, is almost double the level of new deliveries at 12.5 million sq ft; and rents are inching up, rising 0.3% from the previous quarter and increasing 0.9% year-on-year. Among the U.S. shopping centre types, power centres are now seeing the tightest overall market conditions, with total vacancy of 5.1%.

6.3 European Market Commentary

Economic Update

The European recovery remains intact but got off to a disappointing start in the first three months of 2014, when GDP rose by just 0.3% across the 28-strong European Union and 0.2% across the 18-state Euro area, according to figures from Eurostat, the statistical office of the European Union. Forecasts in early May from the European Commission had already suggested that the recovery would be modest this year but gather momentum in 2015. GDP in the EU will expand by 1.6% this year and 2.0% in 2015. Euro-wide GDP will rise by 1.2% in 2014 and 1.7% in 2015. This year's growth will be too weak to counter low inflation, prompting further monetary stimulus from the European Central Bank.

The main impetus behind the Eurozone's recovery this year will be Germany, which makes up nearly 30% of the currency club's collective output, and which is predicted to grow by 1.8%. The strengthening of the upturn in 2015 comes as the other three big economies, France, Italy and Spain do better although growth in both France and Italy will still be below the Euro-zone average of 1.7%. Outside the Euro area, Britain is now experiencing a robust recovery and GDP will expand by 2.7% in 2014 and 2.5% in 2015.

Eurozone GDP % YoY 1981-2018

Source: Oxford Economics

The graph above shows the Eurozone's slow pace of recovery after the downturn. It was only in the third quarter of 2013 that GDP was back to positive growth. Forecasts predict a steady yet very slow increase of GDP output, which is not expected to exceed pre-crisis peaks any time soon.

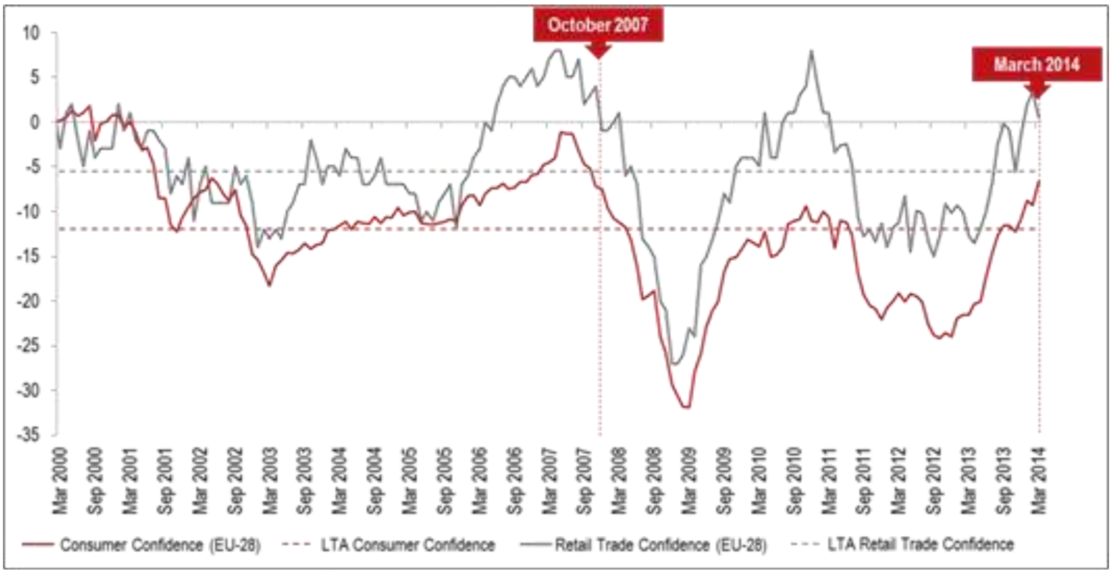
Inflation below 1%

The European Central Bank (ECB) has kept its benchmark interest rate at 0.25% in May, remaining unchanged since November 2013. According to Eurostat, the Eurozone's annual inflation was 0.7% in April 2014, up from 0.5% in March. A year earlier, the rate was 1.2%. Monthly inflation was 0.2% in April 2014. By comparison, The European Union's annual inflation was 0.8% in April 2014, up from 0.6% in March. A year earlier, the rate was 1.4% and monthly inflation was 0.1% in April 2014.

The Eurostat figures put the inflation rate well below the ECB's target of just below 2%. In April, this was the seventh consecutive month that the rate of inflation has been below 1%. Low inflation is expected to remain a threat to the Eurozone expansion for at least the next two years.

The ECB, which is considering taking unprecedented steps to avert the risk of deflation, including negative interest rates or implementing quantitative easing, has dropped its broadest hint yet in May of imminent moves to head off deflation, announcing that policy makers at the bank were "comfortable" about action in early June. Continued low inflation would slow economic recovery further since it makes the repayment of debt more difficult and can subdue consumer demand.

Consumer Confidence and Retail Trade Confidence



Source: European Commission (April 2014)

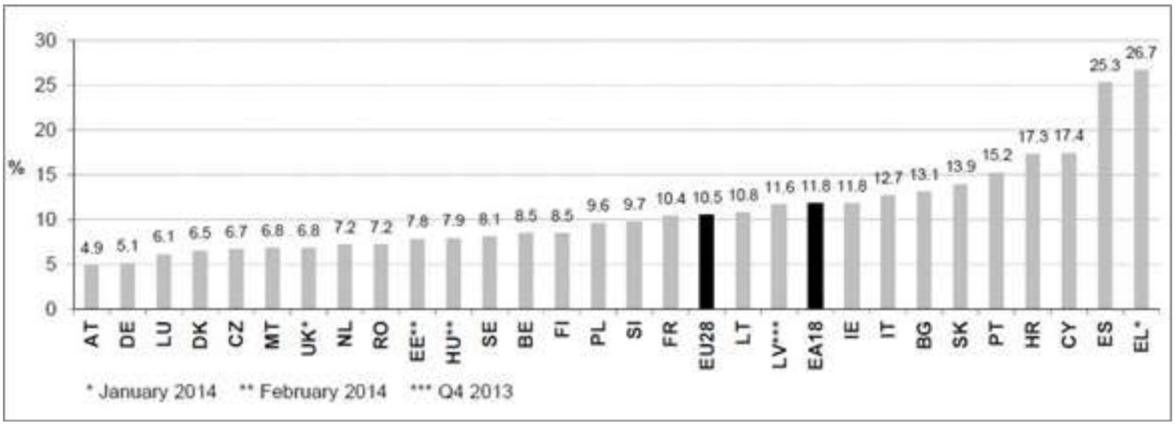
EU's consumer confidence rose to the highest level (5.8%) since October 2007, significantly above long-term average. In the Eurozone the April reading was 8.7%, which is the highest since July 2011.

Employment

The Eurozone recovery will not be strong enough this year to have an uplifting effect on unemployment, with forecast to fall from 12.0% last year to 11.8% in 2014 although it will drop more in 2015, to 11.4%. The Euro area (EA18) unemployment was 11.8% in March 2014, stable since December 2013, but down from 12.0% in March 2013. The EU28 unemployment rate was 10.5% in March 2014, stable compared with February 2014, but down from 10.9% in March 2013.

Economic polarisation continues and becomes most evident when reviewing unemployment rates per country. Among the Member States, the lowest unemployment rates have been recorded in Austria (4.9%), Germany (5.1%) and Luxembourg (6.1%), and the highest in Greece (26.7% in January 2014) and Spain (25.3%). Compared with a year ago, the unemployment rate increased in ten Member States, remained stable in three and fell in 15. The highest increases were registered in Cyprus (14.8% to 17.4%), the Netherlands (6.4% to 7.2%), Italy (12.0% to 12.7%) and Croatia (16.6% to 17.3%), and the largest decreases in Hungary (11.2% to 7.9% between February 2013 and February 2014), Latvia (13.9% to 11.6% between the fourth quarters of 2012 and 2013), Portugal (17.4% to 15.2%) and Ireland (13.7% to 11.8%).

Unemployment rates in March 2014



Source: Eurostat

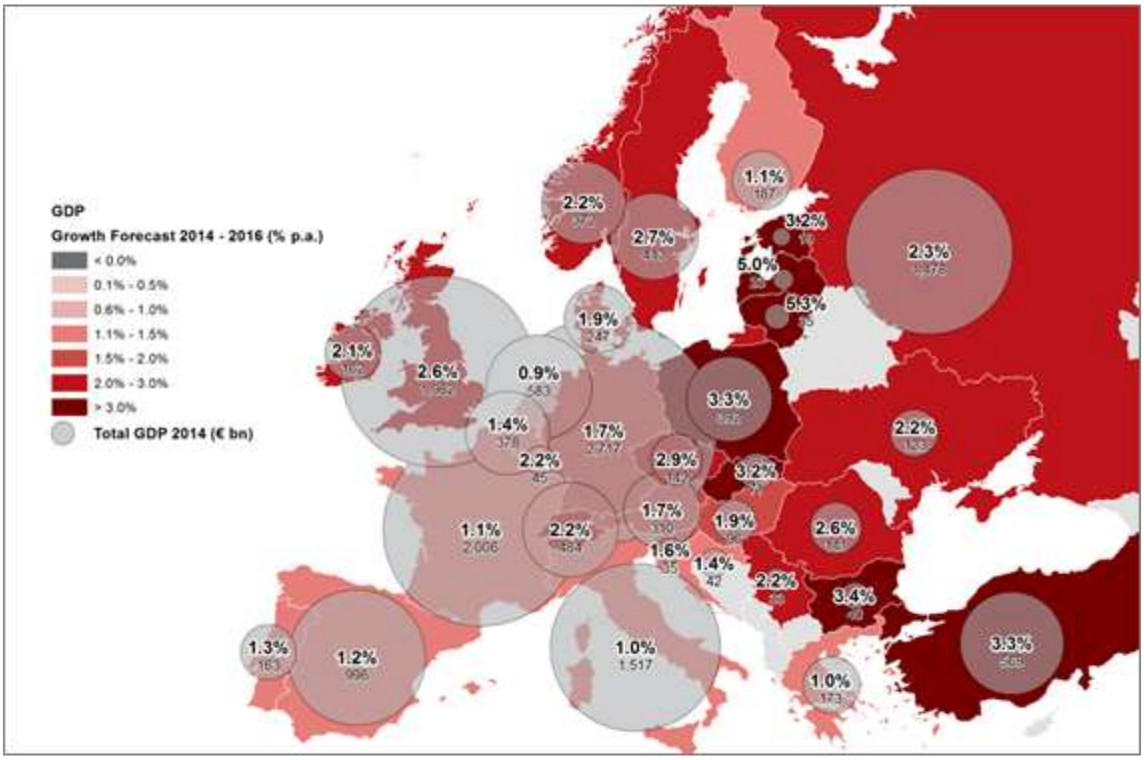
- The Euro area (EA18) includes Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
- The EU28 includes Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Croatia (HR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).

Outlook

Less than a year after emerging from its longest-ever recession, the Eurozone remains vulnerable as fragile public finances, volatility in emerging markets and a strong Euro keep a lid on the recovery. While bond-market confidence has returned, the economy is still generating less output and providing work for fewer people than before the financial crisis began in 2008.

Progress is slow and caution remains. Parts of the Eurozone continue to struggle with the legacy of the crisis, with credit and fiscal conditions held tight. In addition, improvements in GDP have yet to translate into significant job creation and wage inflation, which will continue to undermine consumer demand into the recovery. However, the outlook has brightened and prospects for 2014 and beyond are the strongest since the turn of the decade.

GDP Growth Forecast 2014-2016



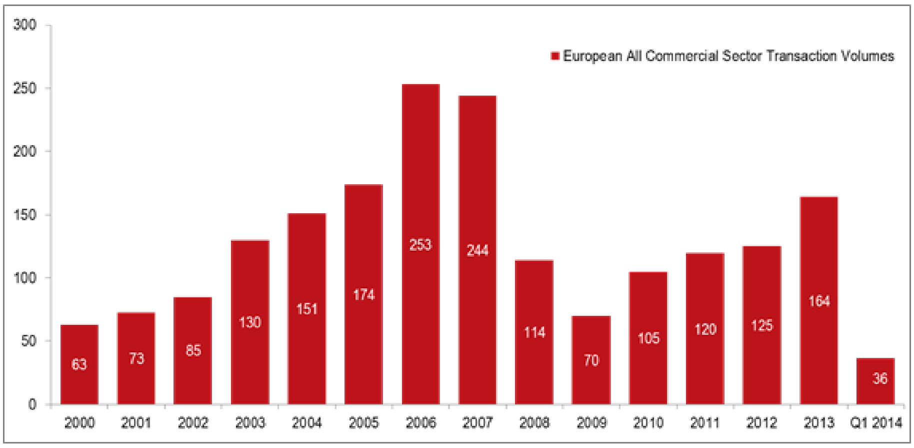
Source: Oxford Economics (April 2014)

Real Estate Market

European property investment volumes Q1 2014

Direct commercial real estate transaction volumes in Europe came to €36bn in the first quarter of 2014, up 14% on the same period last year. The growth mainly driven by the previously illiquid markets of Ireland, the Netherlands, Spain and Portugal, which all saw significant growth year-on-year. Whilst the UK and France were up slightly, activity in Germany was 50% higher than a year ago, as major portfolio deals have returned in force, with international and domestic groups seizing opportunities in Europe's largest economy.

Q1 2014 Investment Volumes (E28)



Source: JLL (April 2014)

US Investors most active in Q1 2014

US investors led the acquisition drive by inter-regional equity of European real estate during the first quarter of 2014. Large private equity firms looking for distress or value add opportunities dominate the list of US buyers. From January to end-March 2014 30 transactions of €20m-plus by US players have been tracked equating to a combined transaction volume of €5bn. The list of US investors includes Lone Star Funds, Blackstone, Hines, Apollo Global Management, Morgan Stanley, Kennedy Wilson, Pramerica, Perella Weinberg and CBRE Global Investors.

Europe moves at multiple speeds

One of the main drivers of activity in the first quarter of 2014 was Germany, where investment volumes reached €8.3bn, up 24% on Q1 2013, with portfolio activity increasing by 70% y-o-y. Germany is benefiting from high levels of confidence, due to the improved economic outlook as well as higher loan-to-value ratios and lower margins for borrowers.

Q1 volumes in France reached €3.8bn, which is roughly in line with Q1 2013 (-3%). This is a solid result in view of the comparison with a very strong 2013.

Southern Europe also performed well with volumes up 83% to €2.2bn. Spain, in particular, saw an impressive 230% increase to approximately €0.65bn, thereby overtaking Italy where volumes were up 39% to approximately €0.58bn.

The Nordics saw volumes increase by 28% in Q1 to €3.9bn. The picture was, however, mixed at country level with volumes up by 141% in Finland and by 58% in Sweden, but down in Norway (-21%) and Denmark (-24%).

Despite the increase in real estate investment volumes in Spain and other parts of Southern Europe lenders remain cautious. Investors are struggling to get finance outside their own home market. German lenders, for example, are still reported to be reluctant to finance anything but core, even in their own market, arguing that with unemployment rates still above 20% in Greece, Spain and Portugal, consumer demand in those countries is unlikely to pick up in the foreseeable future.

Central and Eastern Europe saw almost €1.4bn of real estate investment during the first quarter of 2014. This represents a 19% increase compared to the first quarter of 2013 (€1.15bn). Poland remained the dominant regional market with a 69% share (€940m) of the total CEE volume, followed by the Czech Republic (16%), Slovakia (5%), Hungary (4%) and Romania (1%), with Bulgaria, Croatia, Serbia and Slovenia making up the remaining 5%-plus. As in previous years, the majority of transactions finalised in the first quarter were initiated last year. Sales and acquisitions in the office segment accounted for 56% of the total investment volume in CEE, followed by retail (29%), industrial (9%) and hotels (6%).

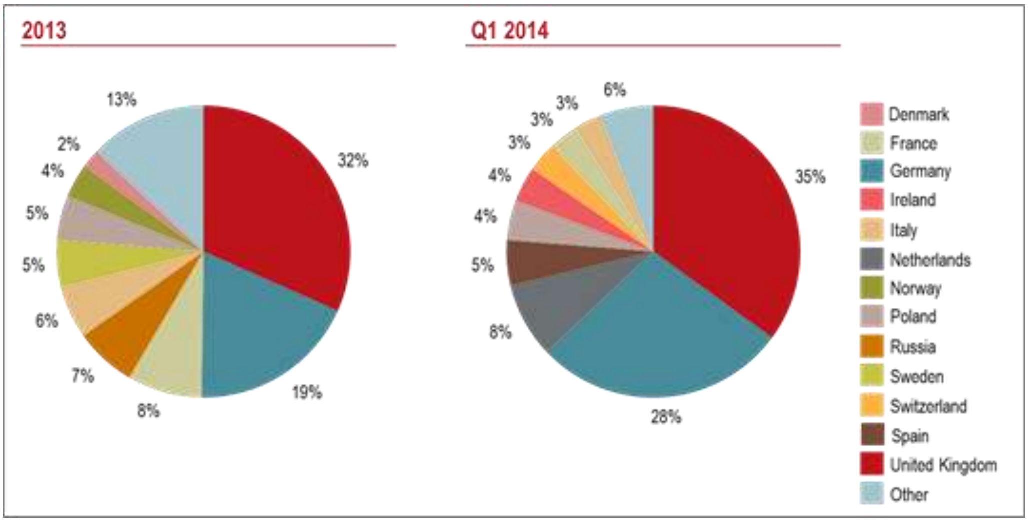
Investment in Dutch real estate showed an improvement in the first quarter of 2014 but still underperformed other asset classes, according to IPD's latest report on the Dutch market. Dutch property yielded a total return of 0.6% in the first quarter, compared with a return of -0.2% for the fourth quarter of 2013, according to the IPD Netherlands Quarterly Property Index. Capital depreciation remains the reason for the relatively low property returns recorded in Q1, as all sectors showed negative capital growth. Industrial had the most negative capital return of -2.3% in Q1, while retail's capital growth of -1.4% resulted in a total return close to zero. Offices had a capital growth of -1.0.

Retail Investment Market

Economies and property markets are cyclical and current indications in Europe are that the market is at the early stages of a sustained period of recovery. In the short and medium term, the outlook for real estate investment looks positive with momentum likely to continue. Given improved economic sentiment, a continued increase in weight of capital for real estate investment and broadening appetite for geographical and asset risk, retail investment volumes in 2014 are expected to exceed 2013. However, the lack of supply of prime assets could dampen investment volumes and make investors move into more secondary markets.

Total retail investment volumes in 2013 were €26.6bn up by 37% y-o-y and close to Europe's 10-year average of €28.4bn. Retail investment volumes in 2014 are expected to exceed €26.6 bn in 2013, driven by improved economic sentiment, a continued increase in the weight of capital and the broadening of investment targets. €6.6bn of retail assets was transacted during Q1 2014, up 27% on Q1 2013 and 20% above the 5-year average.

European Retail Investment Volumes by Country



Source: JLL (April 2014)

Retailer Trends 2014

Retail sales are forecast to pick up, but growth remains moderate in 2014. Consumer attitude across Europe is changing; an increasing number of consumers are becoming more open to buying premium and luxury products, in addition to their normal shopping. Major European cities continue to enjoy a rising influx of overseas tourists, including visitors from China and the Middle-East.

Performance remains a top priority for retailers:

- Search for new growth opportunities continues. High-end and popular brands are targeting the increasing number of 'wealthy' tourists and consumers willing to spend.
- Consolidation continues by closing underperforming stores, 'right' sizing units and (re)negotiating affordable rents.

As a result, the polarisation of European retail real estate markets continues:

- Demand remains focused on prime retail space.

- Retailers continue to pull out of weaker/underperforming retail areas. A number of of underperforming retailers will fall into administration.

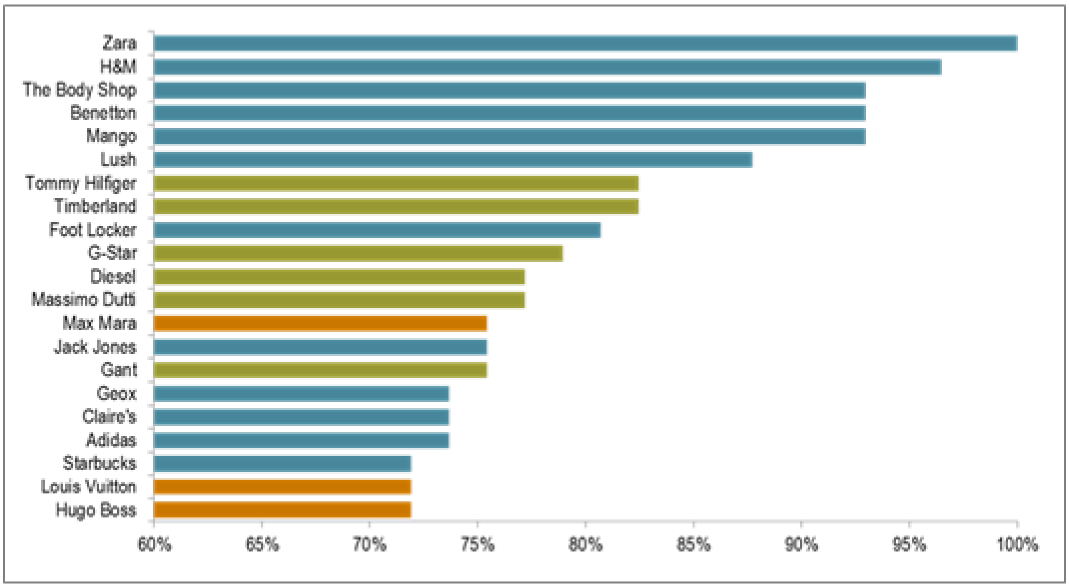
However, as high-end and popular brands have saturated the most attractive retail markets, the search for growth will:

- Drive demand for prime retail space in secondary European cities.
- See luxury and premium brands start blending in the key European cities.
- See an increasing interest from high-end retailers to open stores in prime shopping centres (i.e. The Village in Westfield London).

Other opportunities will come from:

- American brands, as economic growth in the USA allow new or increased expansion plans.
- Major/luxury departments stores targeting wealthy tourists.
- Big box retailers (i.e. IKEA) introducing a high street concept in out-of-town schemes to attract more shoppers.

Top 20 Retailers in Europe



Source: JLL (Destination Europe 2013)

Shopping Centre Investment Market

Shopping Centres have dominated the retail investment market over recent years, undoubtedly dictated by the bulky nature of the asset class but also demonstrating the ongoing appeal of this asset class to a wide range of investor types through the financial crisis. In 2013, shopping centres accounted for 63% of total volumes, in line with the long-term average.

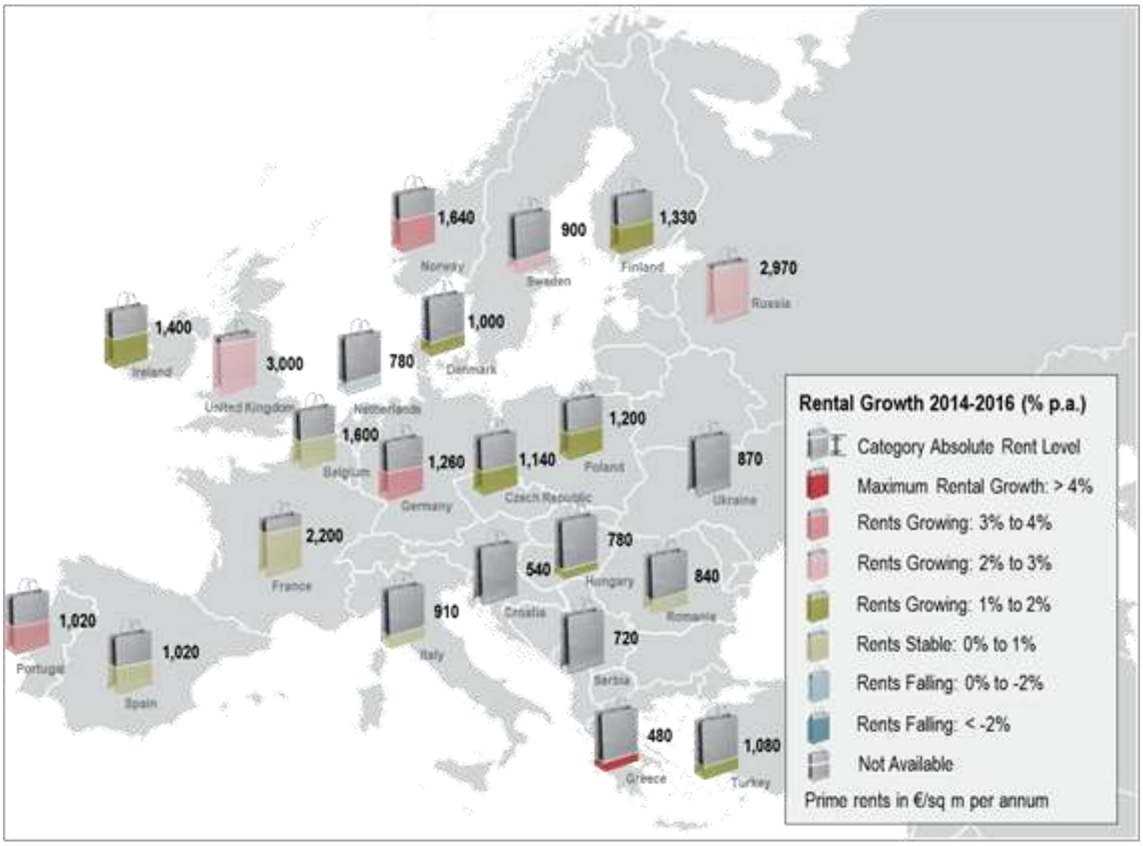
The demand placed on shopping centres by international retailers in terms of space, quality and location are changing and flexibility and effort is key to meeting retailers' needs and attract new tenants, as well as retain existing ones. In an environment where internet sales are growing strongly, footfall figures become the main indicator of value of shopping centres. According to a survey undertaken by the International Council of Shopping Centres (ICSC) footfall in European Shopping Centres rose by 1% in 2013 on a like-for-like basis. At 8.6% like-for-like footfall growth was strongest in southern Europe, due to a strong performance in Turkey and signs of improvements in Spain. Northern Europe also saw growth of 2.2% but footfall in Western and Eastern Europe was relatively flat at 0.0% and 0.6% respectively. Another effect of the increase in online sales is the focus and polarised demand for space.

Occupier Conditions

Retail requirements are changing and globalisation provides opportunities for growth and diversification and international borders are no longer barriers. London remains "springboard" to Europe for non-European retailers followed by Paris and Moscow.

Prime Rents

The highest shopping centre rents are currently achieved in London and Paris. The majority of European countries show positive growth for the next two year as shown on the map/graph below.



Source: JLL (Destination Europe 2013)

Supply

Retail developers reported a rise in the total volume of completed projects between 2011-2013. Several turned in significantly higher numbers over the three-year period with Unibail-Rodamco, NCC and Neinver more than doubling total project volume and MAB trebling its figure.

By the end of 2015, around 14 million sq m of new retail space will open in Europe. Russia will be the largest single beneficiary, with 3.8 million sq m scheduled for completion over the next two years, giving it the continent's largest share of shopping centre space by the end of 2015.

Russia and Turkey

Overall, the 7.2 million sq m of new shopping centres scheduled to open in 2014 marks the highest volume since 2008. Russia is already rising up the rankings: Moscow is home to four of the top 10 shopping centres in Europe ranked by gross leasable area. The largest shopping centre in Europe is Mega Belaya Dacha which was completed in 2006. The 222,000 sq m centre is part of the Mega chain of large-scale shopping and entertainment schemes developed by international furnishings retailer Ikea.

There are no such large schemes under construction in Europe, with the exception of Turkey. Indeed, Turkey is also expected to see sustained growth in the coming years and already claimed - together with Russia - 50% of all new mall space across the continent in 2013.

Other opportunities

The opportunities beyond Russia and Turkey on the periphery of Europe are much smaller in size. One of the most high-profile developments currently under way in Western Europe is Unibail-Rodamco's Mall of Scandinavia, due to open in Q3 2015 and set to become the largest shopping centre in Scandinavia with 101,000 sq m GLA and 250 shops and restaurants, involving a total investment of €600m.

Prime Yields

Prime shopping centre yields across Europe have been stable in most countries, with some positive downward movement in CEE, France, Germany, Spain and the UK. The short-term outlook is stable for the majority of countries as well. The biggest downward shift has taken place in Spain -75 bps compared to last quarter and -75 bps compared to the same time last year. Greece stands out as the worst performer with a yield upward shift from 7.50% in Q1 2013 to 9.00% Q1 2014 (+150 bps).

Jones Lang LaSalle's prime yield views for Q1 2014 are as follows:

Prime Shopping Centre Yields				
Region	Q1 2014	Yield Shift (3 months)	Yield Shift (12 months)	Short Term Outlook
Austria	5.00	0 bps	-25 bps	⇔
CEE	5.75	-50 bps	0 bps	⇔
Slovakia	6.5-6.75	0 to -25 bps	0 to -25 bps	⇔
France	4.50	-25 bps	-25 bps	⇔
Germany	4.60	-15 bps	-15 bps	⇔
Italy	6.35	+10 bps	-15 bps	⇩
Netherlands	5.40	+ 20 bps	+15 bps	⇔
Spain	6.00	- 75 bps	- 75 bps	⇔

Prime Shopping Centre Yields				
Sweden	5.25	0 bps	0 bps	⇔
Greece	9.00	+50 bps	+150 bps	⇧
UK	5.00	-25 bps	-15 bps	⇔

NB: CEE covers Czech Republic, Hungary, Poland and Romania and represents the lowest yield achievable in the region

Source: Jones Lang LaSalle

Transactions

Investors' geographic attention expanded significantly as pricing adjusted and concerns around sovereign risk eased. The following shopping centre transactions took place in the course of the second half of 2013 up to this day:

France

- In February 2014, Apsys, Groupe Madar and Financiere Saint-James signed a preliminary agreement to acquire the Beaugrenelle shopping centre in Paris. The transaction price comes to around €700m, reflecting a yield of 4.6%.This is the largest single property transaction ever carried out on the French shopping centre market. The centre provides a total GLA of 50,000 sq m, anchored by Marks & Spencer, Zara, FNAC and Maison du Monde.

- In January 2014, Hammerson acquired a 75% stake in Saint Sébastien shopping centre in Nancy for £109m (€132m) from AXA Real Estate. The 24,000 sq m centre comprises 105 units and is anchored by Monoprix, Intersport, C&A and Sephora.

- In December 2013, Corio sold four retail properties in France for €104m to one buyer, which was not disclosed. The assets sold were 32,500 sq m Quais d'Ivry in Paris; La Grande Porte (6,200 sq m) in Montreuil; La Mayenne (7,200 sq m) in Laval and Galerie de L'Espace du Palais (9,400 sq m) in Rouen. The sale price was 6% below the book value at 30 June 2013.

Germany

- In April 2014, Allianz Real Estate bought the Kö-Galerie in Düsseldorf for around €300m from Blackstone and Hamburg-based shopping centre operator ECE. The shopping and office complex offers a total of 50,000 sq m. The retail element includes 20,000 sq m of space over 90 shops and is let to international brands such as Bally, Jil Sander, Lacoste, Gant, Thomas Sabo and Aigner.

- In February 2014, Unibail-Rodamco acquired a half-share in the Centro Oberhausen shopping centre from developer Stadium. Canada Pension Plan Investment Board (CPPIB) owns the other 50% share. Unibail-Rodamco as reported is expected to pay up to €535m. The transaction represents a net initial yield of 4.4%. CentrO has 232,000 sq m of retail and leisure space, including a two-storey 117,000 sq m shopping centre, 39 restaurants, a nine-screen cinema, a 12,000 seat multi-purpose arena, two adventure theme parks and 12,000 parking spaces.

- In February 2014, Union Investment sold the Allee-Center in Remscheid to Deutsche Asset & Wealth Management (DeAWM) for around €140m. It comprises 25,000 sq m of retail space let to around 100 specialist shops, including Saturn, H&M, C&A and a Real hypermarket. The centre provides 921 parking spaces.

- In September 2013, Europa Capital sold Forum Steglitz shopping centre in Berlin to BGV V, a Special institutional fund managed by Munich-based Real I.S. Investment. The price was kept confidential. The 32,000 sq m centre is 99% let to tenants including Hennes & Mauritz, Lidl, Rossmann, Innova, Intersport, Tom Tailor and Spiele Max.
- In September 2013, Redefine International acquired three shopping centres in Germany: the Schloss-Strassen Shopping Centre in Berlin; Bahnhof Altona Shopping Centre in Hamburg and City Arkaden Shopping Mall in Ingolstadt for a total value of €189m and €141.1m of existing bank debt (Schloss-Strassen €93m, Bahnhof Altona €72.5m and City Arkaden €23.5m). The transaction reflects a blended net initial yield of 5.5%.

Italy

- In January 2014, CBRE Global Investors sold the retail gallery of the Carrefour Limbiate shopping centre to an unnamed insurance company for €140m, reflecting a net yield of 7.1%. The centre provides 45,000 sq m of gross lettable area over 96 retail units. The retail gallery occupies 21,000 sq m let to MediaWorld and H&M, Desigual, Timberland and Tommy Hilfiger.

Ireland

- In February 2014, HSBC Alternative Investments and Hines acquired a 72.8% stake in Dublin’s landmark Liffey Valley shopping centre from vendor Aviva Investors for €250m. Grosvenor Britain & Ireland owns the remaining 27.2%. The centre has a total floor area of 46,500 sq m and is anchored by Marks & Spencer, Next, Dunnes Stores and Boots.

Netherlands

- In February 2014, US investor Mount Kellet Capital Management completed the joint venture acquisition of 11 shopping centres from Corio at a discount approaching 30% for a total of €213m. (Ten centres are located in the Netherlands, one in France). The 11 assets have a total leasable area of 120,800 sq m. The consideration for the disposals was 27% below the book value of 30 June 2013.
- In January 2014, Wereldhave acquired the Vier Meren shopping centre in Hoofddorp near Amsterdam in the Netherlands from Unibail-Rodamco for €147.5m, including transaction costs, reflecting a net initial yield of 5.8%. Vier Meren is a regionally dominant shopping centre in the city centre of Hoofddorp, around 20 km south-west of Amsterdam. The 27,000 sq m shopping centre serves a catchment area of 144,000 people.

Norway

- In December 2013, Parners Group acquired four shopping centres in Norway from French retail specialist Klépierre's Steen & Strøm unit for €247m. Steen & Strøm, which is 56.1% controlled by Klépierre, sold Halden Storsenter in Halden, Torvbyen in Fredrikstad, Stovner Senter in Oslo, and Markedet in Haugesund. The portfolio offers a total of 100,000 sq m across 250 shops, with the 38,000 sq m Stovner Senter in Oslo representing the majority of space.

Poland

- In March 2014, TriGranit, Europa Capital and Polish Railways sold the Poznan City Centre mall to UK investor Resolution Property and German shopping centre specialist ECE for around €250m. The Trigranit-developed shopping centre opened for trading in October 2013, and has a total GLA of 58,000 sq m. The centre attracts an average of more than 40,000 people per day and key tenants include Sportsdirect, Toys 'R' Us, TK Maxx and H&M.
- In October 2013, Inter Ikea Centre Group Poland purchased Wola Park shopping centre in Warsaw for around €195m from vendor PBW RE Fund /IXIS AEW Europe. The centre is fully let to 175 tenants, most of which are fashion retailers. The property has a total GLA of 61,850 sq m, including an 18,130 sq m hypermarket owned by Auchan.

Spain

- In May 2014, Dutch financial and insurance group ING is reported to have exercised a pre-emption right to acquire the 84,900 sq m El Boulevard regional shopping centre in Vitoria-Gastéiz, northern Spain for around €135m from CBRE Global Investors. The scheme comprises 161 shops and 4,000 parking spaces. The vendor has not confirmed the deal yet.
- In May 2014, a group of investors represented by Avestus Capital Partners is reported to have sold a majority stake in Barcelona's second largest shopping centre Diagonal Mar for a price in excess of €250m to US investor Northwood. The deal has not been confirmed yet.
- In February 2014, Listed European retail property fund Vastned sold €160m of Spanish malls for 29% below their last appraisal value as at 31 December 2013. The buying consortium included US hedge fund The Baupost Group, GreenOak Real Estate and Spain’s Grupo Lar.
- In October 2013, UK-based private equity firm Orion Capital Managers bought out British Land from the 50-50 joint venture, which owned the Puerto Venecia shopping centre and retail park in the northern Spanish city of Zaragoza for €144.5m. The centre comprises 82,600 sq m retail park and 130,000 sq m fashion and leisure centre.

Sweden

- In March 2014, Carlyle Group sold the Globen City Shopping Centre to property company Klövern for €198m reflecting a net initial yield of around 5.5%. The centre has a total GLA of 52,819 sq m and is anchored by H&M, JC, Indiska, KappAhl, McDonalds.

United Kingdom

- In May 2014, Abbey Group and the Foyleside Group announced that they are intending to sell a shopping centre portfolio known as Project Swallowtail/Fosse Park Mall. The group of eight assets are located across the UK (including Northern Ireland) and the Republic of Ireland. The portfolio is available as a whole or as individual assets for a total guide price of in excess of £710m (€870m).
- In March 2014, Orion Capital Managers acquired the 51,000 sq m Trinity Walk shopping centre in the West Yorkshire city of Wakefield in the UK. The financial details were not disclosed, however, the transaction

volume is believed to be around £150m (€180m). Trinity Walk is anchored by Debenhams , Sainsbury and more than 50 shops including Next, H&M, ASDA Living, Argos and New Look.

- In March 2014, Intu Properties bought malls in The Midlands, Derby and Northern Ireland worth £863m (€1.03bn) from Westfield Group. The malls are located at Merry Hill near Birmingham, Derby in the north, and Sprucefield in Northern Ireland. Prices paid for Merry Hill and Derby were around £400m each (€480m). Sprucefield was valued at £68.3m (€82m).
- In March 2014, Legal & General Property (LGP) acquired the Overgate shopping centre in the eastern Scottish city of Dundee for over £125m (€150m) from vendor Land Securities. The shopping centre totals 39,000 sq m of space, comprising 70 retail units and two multi-storey car parks with more than 1,000 spaces. It is anchored by Debenhams and Primark.
- In January 2014, British Land sold the freehold of Eastgate shopping centre in Basildon to Infrared Capital Partners for £88.6m (€109m). The 700,000 sq ft (65,000 sq m) scheme comprises a covered shopping centre, an Asda supermarket, a Debenhams department store, two office buildings and a 696 space multi-storey car park. Other retailers include Superdry, New Look, H&M, River Island, Topshop, Next and Primark.
- In January 2014, OMERS acquired the leasehold interest in the retail space at the Grade I listed Royal Exchange building in the City of London for £86.5m (€104m). The City Corporation and Mercers are the freeholders of The Royal Exchange. The interest comprises 4,800 sq m of retail space, currently 95% let to global luxury brands including Hermes, Smythson, Watches of Switzerland, and Tiffany & Co.
- In December 2013, Hammerson plc and Aviva Investors, who own Queensgate Shopping Centre in Peterborough in a 50/50 joint venture, sold the freehold of the centre to Invesco Real Estate for £202m. The 83,300 sq m shopping centre has more than 110 stores and restaurants anchored by Primark.
- In December 2013, Scottish Widows Investment Partnership (SWIP) bought the King Edward Court shopping centre in Windsor for £105m (€124m) reflecting a net initial yield of 5.6%. Tenants include Waitrose, Zara, H&M, Top Shop, and New Look as well as a 113-room Travelodge hotel.
- In October 2013, The Scottish Retail Property Limited Partnership, a 50/50 joint venture between Land Securities Group PLC and British Land, sold the Bon Accord and St Nicholas shopping centres in Aberdeen to F&C REIT for £189m. The two centres form Aberdeen’s prime retail pitch and total 460,000 sq ft across more than 75 retail units, and are anchored by Next, Boots and New Look.
- In September 2013, British Land purchased 50% of SouthGate in Bath from Multi Southgate (LP) Limited for £101m. Aviva Investors own the remaining 50%. SouthGate is a 430,000 sq ft, open air retail scheme with 55 retail units, 14 leisure units, a car park and 25,000 sq ft of office accommodation. The scheme is anchored by Debenhams, H&M, Topshop, Boots, Hollister, Apple, Urban Outfitters, All Saints and Boux Avenue.
- In September 2013, US investor Kennedy Wilson and private equity firm Varde acquired a portfolio of eight secondary shopping centres in England and Scotland out of administration for £250m (€300m).
- In September 2013, Standard Life Investments sold the Whiteley shopping centre in West London to a private family office from Brunei in an off-market deal worth over £100m (€120m).

6.4 Asia-Pacific Market Commentary

2013 Highlights

- A significantly increased total turnover of US$12.17bn compared to US$15.01bn in 2012, however, there was a marked reduction in the number of deals transacted, down from 277 to 226.
- An increase in larger lot sized transactions, with an average lot size of US$93.67m reflecting a significant increase from US$54.19m in 2012. Overall, 33% of the market was undertaken in lot sizes above US$250m.
- Japan and China dominated turnover, jointly making up 73% of total transactions in the region by volume.
- Japan saw the highest turnover with US$10.43bn worth of transactions representing a massive 122% increase in turnover on 2012.
- Major contractions in activity were witnessed in Hong Kong and Singapore with turnover down by 37% and 30% respectively.
- Buying activity in 2013 was dominated by domestic groups throughout Asia Pacific with the exception of China, which saw a number of ‘platform’ transactions involving international capital.
- International investors were net divestors in retail real estate in the region in 2013, with 17% of buying activity compared to 22% sales.
- Retailers were extremely active as investors, with entities controlled by Tesco, Aeon and Takashimaya both buying and selling throughout the year.
- Tesco was extremely active, selling assets in Korea, conducting a substantial operational sale in China and demonstrating a significant investment commitment to India.
- Malaysia saw a significant upturn in transactions with a similar trading volume to the usually much larger Singapore market.
- Retail continues to be an important sector of the total real estate investment market in Asia Pacific, making up 24% by total volume.

2014 Outlook

- Increasing weight and variety of capital targeting the retail real estate markets in Asia Pacific in 2014.
- Limited availability of investible stock as little distress in the system. Selling activity to be dominated by maturing funds and profit takers.
- Buyers increasingly looking to move up the risk curve.
- Expectation of continued positive investor momentum in Japan.
- Increased investor caution in buying into second and third tier China and markets ‘tied’ to U.S. fiscal policy at current pricing levels.
- Expected further increase in the number of strategic partnerships between capital and operational expertise.

Mixed Retailer Demand in Asia Pacific

- International retailers continue to look for growth opportunities in Asia arising from economic outperformance relative to the rest of the world. They are opening stores and expanding in South East Asia, although more caution was evident during Q1 in Singapore and Jakarta. China experienced healthy demand supported by fast-fashion retailers and F&B operators, but some luxury brands opted to expand within existing locations. In Hong Kong, demand remained strong in core areas, but softened in secondary locations as a result of high rents.

- India has witnessed some retailers closing stores or reducing space requirements, while Australia has seen more enquiries, but this has yet to translate into higher leasing demand. Retail rents in Bangkok fell by 5.6% during the first quarter as political tensions affected foot traffic in some malls.

Relaunch of Mega-projects in Dubai

- In Dubai, the resurgence of its property market has been marked by the relaunch of a number of mega-projects such as the Mohammed bin Rachid City (MBR) which, when complete, will reputedly house the largest retail mall in the world, 'Mall of the World'.

Transactional Expectations for 2014

Increasing Weight of Capital Targeting the Asia Pacific Region

- The amount of domestic and international capital targeting investment in retail real estate in Asia Pacific is anticipated to grow during 2014. There will be trends that add to the weight of money looking to acquire retail assets in the Asia Pacific markets namely, successful new capital raises, institutions increasing their allocation to real estate and private sources of capital continuing to favour real estate investment.

Relative Lack of Supply of Investible Stock

- There is relatively little visible distress in the system throughout Asia Pacific. Therefore investible opportunities for the market will be reliant upon profit taking motivations and fund life expiries. Without a large selection of motivated sellers, there is likely to be an excess of demand, which will maintain downward pressure on yields and keep prices high, particularly for core assets. As opposed to looking outside the region or transferring to alternative investment classes, it is anticipated that capital will increasingly be allocated to less core assets in certain markets where perceived good value can be achieved.

Maturing Private Equity funds will be a Significant Seller Group

- Those funds raised during and immediately after the GFC are in their maturing phase. With most showing strong performances, managers will look to crystallise gains early for their investors via sales into buoyant markets. These funds are anticipated to be major sellers this year.

International Equity Funds will also actively acquire in 2014

- There were some successful fund raisings in 2013, and it is a trend that is anticipated to continue throughout 2014. Such funds will be motivated to deploy capital early and are expected to be large net investors over the year. Shopping centre assets are particularly attractive to many of these funds, as with the combination of local and international expertise, it will be easy to implement business plans that reposition and improve assets in order to drive returns.

Investors will 'Buy Into' Japan's Economic and Consumer Recovery

- The investor community is anticipated to heavily acquire Japanese retail assets during 2014. While international equity funds – and arguably the JREITs – are likely to be priced out of the market for prime assets, private investors and private property companies (both domestic and international) are expected to maintain downward pressure on prime yields. The suburban and secondary markets are expected to see growing demand from international funds and domestic players, enticed by improving consumer confidence and a lack of available prime assets. More specifically, a significant relative pricing discount has emerged between acquiring suburban and secondary malls compared to prime. Decentralised buying in Japan is also expected to occur, with regional locations expected to enjoy increased attention from investors.

Investors Becoming more 'Considered' when Entering China

- There is an expectation that Chinese investors will increasingly take a forensic approach to how they assess individual assets and their competitive position. The factors influencing this are: the retail market maturing; land value appreciation arguably slowing in certain locations; and the vast development pipeline being delivered. An ability to understand the dynamics of retail assets and the capability to effectively manage assets will be key to achieving success with performance. One potential source of assets to the market may come from domestic developers of mixed use projects. They may opt to sell the retail element of a development to an investor with the requisite skills to manage the retail effectively. This would then allow the developer to raise capital and focus on their core development business.
- Domestic Chinese investors are anticipated to remain strong buyers as the weight of domestic capital for investment grows. International capital is also anticipated to be focused on China, but it is likely to target the upper tier cities to avoid becoming exposed in remote and less transparent locations, where prices remain relatively high on a comparative basis. Further platform transactions are expected where investors can deploy significant amounts of capital, benefit from access to a portfolio of assets and an existing management platform, and where relative skills can be pooled to improve the competitive position of assets for enhanced returns.

Investor Caution at Current Pricing Levels in U.S. 'Tied' Markets

- In the absence of price movement from current owners in markets fiscally tied to the U.S., such as Hong Kong, the retail investment market is expected to remain in a relatively frozen state – the bid/ask margin remains too large. In an environment where interest rate rises are expected, and in which government cooling measures are maintained, this is likely to widen in the short term, particularly for suburban and secondary assets.

Increased Partnering Throughout the Region

- While owners might be unwilling to dispose of assets in their entirety, strategically minded owners may engage in tactical partnerships. We anticipate these will broadly fall into two types:
- Profit taking/diversification motivated partnerships

- We anticipate this will occur in larger, more mature markets where existing owners can attract a relatively passive capital partner with a long-term outlook, at a high price point in the cycle, for a part interest in an asset. This would occur while also retaining operational control of the asset. Funds raised from the partial sale can be invested elsewhere, giving the owner diversification benefits. In addition to this, some may like the prospect of partnering directly with some of the most respected and significant global capital sources because of the perceived benefits to their own reputation and future business growth.
- Operationally strategic partnerships
- We expect that savvy owners will increasingly wish to partner with groups that have operational expertise and perhaps international experience in retail asset management. This experience means they can leverage retailer relationships to maximise the performance of retail assets. Such a partnership would allow existing owners to learn new skill sets and gain exposure to some of the most advanced and profitable management strategies globally.

Global Pension Funds and Sovereign Wealth Funds will Increasingly Target the Asia Pacific Region

- While many of the global pension funds and sovereign wealth funds have exposure to the region via indirect investments – in existing equity funds and partnership/club investments with fund managers – it is anticipated that there will be major strategic direct investment over the course of 2014/15 and beyond as increasingly the Asia Pacific region is considered, 'core'. This is anticipated to take the form of co-investment with existing owners of core assets throughout the region, which will allow those owners to largely continue their existing business and management plans. This has occurred in other regions to great effect, leading to accelerated growth for the domestic partners, where the creation of a successful partnership platform has often led to further joint projects.

India and Emerging Economies Stabilising and Becoming Hot Investment Locations

- The financial market volatility we saw in emerging markets during 2013 is expected to begin to stabilise in 2014. As global markets recover and show more stabilised growth, this will improve the 'investibility' in emerging markets from a retail real estate perspective. Those investors brave enough to invest first will reap the rewards of first-mover advantage both in quality of assets available and ultimately the level of return. The depth and variety of investor interest in emerging markets is anticipated to grow during 2014.
- Overall, 2014 is well set to see yet another strong year for retail real estate investment. There will be challenges, though, the most likely being a lack of supply of investible assets. However, there is a strong market for sellers motivated by profit taking, fund life maturity and strategically selling down part interests; the stock they offer will keep investors busy throughout the year. In order to find returns, buyers will need to move up the risk curve in more mature markets where secondary asset pricing is likely to improve. While buyer caution will exist in pockets of the market, the weight of money targeting the sector is likely to make 2014 a 'seller's market' for most retail assets.

Capitalisation Yields

- Yields for prime retail assets in each of the major markets remained firm throughout the year, with significant yield compression experienced in some, most notably Japan. A lack of supply continues to underpin prime yields in the major Asia Pacific markets, a few dominant owners, strong 'trophy-buyer' demand, little or no ownership distress and a healthy occupational market. The ultra-prime retail markets saw relatively few transactions during 2013.

- Suburban and secondary markets also generally maintained strong yields though, arguably, in some markets there was less downward pressure on yields because buyers were able to be stock selective. Some markets saw assets of a suburban and secondary nature being withdrawn from sale as owners' price expectations were not met, or vendors had to substantially reduce their price expectations in order to achieve a sale. This perhaps indicates a softening in part of the market as investors being to pay greater attention to development supply, the occupational e-commerce threat, macro constraints and retailer performance. However, investment in suburban and secondary assets will be seen as an opportunity for many investors going forward.

- Unusually, turnover was weighted towards the first half of the year and particularly within the second quarter where each of the major markets saw significant activity. By contrast, Q3 saw a drop-off in transactions. While it is not unusual to see volatility in quarterly turnover, this slowdown did coincide with a number of other factors that caused markets to pause for a break. Such factors included: the fear of a credit contraction in China, increased expectation of short-term U.S. Federal Reserve tapering, equities market volatility – particularly in emerging economies – and a concern surrounding the effectiveness of Japan's 'Abenomics' strategies. Turnover had recovered by Q4 for most markets, however, Hong Kong witnessed a drop-off in activity, an unintended consequence of the Hong Kong government's measures in late 2012/early 2013 to cool the residential real estate market. More specifically, the government introduced a Buyers Stamp Duty (for overseas buyers of residential only assets) and doubled the cost of stamp duty for all properties that sold for more than HK$21m (US$2.8m).

6.5 Large Shopping Centre Transaction Summary

In the table below we list shopping centres or stakes in shopping centres transacted in recent years over €500 million that JLL are aware of. The data contained in the tables has been adopted from publically available sources and has not been verified with either the purchaser or vendor. The table indicates the type of purchaser for large shopping centres and also highlights that the majority of transactions involving large shopping centres are stakes rather than 100% interests.

Date	Stake	Country	City	Property	Vendor	Purchaser	Price US$M	NIY	Sq m total	Sq m retail
Q2 2014	30%	UK	Kent	Bluewater	Lend Lease Europe Holdings Ltd	Land Securities	£818m	4.1%	166,296	166,296
Q2 2014	75%	France	Paris	Beaugrenelle	Gecina	Fonciere Du Rond Point	964	4.6%	49,960	49,960
Q3 2014	50%	UK	Dudley	Merry hill	Westfield	Intu	674 (~£400m)		130,000	
Q1 2014	50%	Germany	Oberhausen	Centro Oberhausen(III)	Stadium Group	Unibail Rodamco	732 (€535 million)	4.4%	232,000	117,000
Q1 2014	58.38%	Japan	Tokyo	Takashimaya a Times Square	Tokyu Land	Takashimaya	1,032		174,476	
Q2 2013	33%	UK	Birmingham	Bullring	Future Fund	CPPIB/Hammerson	517 (£307 million)			125,300
Q3 2013	100%	Singapore	Singapore	Grand Park Orchard Hotel & Knightsbridge	Park Hotel Strategic	Singapore-based China resources company	912.7		9,200	

				Retail Podium						
Q1 2013	50%	Russia	Moscow	Metropolis Shopping Centre	Capital Partners	Morgan Stanley Real Estate Fund Vii	1,150 (€900 million)	8.05%	205,000	82,000
Q1 2013	80%	China	Shanghai	Jinqiao Life Hub	Sparkle Bright Holdings Ltd (Morgan Stanley)	Keppel Land China and Alpha Investment Partners	530	5.35%	178,478	112,027
Q4 2012	50%	UK	Sheffield	Meadow hall	ADIA	Norges	1,621	5.09%		139,269
Q3 2012	50%	Singapore	Singapore	Nex	Pramerica management fund	Mercature Co-Operative	660		59,179	
Q1 2012	30%	USA	Hanover	Arundel Mills	Farallon Capital Partners	Simon Property Group	525		119,765	
Q4 2011	100%	Russia	St. Petersburg	Galeria St. Petersburg	Meridian Capital	Morgan Stanley MSREI	1,111		186,270	95,000
Q3 2011	50%	USA	Philadelphia	King of Prussia Mall	Morgan Stanley	Simon Property Group	625	6.5%	242,792	222,100
Q3 2011	50%	UK	London	Westfield Stratford	Westfield/APG	CPPIB	1,414	5.8%		176,510
Q3 2011	100%	Hong Kong	Hong Kong	Festival Walk	Swire Pacific Limited	Mapletree	2,412	4.37%	112,316	53,900
Q1 2011	80%	UK	Manchester	Trafford Centre	Peel Holdings	Capital Shopping Centres	1,600	5.09%	176,510	
Q1 2011	50%	Germany	Oberhausen	Centro Oberhausen	Stadium Group	CPPIB	830 (€650 million)	4.75%	180,000	
Pending	30%	UK	Kent	Bluewater	Lend Lease Europe Holdings Ltd		c. 1,900		166,296	166,296

6.6 Socio Economic Overview, Dubai

Introduction

Dubai is the most populous of the emirates and the second largest, behind Abu Dhabi, covering 4,114 sq km. The emirate has grown around 200 sq km since the early 1990s as a result of a series of land reclamation projects. Dubai is bordered by the emirates of Sharjah in the north and Abu Dhabi in the south.

The emirate has historically built its wealth on its traditional role as a trading center. Today, Dubai has capitalised on its convenient location and proximity to both east and west, and has succeeded at establishing itself as an international trading and business hub. Given its limited hydrocarbon reserves, the emirate has successfully diversified its economy and gained international market share in tourism, retail, manufacturing and real estate.

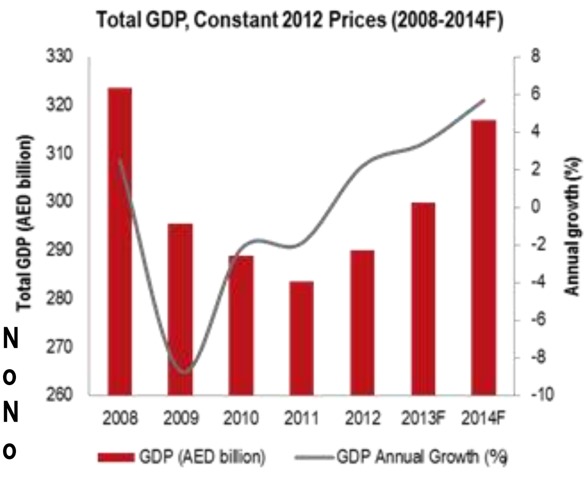
The political and social unrest that swept across the MENA region since 2011 (Arab Spring), has confirmed Dubai's role as something of a 'safe haven' within a volatile region. This has translated into more visitors to Dubai, benefiting the hotel and retail markets, and more investment seeking a home in the Dubai residential sector. While the office market has not witnessed any positive short term impact from the Arab Spring, Dubai continues to cement its place as the preferred business and financial center within the region.

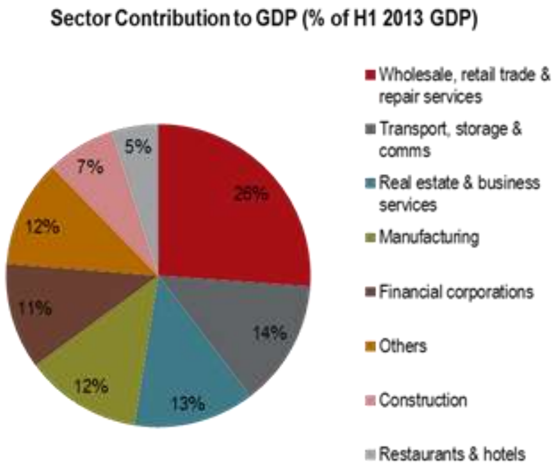
The business outlook for Dubai continues to improve with expectations of higher future business conditions, sales volumes and profits. The Department of Economic Development's composite Business Confidence Index (BCI) stood at 144.3 points in Q4 2013, up 8% from Q4 2012, with more businesses willing to invest in expansion, recruitment and technology upgrades.

Economic Indicators

National Account (GDP)

According to the Dubai Statistics Centre, H1 2013 saw GDP register a 4.7% growth Y-o-Y. Two sectors that saw particularly robust growth were hotels and restaurants (+13.7%) on the back of an increase in the number of hotel guests, and manufacturing (+13.3%) supported by strong exports. Although the real estate and business services sector increased by a marginal 3.3%, the rise was almost double the 1.7% seen in 2012.





N o N o n -

Source: Dubai Statistics Center

Source: Dubai Statistics Center

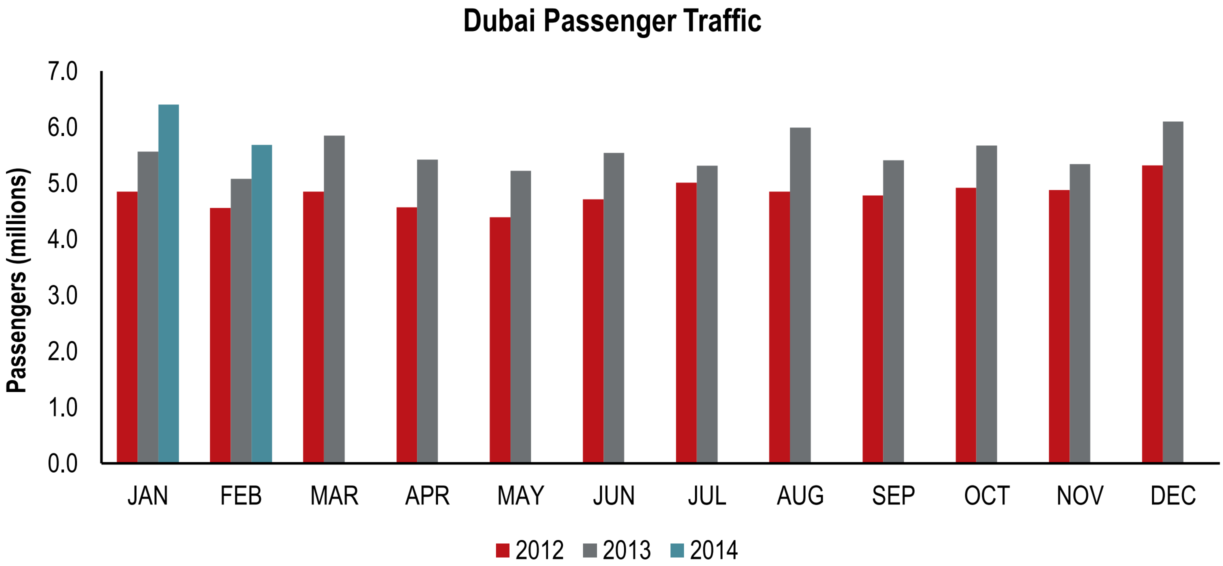
Non - Oil Sectors

Trade, Transport & Infrastructure

Dubai continues to position itself as an international hub for trade, supported by an extensive network of sophisticated air, land, and sea infrastructure.

Dubai International Airport maintained its position as the second largest in the world in terms of passenger traffic in 2013, with passenger numbers growing 15% Y-o-Y to over 66 million. As of the latest data presented by Dubai Airport, February 2014 registered a 12% Y-o-Y increase in passenger traffic to 5.7 million. The airport is currently undergoing expansion plans to raise its capacity to 100 million passengers by 2020.

Around 60 km away is the new Al Maktoum International Airport in Jebel Ali. Located in Dubai World Central, the site of Expo 2020, the airport benefits from its strategic location within the development. The opening of the first phase of Al Maktoum International Airport added an overall capacity of 7 million passengers. When the airport becomes fully operational in 2015, it is expected to be the largest in the world with the ability to handle 160 million passengers a year and a full cargo capacity of 12 million tons.

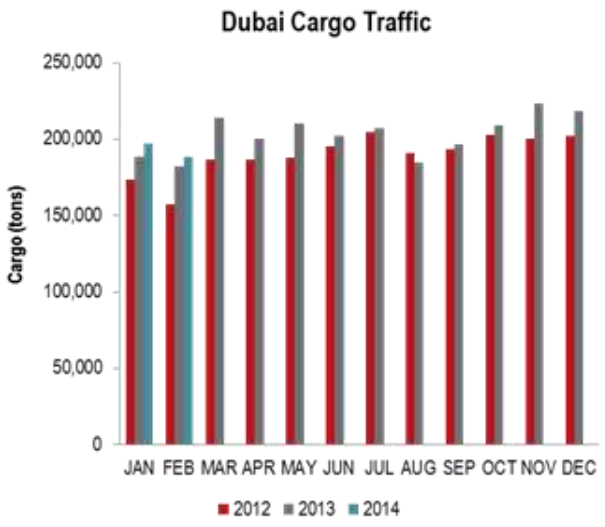


Source: Dubai Airport

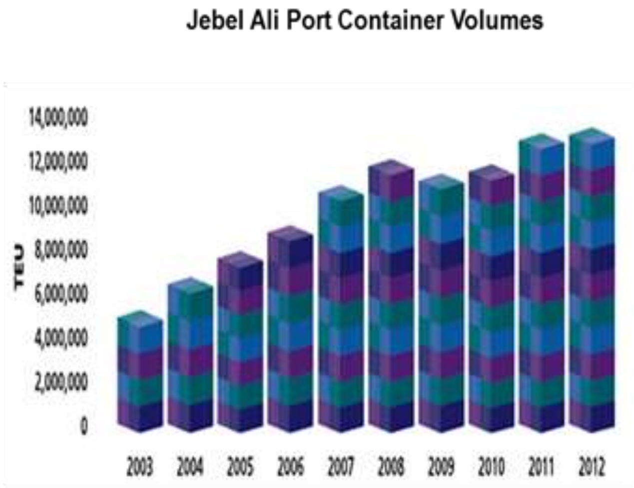
In addition to aviation, Dubai is expected to see an extension of its existing metro line in order to service the site of the Expo 2020 in Jebel Ali. This will result in the existing 75 km system increasing to 111 km over the next few years. There are long term plans to expand the metro network to 421 km by 2030.

Another land transport project currently underway is the Dubai Tram. Phase one will see a 10.6 km track from Dubai Marina to the Tram Depot near the Dubai Police Academy, and is set to become operational in November 2014. When fully operational, the tramway will comprise 15 km of track served by 25 trams and connected with the existing Marina and Jumeirah Lake Towers metro stations.

Dubai has invested heavily in the creation of competitive infrastructure and a business friendly regulatory framework. The expansion of the Jebel Ali sea port and Emirates airlines have facilitated the transport of imports & exports. Dubai International airport recorded 2.4 million tons of cargo in 2013, a 7% increase from year end 2012, while the Jebel Ali Port handled 13.6 million TEU's over the same period.



Source: Dubai Airport



Source: DP World

Manufacturing

Despite accounting for only 22% of industrial investments in the UAE, Dubai is home to approximately 40% of the country's manufacturing firms. These firms are largely focused on light industry services such as food production and electronic industries.

According to the Dubai Statistics Center, Dubai's manufacturing sector expanded by 13% Y-o-Y in the first half of 2013, helping the emirate achieve its fastest rate of GDP growth (+4.7% Y-o-Y). Growth in the manufacturing sector has also helped improve the sustainability of economic expansion post 2008 when real estate and construction activity subdued.

Focus on the light manufacturing industries is expected to continue with the support of the emirate's infrastructure and business friendly environment. The creation of Free Trade Zones (FTZ's) has played a major role in the growth of the manufacturing sector. There are currently more than twenty FTZ's that account for around 75% of exports and more than 25% of Dubai's GDP in 2012.

Major Industrial Locations (Dubai)			
	Area (sqm)	Regulatory Status	Selected Tenants
Traditional Areas			
Al Quoz	18.5	Onshore	Fedex, Mercedes-Benz
Al Qusais	5.45	Onshore	Maxell, Sabco
Umm Ramool	3.9	Onshore	Al Futtaim, Al Ghurair Group, Leighton
Ras Al Khor	12	Onshore	Aramex, Total
Free Zones			
JAFZA	North - 45 South - 35	Freezone	DHL, Danube, LG, P&G
DAFZA	2	Freezone	Clarins, Rolls-Royce
DWC	105	Freezone: Logistics & Aviation	Dnata, RSA, Caliper
New Onshore Areas			
Jebel Ali Industrial Area	21.24	Onshore	Landmark Group, Jumbo
Dubai Investment Park	16.5	Onshore	Paris Groups, Drake & Scull Int'l
Dubai Industrial City	52	Onshore	Nestle, Baker Hughes

Source: JLL

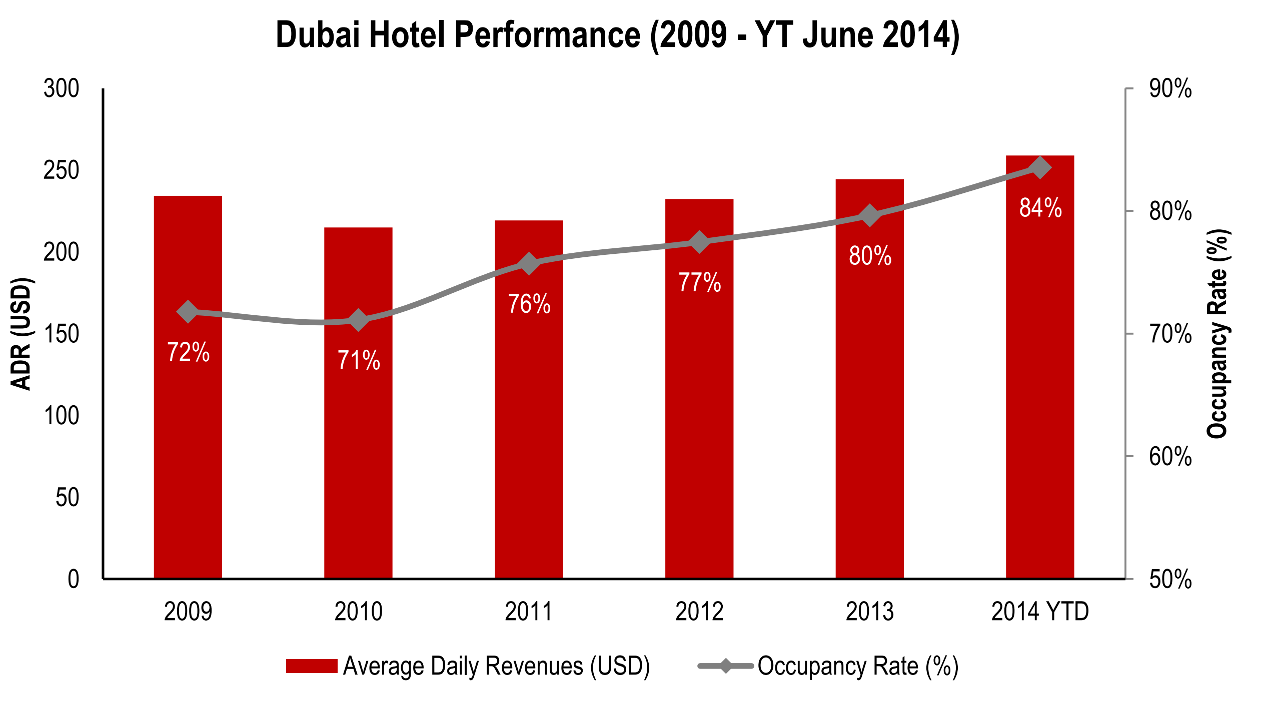
Tourism

Dubai's tourism market has shown strong growth in recent years, sourcing guests from markets led by India, the UK, Saudi Arabia and Germany. Dubai is seen as a safe haven for tourism and the industry has been backed by government efforts in terms of destination promotion and marketing. Tourism infrastructure development projects include the Dubai World Central airport complex, the Blue Water Project, expansion of the Trade Centre District and construction of the major mixed-use development of Mohammed Bin Rashid City among others.

Dubai attracted a record 10 million tourists 2012, and another 11 million in 2013. The Department of Tourism and Commerce Marketing (DTCM) announced it aims to double the figure and attract 20 million tourists annually by 2020. The positive trend continued in 2013 as Dubai recorded 11 million tourists (+11% Y-o-Y).

Dubai has diversified its tourism offerings to attract leisure and business tourists alike (among others). Major retail centers such as Dubai Mall and Mall of the Emirates form a substantial portion of demand due to their popularity among guests from the GCC. The popular Jumeirah Beach and Palm Jumeirah offer beach resorts for tourists seeking the sea and sand. Extensive facilities in Dubai's Central Business District (CBD) such as the World Trade Centre provide locations for business and conferencing.

Dubai hotels are currently experiencing the best performance levels since before the economic crisis. Improvements were seen in occupancy, ADR and RevPAR in 2013 (RevPAR increased by 10.1%). The performance of Dubai hotels has grown annually despite supply increases in recent years.



Source: STR Global

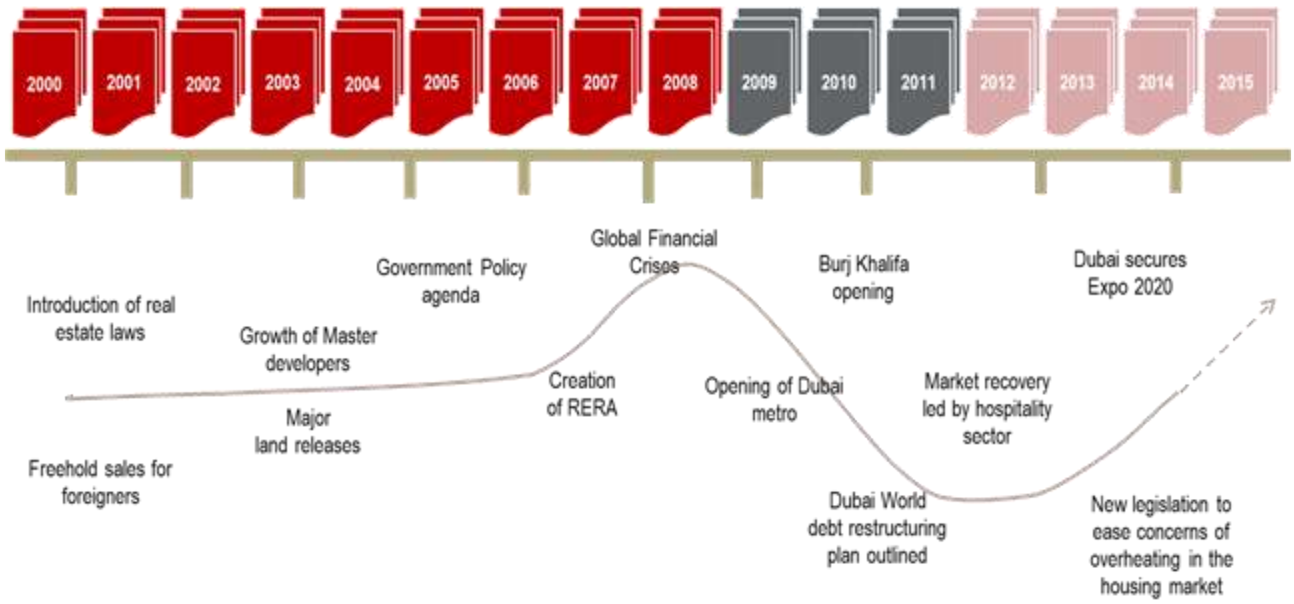
Real Estate and Construction

The real estate and construction sectors have played a key role in transforming and diversifying Dubai's economy. In the first half of 2013, the real estate and construction sector contributed 14% and 8% respectively to Dubai's GDP, according to the Dubai Statistics Center.

Looking back, the period between 2001-2008 was characterised by substantial growth; new real estate laws were being introduced encouraging foreign ownership of residential properties, large plots of land were being released to major developers who grew their portfolio of projects rapidly, occupier demand was on the rise, a Real Estate Regulatory Authority (RERA) was created to maintain the market, value escalated rapidly especially between 2006-2008.

The period following (2009-2010) saw the market decline as the global financial crisis hit the real estate market from Q3 2008. High levels of residential completions lead to significant oversupply in the market and large corporations were facing severe debt challenges.

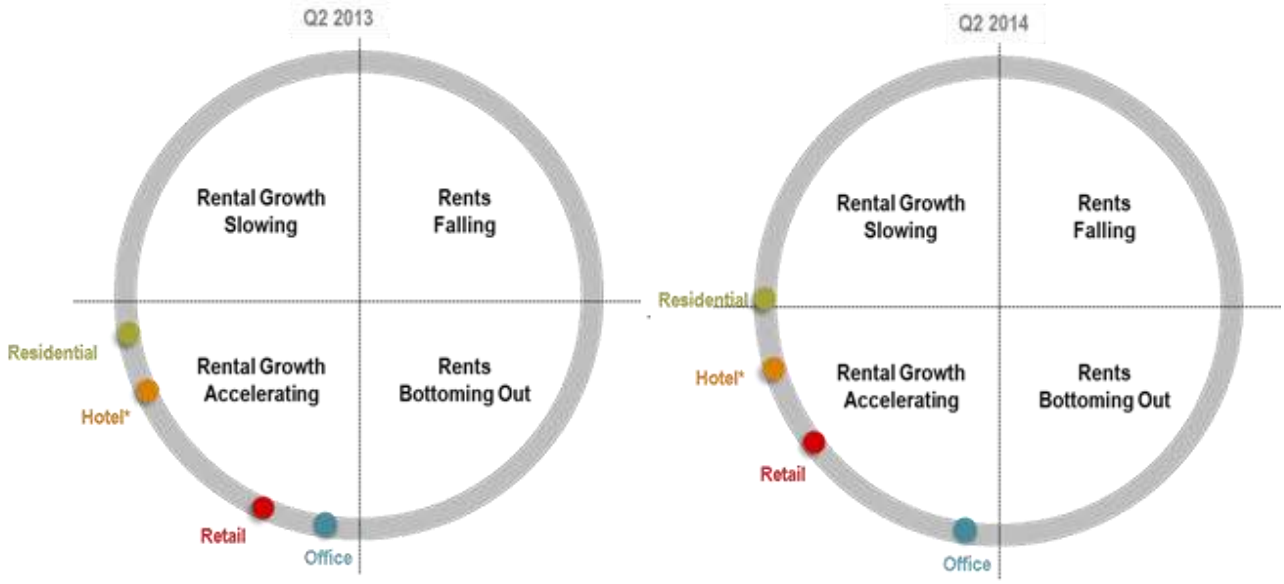
2012-2015 represents a recovery period which was initially led by the hospitality sector. As the Arab Spring reduced tourism in neighboring countries, Dubai saw an influx of tourists and investments as it maintained a safe haven status throughout.



Source: JLL

2013 was a year of broad based recovery for the Dubai real estate market, with sales and rental prices growing across most locations and market segments. This continued into 2014 led by outperformance in the residential sector as H1 2014 saw Y-o-Y residential rents and sale prices increase, albeit at a slower rate with Q2 2014 seeing a marked slowdown in the volume of residential sales, particularly in respect of existing villas. While the retail, hotel and industrial sectors continue to experience growth, recovery in the office sector remains patchy, constrained by the large level of supply and high vacancy rates, that are placing pressure on overall rental values.

The below JLL property clocks illustrate where JLL estimates each prime market is within its individual rental cycle as at the end of the relevant quarter.



*Hotel clock reflects the movement of RevPAR.

Source: JLL

While still shy of 2008 peaks in most locations, the rate of growth witnessed in the residential market in particular is considered unsustainable, fuelling concerns about the possibility of a real estate bubble similar to that seen in 2008. Consequently, the government and major developers have taken measures to promote stability and curb further speculation.

- Emaar has introduced measures to reduce flipping, with purchasers banned from reselling any property bought off-plan until it has been completed and handed over.
- Dubai Land Department has doubled transaction fees from 2% to 4% of the property value. This rate is however still lower than in many other countries.
- The Central Bank has Introduced mortgage caps based on different criteria for nationals and expatriates as well as whether the property was a first or second home. The effectiveness of this measure is however limited since much of the home buying in the UAE is done with cash rather than mortgages.
- Developers have adopted a more long-term approach to developments through phasing supply in line with real demand levels.

The increase in future stock levels is another factor mitigating the risk of a repeat of the previous boom/ bust cycle. As of 2013, the total residential stock monitored by JLL stood at 365,000 units. Over the next two years, around 39,000 residential units are scheduled to enter the market with most of the upcoming supply located in areas to the South and East of Dubai. The largest proportion will be delivered in Mohammed Bin Rashid City, Business Bay and Dubailand. This is supported by the growth of surrounding infrastructure particularly Al Maktoum International Airport.

Property Stock by Type (2012 - 2015F)				
	Office (million sqm)	Residential ('000 units)	Retail GLA ('000 sqm)	Hotel Stock (No.of rooms)
2012	6.9	355	2,817	57,345
2013	7.3	365	2,865	60,150
2014 F	8.0	387	2,902	64,400
2015 F	8.6	404	3,116	66,800

Source: JLL

In terms of investor activity, data from the Dubai Land Department (DLD) reveals that H1 2014 saw the value of real estate transactions in Dubai increase around 47% Y-o-Y to reach AED 113 billion, with AED 61.5 billion in cash sales and AED 47 billion in mortgage transactions.

This increased activity and renewed investor confidence in the real estate market has spurred recovery in the construction sector. This has been driven further by increased public spending on infrastructure and development projects. In 2013, a total of 16% of government spending was allocated for the completion of infrastructure projects in Dubai. Public spending is set to rise 11% in 2014, with 17% injected into infrastructure and development projects (Dubai 2014 budget – government reports).

Dubai's hosting of Expo 2020 is expected to further boost the construction sector as the government commits to an estimated USD 8.1 billion in public funding to the event, the majority of which is directed at infrastructure and public transport projects.

Below is a snapshot of the biggest mega-project announcements during 2012/2013 and their respective locations.

Snapshot of Planned Mega-Projects				
Project	Developer	Cost (USD bn)	Date	Completion
MBR City	Meydan - Sobha Groups	5.7	Nov 2012	2020
Dubai Creek Harbour*	Emaar Properties, Dubai Holding	17.4	Jun 2013	2018-2020
Dubai Water Canal	RTA, Meydaan Group, Meraas Holding	2.0	Dec 2012	2017
Dubai Trade Center District	TECOM Investments	4.4	Mar 2013	Jan 2015 (Phase 1)
Akoya	Damac Properties	2.5	Apr 2013	Jan 2015 (Phase 1)
Bluewaters Island	Meraas Holding	1.6	Feb 2013	
Dubai Design District	TECOM Investments	1.1	Jun 2013	2015
Damac Towers with Paramount	Damac Properties	1.0	Mar 2013	Q2 2015
Viceroy Palm Jumeirah	SKAI Holdings	1.0	May 2013	Q4 2016
Nakheel Mall & The Pointe	Nakeel Properties	0.9	Feb 2013	2015

Previously The Lagoons

Source: Oxford Business Group

Source: JLL

Social Indicators

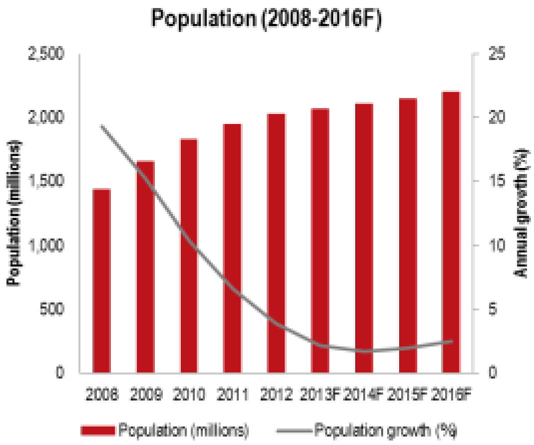
Population

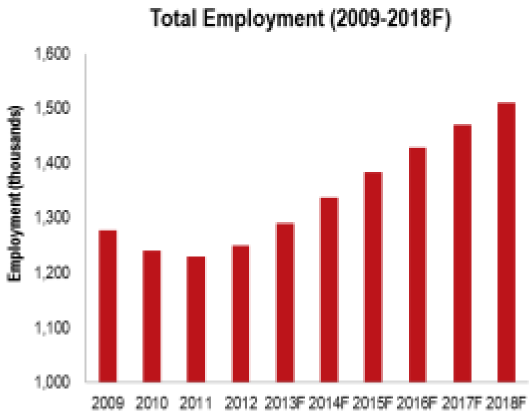
As of December 2013 the population of Dubai reached 2.2 million, according to the Dubai Statistics Center. The population is expected to expand further as the economy grows, attracting further expatriate employment. On a gender basis, the population is largely skewed in favor of males accounting for nearly 76% of the total population (1.7 million). As of 2013, local citizens made up 11% of the population while expatriates accounted for the remaining 89%.

Like other countries in the Middle East, Dubai's population is relatively young. Around 40% of the population is 29 years old or younger, while almost 70% is less than 40 and about 85% are under the age of 50, according to the Dubai Statistics Center. This imbalance is attributed to the large proportion of foreign, working-age individuals who reside in the Emirate.

Labour Force

Oxford Economics estimate total employment levels at 1.3 million in 2013. Employment is projected to continue growing, as 277,000 jobs are expected to be created in the run up to Expo 2020. Research from Oxford Economics indicates a large proportion of these jobs will be for white-collar professional roles as specialized projects will require specialized skills





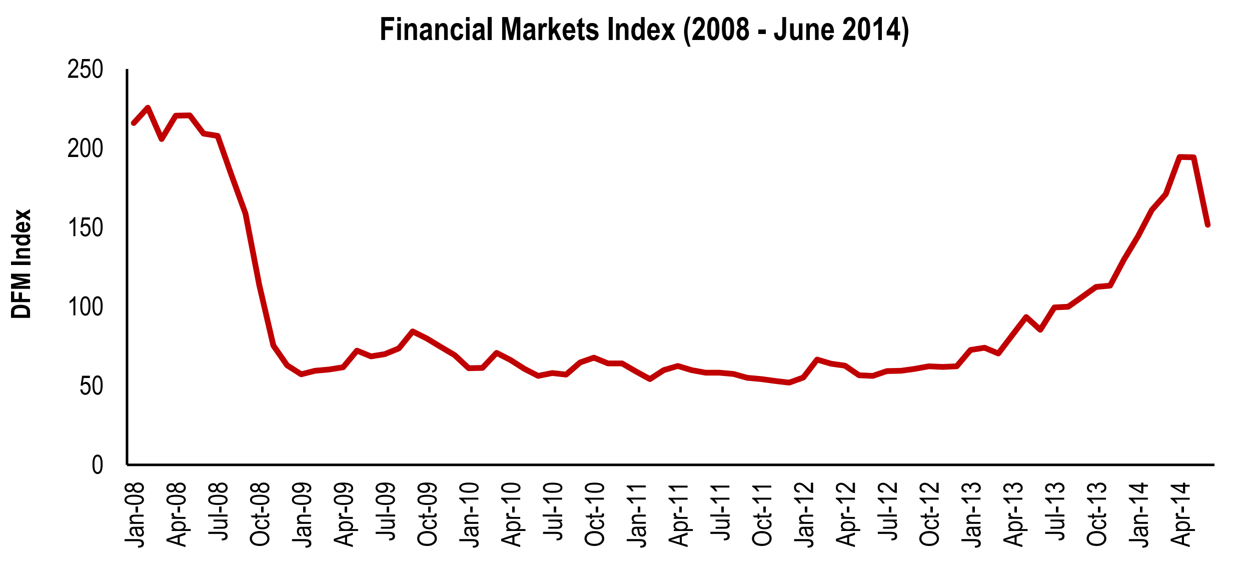
Fiscal & Monetary Indicators

Dubai Financial Market

The Dubai market witnessed buoyant activity and a strong rally during 2013 amid the sustained economic recovery. This was supported by an MSCI upgrade from frontier to emerging market, the launching of several realty projects, buoyant company results and improved sentiment on the back of the successful 2020 Expo bid.

The Dubai Financial Market Index increased by a staggering 108% in 2013. The breakdown of the DFM Index shows that the financial and investment services sector witnessed the highest rise of 169%, followed by the banking sector with 120% as demand for credit increased. The real estate sector recorded a 108% increase within the context of robust growth in sales and rental prices in Dubai. Other sectors that grew dramatically were the services sector (+98%), telecoms sector (+91%) and transportation sector (68%).

Total trading value amounted to AED 160 billion in 2013, a 228% increase from 2012 levels. Market capitalisation rose significantly by 41% to AED 260 billion by December 2013. Data by the Dubai Financial Markets reveals that this growth has continued into 2014, with Q1 2014 traded values surpassing FY 2013 figures to reach AED 327 billion.

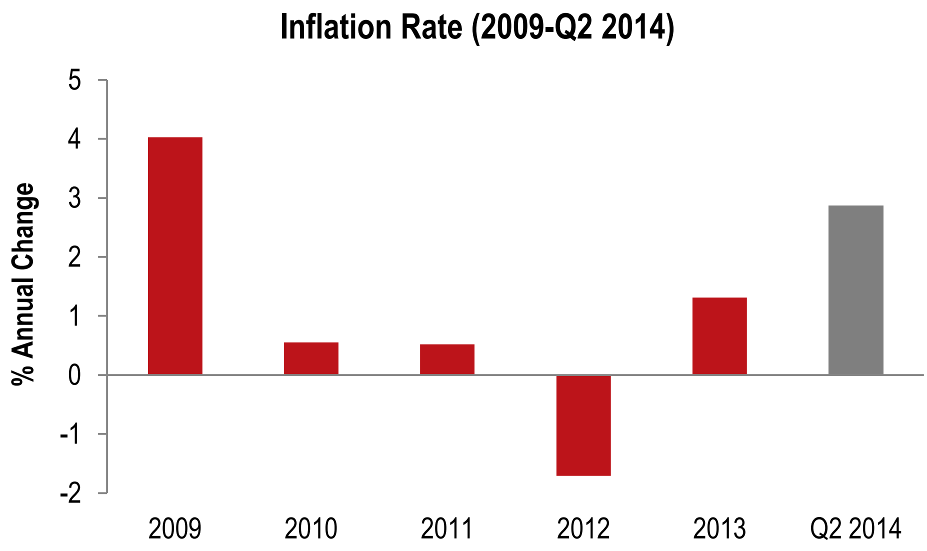


Source: Thomson Reuters

Inflation

According to the Dubai Statistics Centre, Dubai posted an inflation rate of 1.3% in 2013 compared to the same period in 2012. They attribute this to a significant increase (15%) in the price of alcoholic beverages and tobacco, followed by a 5% increase in education costs and a 3.7% rise in the price of furnishings, household equipment and maintenance. The inflation rate for clothing & footwear declined around 3%.

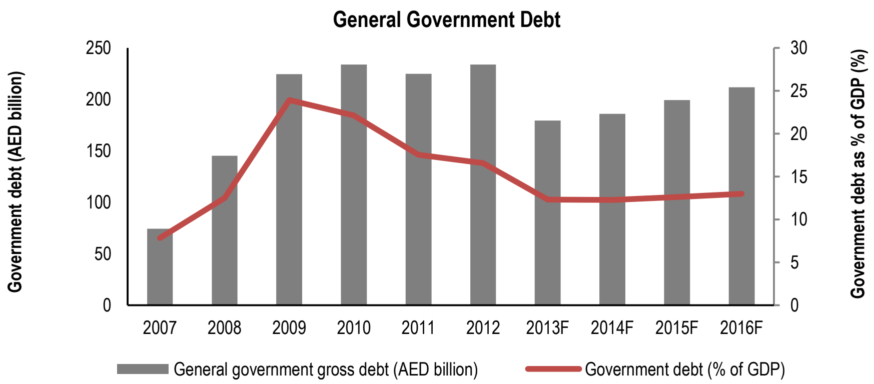
The rapid rise in the price of housing fed into the overall inflation figure in Q2 2014 which recorded a 2.8% growth. Data from the Dubai Statistics Centre reveals that education costs increased to 4.9%, followed by housing & utility costs (+4.8%) and furnishings & household equipment (+3.9%). Inflation figures are expected to rise further over the remainder of 2014 on the back of robust domestic demand and higher real estate prices.



Source: Dubai Statistics Center

Debt

According to the IMF, the UAE's government debt remains less than 20% of GDP. Having said that, the aggregate debt of Dubai government and related entities (GREs) remains sizeable. Nevertheless, officials are confident that the emirate will meet its obligations on the back of improved economic fundamentals.



Source: IMF

Below is a timeline of main events related to Dubai's debt.

2008	• Dubai government issues a USD 4bn dirham-based bond programme (Sept) • Atlantis Hotel & Resort opening with an estimated event cost of over USD 20mn (Nov)
2009	• Dubai launches a USD 20bn bond scheme; UAE Central Bank subscribes to USD 10bn (Feb) • Dubai hires Rothschild to advise on USD 20bn support fund to aid indebted companies (Apr) • Dubai World announces talks to reschedule USD 12bn of debt (Sept) & seeks a 6-month standstill on USD 26bn of debts (Nov) • NBAD & Al Hilal Bank agree to buy USD 2.5bn each of Dubai government bonds (Nov) • Abu Dhabi provides a USD 5bn rescue package; Dubai pays Nakheel's USD 4.1bn (Dec)
2010	• Burj Khalifa opening (Jan) • The CEO of Dubai World's private equity unit resigns amid a management shuffle (Jan) • Dubai World restructuring plan outlined by the Chairman of the Dubai Supreme Fiscal Committee (Mar)
2013	• Abu Dhabi & UAE Central Bank to roll over USD 10bn bond programme (Mar)
2014	• Dubai wins Expo 2020 (Nov) • Nakheel makes a USD 59mn payment on its Sukuk after refinancing/restructuring PJA, Waterfront, and its Malls.
2015	• First tranche of Dubai World's restructured debt due; USD 4.4bn (May)
2018	• Second tranche of Dubai World's restructured debt due (USD 10.3bn)

Source: JLL/Zawya

Expo 2020

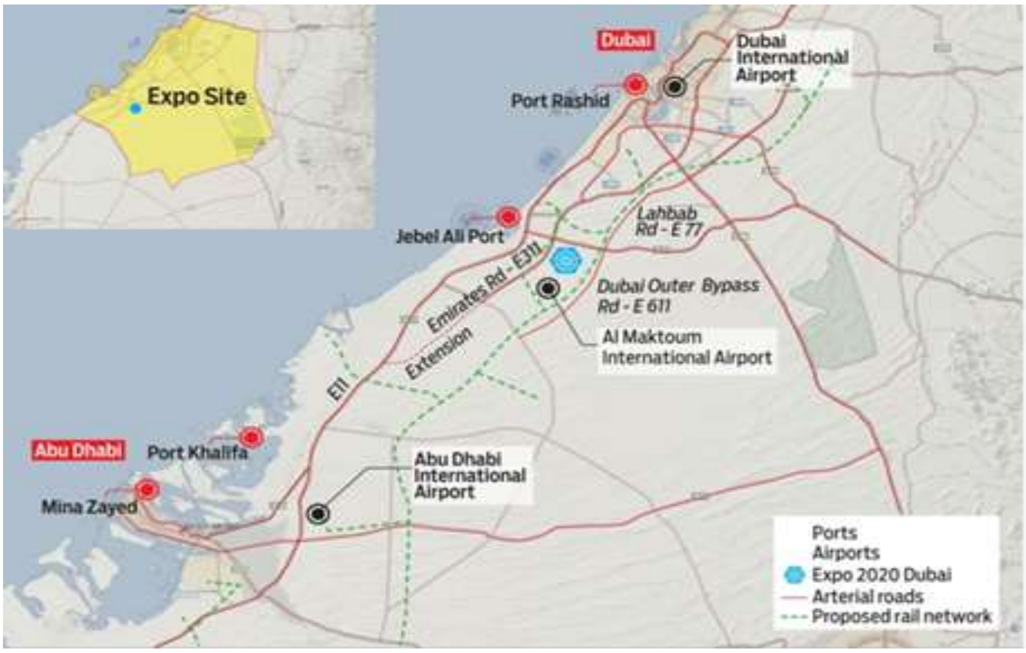
Dubai's successful bid to host the World Expo 2020 was announced in November 2013 at a time when Dubai's economy was seeing a general recovery following the 2008 crash. The sectors contributing the most to Dubai's current economic recovery are likely to be the key gainers from the Expo. The transport, trade and tourism sectors are expected to benefit significantly from growth in tourist numbers, a general ramp up in economic activity before and during the event, and a corresponding expansion in population.

The property and construction sectors will be a key beneficiary from the roll-out of investments associated with the government infrastructure and private projects. The financial sector will also play a major role in financing expansion plans and will benefit from improved volume growth, spurring demand from corporates, and dynamic population growth which will support retail lending.

Below is a summary of key facts about the Expo 2020:

- The 438 hectares site will be located at Dubai World Central – Jebel Ali, on the southwestern edge of Dubai equidistant from the centers of Abu Dhabi and Dubai. The site is of close proximity to the new Al Maktoum International Airport and the Jebel Ali sea port.
- An estimated 25 million people are likely to visit the Expo, 70% of whom will come from outside the UAE.
- Total direct funding required stands at USD 8.8 billion (AED 32.2 billion), of which USD 7 billion (c. AED 26 billion) will be used to developed city-wide infrastructure, and the Expo and surrounding site. AED 6.2 billion is earmarked for operating expenses.
- Estimates indicate that over 277,000 jobs will be created between 2013 and 2021. 40% of these will be within the travel and tourism sector and 30% in the construction sector.

Source: Expo bid documents/Oxford Economics



Source: Dubai Government Media Office / Gulf News

6.7 Socio Economic Overview, UAE

Introduction

Established on 2 December 1971, the UAE is a federation of seven emirates governed by a Supreme Council of Rulers composed of the heads of each emirate. However, each of the emirates retain a substantial amount of political autonomy. The federal government, based in Abu Dhabi, oversees all areas requiring national-level oversight such as national security, defense, foreign relations, fiscal and monetary policy, and immigration (among others). Due to their status as the original founding members of the UAE, Dubai and Abu Dhabi hold a number of additional powers at the federal level and have more influence on national affairs than the other five emirates. In addition, the ruler of Abu Dhabi traditionally serves as the president of the UAE, while the ruler of Dubai serves as prime minister and vice-president.

Geographically, the UAE stretches from the south-eastern shore of the Gulf almost to the Strait of Hormuz in the north, occupying a total of 83,600 sq km. The country borders Saudi Arabia to the west and south, and Oman to the east.

Economically, the UAE has established itself as the second largest economy in the GCC after Saudi Arabia. Since it gained autonomy in 1971, the UAE's economy has grown exponentially to reach AED 1 trillion in 2013, according to Oxford Economics. Successful efforts at diversification in trade, logistics, banking, tourism, real estate and manufacturing have reduced the portion of oil based GDP to 25% in 2012.

The UAE business environment is regarded as one of the most open in the GCC ranking 23rd in the World Bank's 2014 Doing Business report, ahead of its GCC neighbors like Saudi Arabia (26th) and Qatar (48th), and above the overall MENA average (107th). The existence of free trade zones with 100% ownership, zero taxes, sophisticated infrastructure, and a convenient geographical location are attractive aspects for foreign investments.

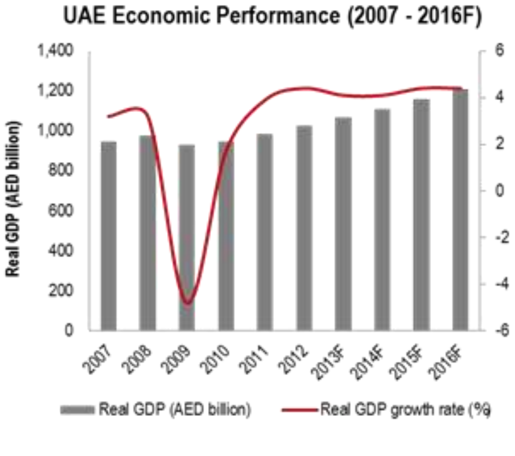
Economic Indicators

Hydrocarbon Sector

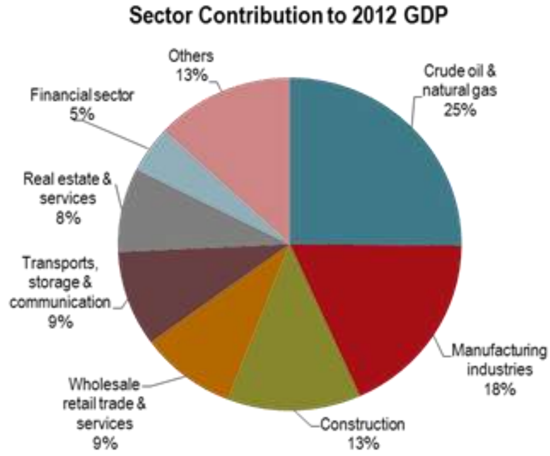
The UAE's economy has gained momentum over the past couple of years driven by strong growth in oil and non-oil. This was propelled by a pick-up in consumer confidence and investor sentiment on the back of a revival in the real estate and construction sectors, coupled with Dubai's successful bid to host Expo 2020.

Real GDP growth in the UAE registered a 4.4% increase Y-o-Y in 2012, according to Oxford Economics. This dipped slightly in 2013 to 4.1% on the back of weak oil sector growth, but is expected to recover as the UAE diversifies it's economy. Forecasts indicate a GDP growth rate of 4.4% in 2016 (Oxford Economics).

On a sector split, the UAE economy is still largely driven by its hydrocarbon sector. Figures from the National Statistics Center reveal that crude oil and natural gas represented 25% of total GDP in 2012 (AED 582 billion). In terms of supply, the UAE is the fourth largest oil producer in OPEC, with output reaching around 2.6 million barrels per day in 2012. Natural gas production reached AED 54 billion cubic meters for the same period (OPEC 2013 statistical bulletin).



Source: Oxford Economics



Source: National Statistics Center

2013 witnessed a number of EPC awards for oil, gas, and petrochemicals projects. ADMA-OPCO, the UAE'S largest offshore operator, awarded around USD 5 billion worth of deals in 2013, while ZADCO awarded an additional USD 4 billion, according to MEED. 2014 is expected to continue witnessing strong EPC awards in the UAE oil and gas sector.

Non-Oil Sectors

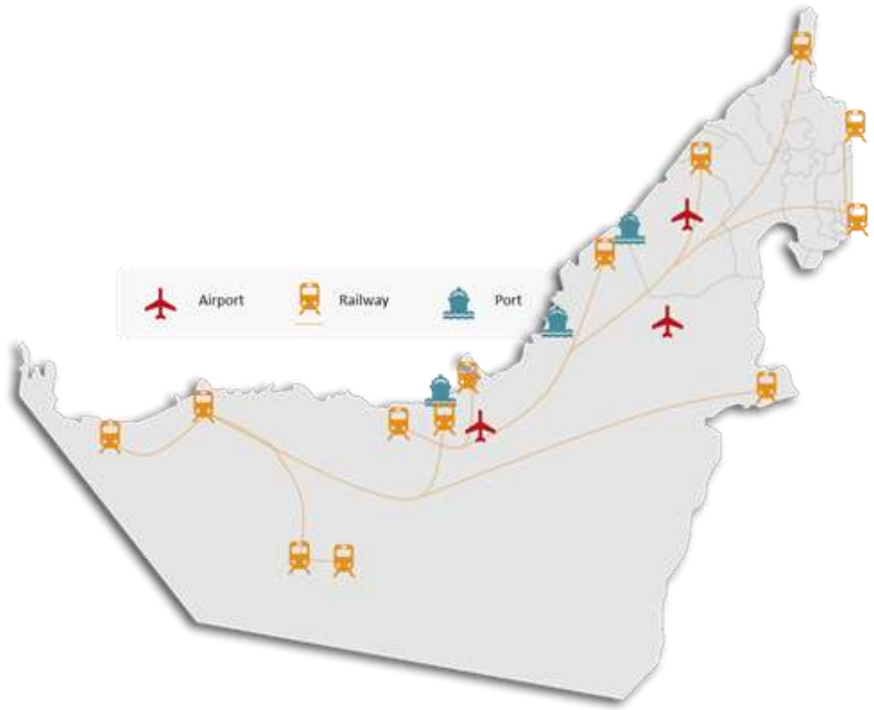
Trade and Transport

The UAE has developed as the largest hub for trade and transport within the Middle East. Jebel Ali sea port (the world's 9th largest container port) currently has a capacity of 15 million TEUs. This is set to increase to 19 million TEUs by the end of 2014.The Khalifa Port in Abu Dhabi currently has an annual capacity of 2.5 million containers. The long term goal is to increase capacity to 15 million TEUs and 35 million tons of bulk cargo by 2030.

In air travel, Dubai International Airport has announced an AED 28.8 billion expansion program which aims to boost capacity from 60 million to 100 million passengers per year by 2020. 2013 passenger traffic reached 66 million. Around 70 kilometers away, Al Maktoum International Airport is expected to become the largest airport in the world. Upon completion, the airport will have up to 4 passenger terminals with an annual passenger capacity of 160 million. Likewise, Abu Dhabi International Airport is undergoing an AED 1.65 billion expansion program to increase its passenger capacity from 17.5 million to 55 million passengers. 2013 saw passenger traffic reach 17 million. These developments are set to expand the market share of both national carriers, Etihad and Emirates, even further.

In parallel, attention is geared towards the development of the UAE's first railway network. With financing of over AED 90 billion, the rail network project will link all the emirates in the UAE and further boost economic growth and the efficiency of trade.

The below map illustrates the future of the UAE transport system.



Source: JLL

Manufacturing

Manufacturing has emerged as one of the largest contributors to the UAE's non-oil GDP, accounting for approximately 18% of total GDP in 2012 and is expected to continue increasing. The majority of manufacturing investment is concentrated in heavy industry including petrochemicals, aluminum, steel, cabling and ship building.

The UAE's manufacturing sector has driven much of the country's non-oil trade. A report by the Dubai Chamber of Commerce and Industry reveals that 2012 manufacturing exports (including re-exports), accounted for 53% of the UAE's total non-oil exports of merchandise goods, and 22% of total exports including oil. On a value basis, UAE's manufactured exports increased from around AED 30.5 billion in 2000 to approximately AED 217 billion in 2012, registering a cumulative annual growth rate of about 18%.

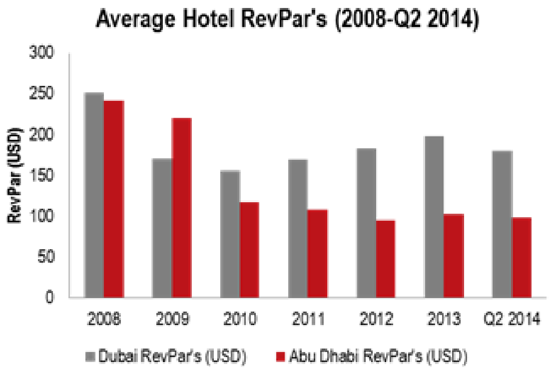
In 2012, almost 77% of the UAE's manufactured exports went to Asia, 10% to Africa and 6% to Europe. The report further states that despite the increase in domestically consumed manufactured products in the UAE, the value of manufactured exports exceeded domestic consumption.

Tourism

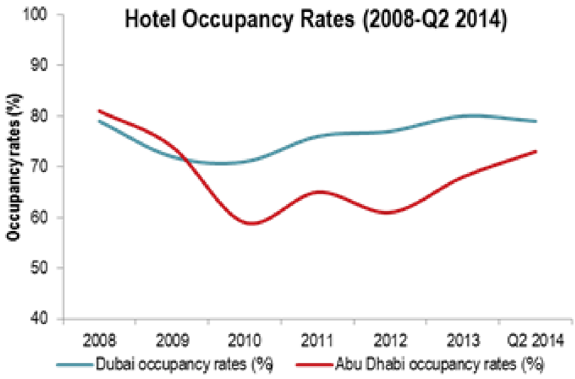
The UAE's tourism sector has witnessed strong performance over the past couple of years, registering increases in hotel occupancy rates and revenues, data from STR Global shows. In Abu Dhabi, average occupancy rates increased 11% Y-o-Y to reach 68% in 2013. Average daily room rates were at USD 148, increasing revenues per available room to USD 103 (+8% Y-o-Y). In Dubai, average occupancy levels were at 80% in 2013, registering a 3% increase Y-o-Y. With daily room rates averaging USD 244, Dubai recorded USD 198 in revenues per available room (+8% Y-o-Y).

According to the latest data from STR Global, Q2 2014 registered further growth rates for the hotel sector. Abu Dhabi witnessed 73% average occupancy rates while Dubai registered 79%. Average daily room rates were USD 132 and USD 225 for Abu Dhabi and Dubai respectively, pushing RevPar's further to USD 98 in Abu Dhabi and USD 180 in Dubai.

The above numbers reflect the strength of the tourism and hospitality sectors in both emirates, and their potential to contribute to the growth of the non-oil sector. On the back of that, the governments of Abu Dhabi and Dubai have embarked on a number of developments to further enhance the sector; Abu Dhabi has invested



Source: STR Global



Source: STR Global

USD 27 billion on the Saadiyat Island project which will include cultural attractions like the Louvre and Guggenheim museums, while Dubai has announced investments in theme parks and the world's largest Ferris wheel.

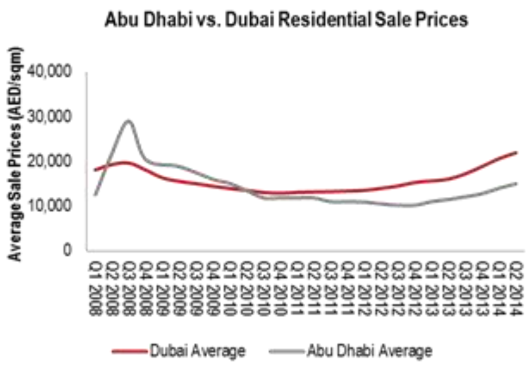
Real Estate and Construction

The real estate market has generally improved over the past year, regaining some of the loses experienced in 2008-2010. The recovery has been strongest in Dubai that has witnessed increasing prices and renewed development activity in most segments. Real estate growth in the capital remains more subdued with the Abu Dhabi market lagging 18-24 months behind Dubai.

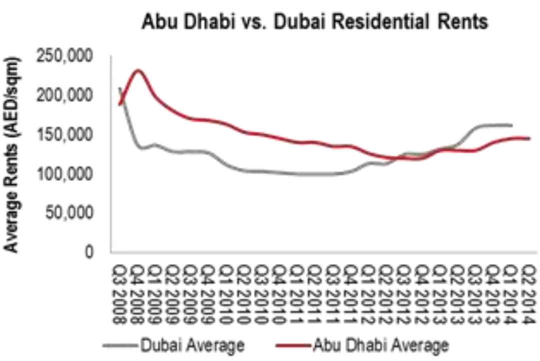
*Hotel clock reflects the movement of RevPAR.

Note: The property clock illustrates where JLL estimates each prime market is within its individual rental cycle as at end of the relevant quarter.
Source: JLL

H1 2014 saw residential apartment rents in Abu Dhabi increase 12% Y-o-Y, while Dubai rents grew 24% for the same period. Likewise, sale prices in Dubai increased 34% Y-o-Y while those in Abu Dhabi rose 30%. Data from JLL shows that Dubai rentals for high end property in Dubai (Palm Jumeirah and Downtown), now exceeds those for comparable locations in Abu Dhabi such as Saadiyat Island.



Source: JLL



Source: JLL

Social Indicators

Population

The population of the UAE is estimated at 9 million in 2013, according to Oxford Economics. This represents a 3% increase from 2012 levels. Looking forward, the population is expected to continue growing albeit at a slower rate; the average growth rate is projected at 2.4% over the next couple of years (2014-2016).

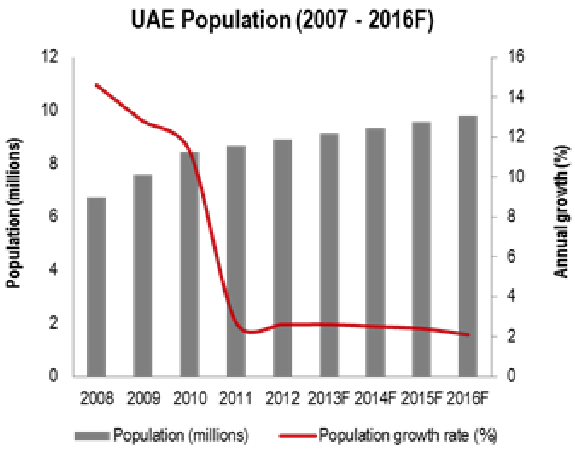
The demographic makeup of the UAE is heavily skewed towards expatriates and males, with around 80% of the population being expatriates. Due to the exponential rate of economic growth over the past decade, the UAE has attracted a large influx of foreign expertise and labour, and this trend is expected to continue into the future.

On a gender basis, around 70% of the total population are males. The UAE population is also relatively young and is largely concentrated in the 25-40 age group; a natural consequence of the large expatriate workforce.

Labour Force

Oxford Economics estimates total labour force at 5.5 million persons in 2013, while the unemployment rate stood at 4% for the same period. Looking forward, the total labour force is expected to grow at an average rate of 3% pa to reach 6 million in 2016, while unemployment rates are expected to decline further. On a gender basis, the UAE labour force is largely dominated by males, that accounted for around 85% of the total UAE labour force.

Given the UAE is heavily dependent on foreign labour, the private sector has been urged to play a stronger role in employing Emiratis, as population growth has outpaced the ability of the government to create jobs in the public sector for them. Through its Emiratisation programme, the Labour Ministry aims to increase the number of Emiratis working in the private sector.

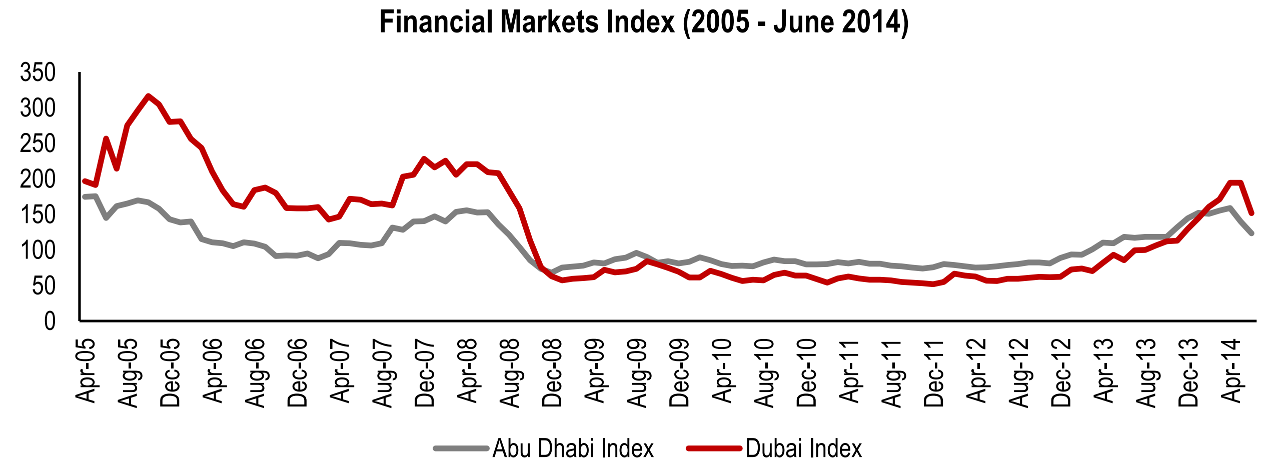


Fiscal & Monetary Indicators

Financial Markets

The UAE equity market witnessed buoyant activity and a strong rally in prices in 2013 on the back of an overall economic recovery, supported by an MSCI upgrade from frontier to emerging market status. In Dubai, the Financial Market Index (DFM) rose by 108%. In total, 127 billion shares were traded on DFM, while market capitalisation increased significantly (41%) to AED 260 billion during 2013. Likewise, the Abu Dhabi Securities Exchange reported a significant increase of 61% in 2013. The value of traded shares almost quadrupled to reach almost AED 84 billion; the highest in five years. Meanwhile, market capitalisation grew 53% to AED 390 billion.

Growth was focused on the financial and investment services sector, with the index increasing 170% and 300% on the DFM and ADX respectively.



Source: Thomson Reuters

Inflation

The overall Consumer Price Index (CPI) for the UAE reached 118 in 2013, representing a 1.1% increase Y-o-Y. The rates of inflation have increased following years of stability in the aftermath of the financial crisis. The latest data from the National Statistics Center reveals that CPI levels in H1 2014 reached 119.8; a 2% increase from H1 2013 levels.

Education was the key driver of consumer inflation in the UAE, increasing 4.5% Y-o-Y in the first half of 2014, followed by furniture and household goods (+4% Y-o-Y). Rising inflation is expected to continue in 2014, as the sharp increase in housing costs over the last couple of years feeds through to the official inflation indices. The International Monetary Fund recently estimated overall 2014 inflation figures at 4.4% on the back of the property market rebound and the strength of the trade, transport and tourism sectors.

UAE CPI & Inflation Rate			
Main Groups	**H1 2013**	**H1 2014**	**Inflation Rate (%)**
All Items	**117.5**	**119.8**	**2.0%**
Education	145.0	151.5	4.5%
Furniture & Household Goods	126.4	131.2	3.8%
Housing	107.9	110.4	2.3%
Food & Soft Drinks	138.2	141.2	2.2%
Beverages & Tobacco	143.8	146.2	1.7%
Miscellaneous Goods & Services	123.8	125.5	1.4%
Restaurants & Hotels	139.7	141.3	1.1%
Transportation	119.9	121.1	1.0%
Recreation & Culture	115.5	116.3	0.7%
Textiles, Clothing & Footwear	108.8	109.5	0.6%
Communications	98.1	98.5	0.4%
Medical Care	107.5	107.3	-0.2%

Banking Activity

Confidence in the banking sector led to a 7.8% increase in commercial bank assets to AED 1.7 trillion by the end of 2012. The Central Bank further reveals that the value of deposits rose to AED 1.1 trillion, representing a 9% Y-o-Y increase, thus improving UAE bank liquidity positions. Despite that, credit growth remains weakened by large provisioning requirements and tighter lending regulations.

According to the Central Bank's 2012 Annual Report, bank loans witnessed a c.3% increase in 2012, recording AED 1 trillion by year end. On a sector split, bank loans to the real estate sector grew 5.4% in 2012 to reach AED 254 billion. Loans to companies grew at a marginal 0.9% to AED 395 billion, bank loans to the government increased by 18.5% to AED 123 billion, and total personal loans increased by 3.5% reaching AED 261 billion.

6.8 Dubai Retail Overview

Introduction

Dubai has successfully positioned itself as the leading retail destination within the MENA region. There are two primary drivers of the retail market in Dubai, spending from local residents and spending from tourists, and both of these sectors are forecast to experience significant growth over the next 5 years.

The UAE economy has grown at a rapid rate over the past 5 years and this has resulted in strong growth in both population numbers and income levels of residents (thereby boosting retail spending potential). The population of the UAE is estimated to be in excess of 9 million, of which 2.2 million resided in Dubai in 2013 (Oxford Economics).

The demographic structure of the UAE is extremely conducive to retail spending, with a relatively young demographic (with 66% in the 20-39 age group) and high net income per capita (estimated to be around USD 39,000 per person in 2013 – BMI).

The retail sector also benefits directly from high levels of spending from visitors, with Dubai successfully pioneering the concept of retail tourism over the past 10 years. The city's retail offer continues to be a major factor contributing to the growth in tourist arrivals (which exceeded 11 million in 2013). The government remains firmly committed to supporting this sector of the economy, with initiatives such as the Dubai Shopping Festival & Dubai Summer Surprises.

The retail landscape of the city has changed dramatically over the past 20 years, during which time a wide range of attractive retail malls and other attractions have been developed. Dubai currently houses 40 retail malls over 10,000 sq m providing a total of around 2.8 million sq m of mall based retail space, around 1.3 sq m per resident.

The prospects for the retail industry in Dubai remain strong, with forecasts of continued growth in both tourist arrivals (from 13 million in 2013 to 20 million in 2010 – DTCM) and spending by the resident population (up from USD 208 billion in 2013 to USD 348 billion by 2018 – BMI). Continued government support for the retail market also appears likely.

The major risks facing the retail industry include a potential escalation of geo political tensions (e.g. Iraq or Syria) having an adverse impact upon oil production and therefore regional revenues. On the domestic front, there will inevitably be more competition between malls (which will lead to increased cannibalisation of spending) and the concentration of retailing in the dominant malls (e.g. Dubai Mall and the Mall of the Emirates) poses a potential threat to smaller centers.

Retail spending and demand

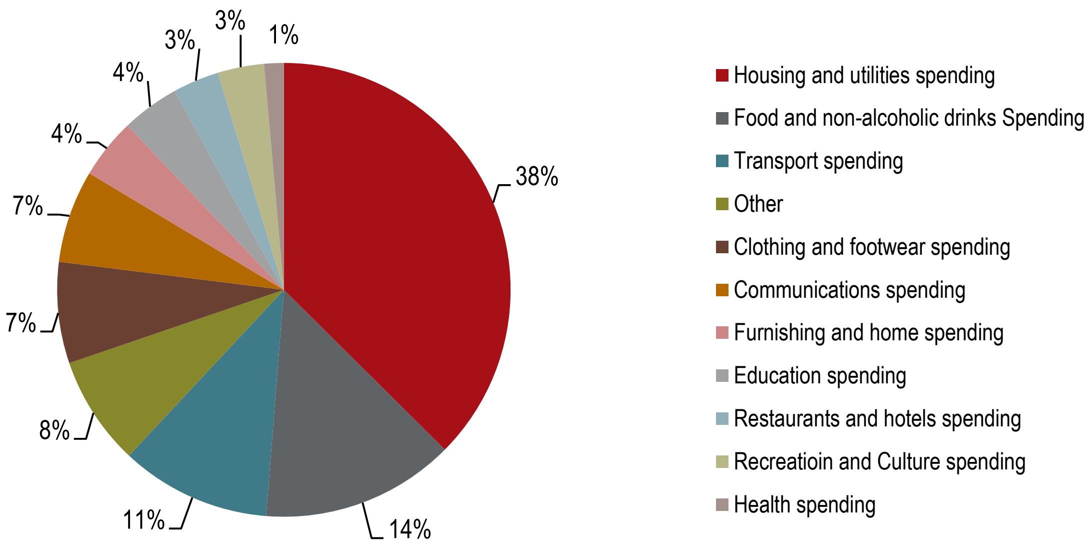
Spending by local residents

According to research from Business Monitor International (BMI), total household spending by UAE residents amounted to some USD 208.8 billion in 2013.The following chart provides a break-down of this spending and shows that the three largest components are housing (37.4%), food (13.8%) and transport (10.7%).

Total spending by UAE residents is expected to increase by around 10% pa over the next 5 years to around USD 347 billion by 2018. The importance of this sector is reflected by its increase from around 49% of total GDP in 2013 to more than 58% of GDP by 2018. This clearly creates a very attractive backdrop for the retail industry and is the major driver of demand for retail real estate.

Estimating Dubai's share of the total retail spending is difficult, as there is limited data on spending released at the Emirate level. According to Oxford Economics the 2013 population of Dubai stood at around 2.2 million (22% of UAE total). Assuming uniform spending patterns across the UAE, would result in total spending of around USD 48.1 billion from Dubai residents.

UAE Total Household Spending (2013)



Source: Business Monitor International

Spending by visitors to Dubai

The Dubai retail market benefits from high levels of spending from visitors to the Emirate. These visitors comprise two major groups, those from overseas (most of whom enter through the Dubai International Airport) and those living in the surrounding Emirates (and adjoining nations such as Oman), the majority of whom travel to Dubai by Road.

Dubai has pioneered the concept of Retail tourism and much of the retail infrastructure within the city has been developed to attract external visitors as well as residents of Dubai. The Dubai Shopping Festival is one of the major events on the Dubai calendar (running during January and February each year). Dubai Summer Surprises, is a more recent edition to the calendar, attracting many visitors during the otherwise quieter summer months.

In addition to international and tourists coming to Dubai, many residents of other Emirates within the UAE visit retail Malls within Dubai. These numbers are the highest during the weekends, as families spend time shopping, dining or just enjoying the wide range of Family Entertainment Centres (FEC) available within malls in Dubai.

Although the retail offering of other parts of the UAE are improving, Dubai offers by far the strongest retail infrastructure with a much wider variety of large and smaller niche retail destinations that are likely to attract significant levels of spending from elsewhere in the UAE over the next five years.

Dubai is in many ways a unique retail market, depending as it does so heavily on spending from non-residents. While many of the smaller neighbourhood and convenience centers are targeting spending from residents of Dubai, large regional malls (e.g. Dubai Mall and Mall of the Emirates) as well as specialist F& B destinations (such as Souk Al Bahar and Madinat Jumeirah) attract a significant proportion of their spending from those resident outside of Dubai.

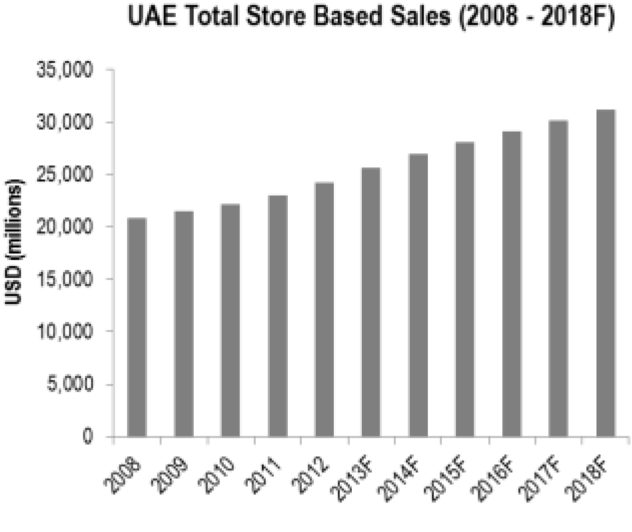
There is no comprehensive published data on how much visitors to Dubai spend in the city's retail malls. Data from the MasterCard Global Destination Index, suggest that visitors to the city spent over USD 10 billion in Dubai in 2013 and it is logical to assume that a significant amount of this spending occurred in retail malls.

Retail turnover

Clearly not all of the spending by residents of the UAE or tourists to the country noted above will be undertaken in a retail environment There is no official published data on retail spending and turnover published for either the whole of the UAE or for Dubai, but data from Euromonitor International suggests that spending in retail stores across the UAE totaled around USD 25.6 billion in 2013. This represents around 12% of the total spending of households on all goods and services.

The data from Euromonitor International shows that spending in retail stores in the UAE grew rapidly (at more than 10% pa) from USD 6.8 billion in 1999 to around USD 20.8 billion in 2008. Since this time, the rate of growth has declined somewhat but sales have continued to increase by a CAGR of 4.2% to USD 25.6 billion in 2013. This represents total spending in retail outlets of around USD 3,000 per capita in 2013. Spending in retail outlets in the UAE is expected to increase, with Euromonitor International forecasting total spending in the order of USD 31.1 billion by 2018, which represents a CAGR of 4.0%.

While the stock of retail floor space has also increased across the UAE in recent years, the pace of new development has not kept pace with sales growth, resulting in average turnover per sqm of retail floor space increasing from USD 4,600 per sqm in 2008 to around USD 4,800 in 2013 according to Euromonitor International. This trend is also expected to continue with Euromonitor International forecasting turnover of USD 5,100 per sqm of retail space by 2018. Luxury retailers achieved the highest level of turnover in 2013 (at more than USD 13,000 per sqm, while both apparel and footwear and electronics retailers averaged more than USD 6,000 per sqm, with grocery retailers averaging slightly less than the industry average (around USD 4,600 per sq m).



Source: Euromonitor International

Source: Euromonitor International

There is no detailed data available on the performance of retail stores in Dubai compared to other parts of the UAE but anecdotal evidence would suggest that sales per sq m are probably higher in Dubai than elsewhere in the UAE, suggesting that occupancy cost (i.e. base rent and turnover) is higher. Projections for further growth in both total retail spending and the turnover per sq m of retail floor space are based on positive assumptions in respect of the following indicators:

- Forecast growth in Dubai's economy, leading to more employment.
- Increased population due to natural growth of Emirati population and higher employment levels attracting further expatriate population.
- Increased income levels across both local and expatriate residents.
- Continued government support to improve the city's retail offer and further enhance Dubai's position as the prime retail destination within the MENA region.
- Increase in domestic and international tourist numbers as a function of Government plans and actions in line with DTCM objective of attracting 20 million visitors per annum by 2020.
- Opening of the new Al Maktoum International Airport to passengers as well as continued rapid development of Abu Dhabi airports, which will be significant entry points for tourists visiting Dubai.
- Further investment in hospitality and retail infrastructure with spending a number of key initiatives being progressed by success of Dubai in securing Expo 2020.
- Expansion plans of retail brands seeking to explore new business opportunities and use Dubai as a base for regional expansion plans.

Current Stock and Future Supply

Another unusual feature of the Dubai retail market is the dominance of retail malls rather than more informal retail formats. This is explained by a combination of the harsh climate and the relatively recent development of the market during the era of the mall.

The stock of space within retail malls has more than doubled over the past 8 years, from 1.35 million sq m in 2005 to more than 2.86 million sq m at the end of 2013.

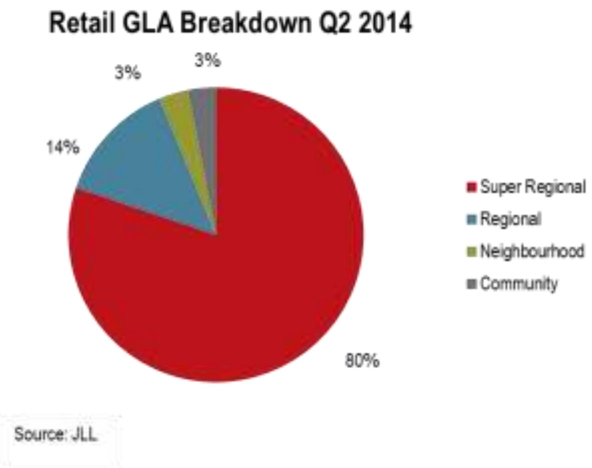
There is currently around 1.3 sq m of mall based retail space per capita in Dubai. This is the highest level of supply in the Middle East and is above the international benchmark of 1.1 sq m per capita, identified by the

International Council of Shopping Centres (ICSC). The higher than average retail floor space is supported by the significant level of tourist spending in Dubai.

The last major addition to supply being Mirdif City Centre in 2010. Since this time, there has been a relatively small amount of additional supply completed, with just 90,000 sq m completing over the past 2 years (2012 /2013) as developers have switched their attention to extensions to existing centres or smaller community and neighbourhood malls

Around 47,800 sq m of retail space was completed in 2013 with the completion of the first phase of Meeras's Citywalk and phase 2 of the Al Ghurair City project in Deira. The only completion in 2014 to date has been a small F & B project by Meeras at JBR (comprising just 8,400 sq m).

There are currently only 4 small projects scheduled to complete in 2014, with a total of less than 31,000 sq m. These comprise three neighbourhood malls and an expansion to the existing Mall of the Emirates. Supply levels are expected to increase again in 2015 and 2016, with a total of more than 750,000 sq m of potential new supply announced, of which around 460,000 sq m is currently under construction.



Classification of Retail Centres is based upon Urban Land Institute (ULI) definition, based on their GLA:

- *Super Regional Malls have a GLA of above 90,000 sq m*
- *Regional Malls have a GLA of 30,000 - 90,000 sq m*
- *Community Malls have a GLA of 10,000 - 30,000 sq m*
- *Neighbourhood Malls have a GLA of 3,000 - 10,000 sq m*
- *Convenience Malls have a GLA of less than 3,000 sq m*

The below table shows a selection of the major retail projects that have been completed since 2009:

Completed in 2009	Type	Retail GLA (sq m)
The Walk	Regional	73,026
Oasis Mall	Regional	55,741
Arabian Plaza	Community	29,980
Completed in 2010	**Type**	**Retail GLA (sq m)**
Mall of the Emirates - Extension	Super Regional	10,409
Mirdiff City Centre	Super Regional	196,000
Sunset Shopping Mall	Community	10,748
Etihad Mall, Muhaisnah 1	Regional	36,117
Al Khail Hyper Market - AL Quoz	Neighborhood	4,182
Completed in 2011	**Type**	**Retail GLA (sq m)**
Al Barsha Mall - Al Barsha II	Regional	73,680
Bay Avenue	Community	15,258
Canal Promenade - Dubai Sports City	Convenience	2,602
Currency House - DIFC	Convenience	2,323
Deira City Centre - Phase 2	Super Regional	2,788
Index - DIFC	Neighborhood	8,064
Limestone House - DIFC	Neighborhood	3,996
Uptown Motor City - Dubai Land	Community	11,896
Wasl Square	Neighborhood	5,576
Completed in 2012	**Type**	**Retail GLA (sq m)**
Royal Mall (J3 Mall)	Neighborhood	5,000
Madina Mall	Regional	37,161
Completed in 2013	**Type**	**Retail GLA (sq m)**
Citywalk - Phase 1	Community	12,800
Al Ghurair City- Phase 2	Super Regional	35,000

The table below shows a selection of the projects that are currently under construction or announced for completion over the next two years.

Future Projects	Type	Retail GLA (sq m)	Completion Year
Jumeirah Park Community Centre	Community	10,600	2014
Discovery Gardens Retail Centre	Neighbourhood	8,700	2014
Development across Wild Wadi Water Park)	Neighbourhood	7,000	2014
Mall of the Emirates Ext. 2 (Phase 1)	Super Regional	4,600	2014
Dragon Mart - Phase 2	Super Regional	100,000	2015
Agora Mall, Jumeirah	Regional	67,400	2015
Ibn Battuta Mall Phase II	Regional	17,000	2015
Community Centre in International City	Neighbourhood	7,300	2015
The Pointe	Regional	136,000*	2016
Citywalk- Phase 2	Super Regional	200,000	2016
The Dubai Mall - Phase 2	Super Regional	60,000	2016
Art Centre	Regional	32,500	2016
Nakheel Mall / Palm mall	Super Regional	418,000	2016

*This includes retail, dining & entertainment

Source: JLL

While enclosed malls will continue to account for the majority of modern retail floor space in Dubai, outdoor shopping spaces are gaining popularity. In addition to The Beach on JBR, Meraas are expected to complete Phase 2 of The City Walk in 2016, and Nakheel have announced plans to develop The Pointe on The Palm Jumeirah, with all these projects including significant outdoor components.

In addition to those listed in the table above, there are numerous other retail projects scheduled for delivery between 2017 and 2020. Emaar are targeting a total of up to 2 million sq m, with Nakheel targeting up to 1 million sq m of space by 2020. Dubai Holdings (DH) have also recently announced a proposed new super regional mall to be called the Mall of the World. While there are few details of the timeframe or the exact size of this project have been released, the initial announcement suggests a total retail area of around 8 million sq.ft (743,000 sqm) making it the largest retail mall in the world.

These ambitious expansion plans indicate the confidence of major local retail players in the Dubai retail market on the back of continued growth in sales and turnover levels.

Performance Indicators

Vacancies for line stores in malls in Dubai have declined in recent months, with JLL estimating that around 8% of line stores in established malls were vacant at the end of Q2 2014. With some of the better performing malls recording virtually no vacancies (with a waiting list for units that do become vacant in some malls), there has been an increase in average rentals recorded.

With the primary Super Regional Malls offering very limited vacant space, retailers are now shifting their offerings to community centres. As demand has increased for these, rental values are improving for both primary and secondary community centres.

The retail sector in Dubai remains extremely asset specific, with a wide range of rentals being achieved both between malls and even within the same mall (according to the status of the retailer and the specific location of the unit within the mall). JLL therefore quote a range of estimated rental values for different sized malls.

Estimated Rental Values (ERV's) – Dubai

AED / sq m	Q1 2014	
	Primary	Secondary
Super Regional	4,800-9,100	1,100-3,400
Regional	1,400-3,400	1,000-2,400
Community	2,400-2,800	1,300-1,350
Neighbourhood	2,600-3,300	1,100-1,250
Convenience	1,800-3,000	1,350-1,475

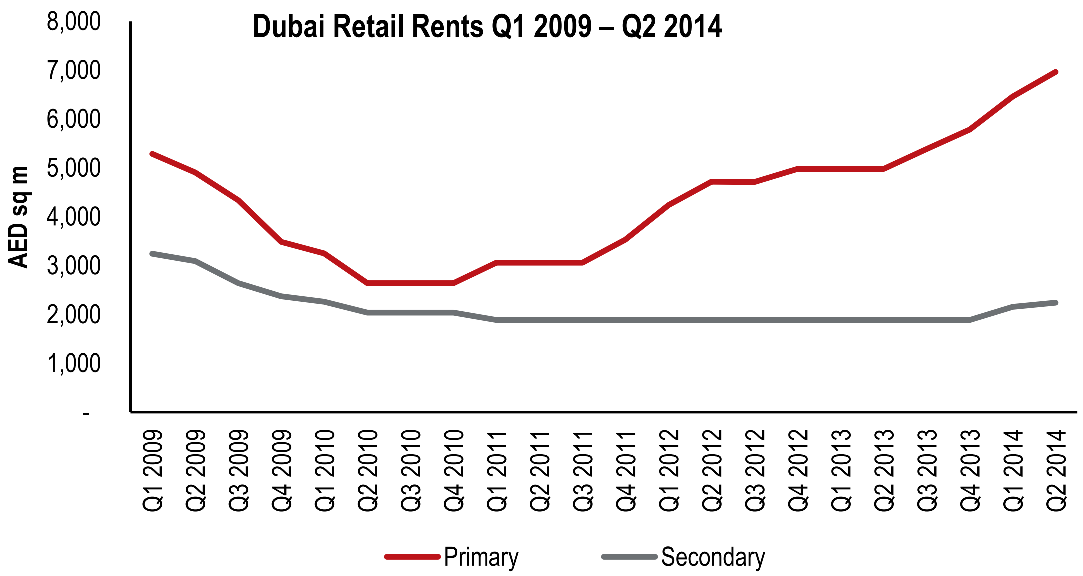
*These figures represent base rents. Most malls operate on the basis of base rent plus turnover

Source: JLL

These rentals represent the typical open market net rent that could be expected for a notional line store of 100 sq m situated on the major trading level of different sized malls. These comprise the 'base rent' with many malls also applying a turnover figure in addition to the base rent.

Given the wide range of rents between malls, calculating an average figure is problematic. Such an exercise does however provide a useful indication of how rental levels have changed over time. The average base rent for line stores in primary super regional malls in Dubai is estimated to be around AED 7,000 sq m, while the average in secondary super regional malls is around AED 2,250 sq m.

The following graph shows how rentals have increased much more quickly in primary malls over the past 3 years, with these malls now achieving average base rentals well above the malls prime units in the most popular malls can command rentals of more than AED8,000 sq m.



Note: Chart shows mid-point ERV for an in-line store in a basket of Primary and Secondary Super Regional shopping malls. The rent quoted reflects a notional “standard” line store unit of 100 sq m.

Source: JLL, Q2 2014

Summary of Dubai Retail Market Conditions (Q2 2014)

Indicator	Level	Comment / Outlook
Current Retail Space (GLA)	2,873,000 sq m	Q2 2014 saw no new additions to the retail stock in Dubai
Future Supply (2014 – 2016)	496,000 sq m	The main retail completions for 2014 will be Jumeirah Park Community Centre and the Discovery Gardens Retail Centre, both by Nakheel; the expansion of the Mall of the Emirates & Dubai Mall; phase 2 of Dragon Mart & Nakheel Mall on Palm Jumeirah
Average Retail Rents in Primary Malls Average Retail Rents in Secondary Malls	AED 7,700 / sq m AED 2,360 / sq m	Rents of prime units in better performing centers have improved in Q2 2014. Rental growth is expected to continue in 2014 in most primary and modern secondary malls.
Average Regional Mall Vacancy	8%	Citywide retail vacancy is estimated to have dropped slightly to 8% in Q2 2014 as demand for retail space remains strong and large primary centres are almost fully occupied.

Future Outlook - Dubai Retail Market

Retailing has been one of the major drivers of growth in the Dubai economy over the past 10 years and there is little doubt that this trend will continue. Dubai serves as a high order retail center for many visitors from around the region and beyond and therefore supports far more retail floor space than other global cities of comparable size. The retail sector looks likely to expand further as Dubai enhances its position as a retail destination over the next five years

The following table summarizes the likely drivers of future growth in the Dubai retail market over the next 5 years and highlights those factors that could impact on the performance of the overall markets and that of specific retail assets.

Growth Drivers	Risks
Real GDP for UAE to increase by 4.0% pa (2013-2018) – Oxford Economics	Economic downturn due to external economic or geo political events
Resident spending to increase by 10.4% pa (2013 to 2018) - BMI	Slowdown in economic growth could negatively impact household spending and consumption
Tourist arrivals to increase from 11 million in 2013 to 20 million in 2020 (Dubai Tourism & Commerce Marketing)	Downtown in tourist arrivals – most likely due to external shock factor or increased competition from other ME destinations
Retail turnover to increase by 4.0% (CAGR) 2013-2018 Euromonitor International	Lower than forecast turnover increase if Dubai economy were to correct significantly before 2020 – most likely due to external shock
Increased retail floor space will enhance Dubai's retail offer and status	Dubai already has high level of retail floor space per capita (1.35sqm). Increased retail floor space could exceed demand and result in stronger competition between centers

6.9 Comparable Retail Outlets

Yas Mall (Abu Dhabi)

General Information	
Type	Super Regional
Developer	Aldar Properties
Opening year	2014(f)

Indicators	
Occupancy Rate (%)	60%
Area (GLA) (sqm)	235,000
Footfall (millions)	14(f)

Type of Shop	Rents(AED/sqm)
General	3,900 - 4,900
F&B	3,200 - 4,300
Anchors	1,300 - 1,900
Entertainment	1,400 - 2,000
Electronics & Household	3,200 - 4,100
Clothing & Accessories	4,800 - 6,400
Health & Beauty	

Source : BMI International, JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall due to the scale, brand mix and significant tourist attractions.
- Yas mall is located on Yas island, a mixed use development consisting of several tourist attractions like the Yas Marina Circuit, Ferrari World and the Yas Water World.
- Yas Island also offers 7 hotels including the Yas Viceroy.
- Construction of Yas Mall is now complete and the handover of units to tenants for fit-out has begun.
- The opening will coincide with the final race of the 2014 Formula One Championship.
- Yas Mall will be Abu Dhabi’s largest shopping mall and the UAE’S second largest after Dubai Mall.

Key Tenants

- Geant/ Debenhams/ Centrepoint/ Home Centre/ Emax/ Zara/ H&M

Mall of the Emirates

General Information	
Type	Super Regional
Developer	Majid Al Futtaim
Opening year	2005

Indicators	
Occupancy Rate (%)	98%
Area (GLA) (sqm)	234,490
Footfall (millions)	36

Type of Shop	Rents(AED/sqm)
General	8,100
F&B	10,700 - 13,000
Anchors	1,500 - 2,500
Entertainment	
Electronics & Household	
Clothing & Accessories	5,000 - 6,000
Health & Beauty	5,000 - 6,000

Source : MAF Annual Report and JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall due to the scale, brand mix and significant tourist attractions.
- Mall of the Emirates is the first super regional mall in the region.
- The first extension of the mall. The Fashion Dome, was completed in 2010.
- Redevelopment project under the name ‘Evolution 2015’ is currently underway and includes a new fashion district, sports & leisure precinct, new dining concepts, expansion of VOX cinemas. Phase 1 of the project, the fashion district (AED 100 million), was unveiled in Feb 2014.
- Directly linked to the mall are the 5-star Kempinski & Sheraton hotels.
- The Mall Includes a 22,500 sq m indoor ski facility, ‘Ski Dubai’

Key Tenants

- Carrefour/ Debenhams/ Harvey Nichols/ Centerpoint/ DUCTAC

Mirdif City Centre

General Information	
Type	Super Regional
Developer	Majid Al Futtaim
Opening year	2010

Indicators	
Occupancy Rate (%)	95%
Area (GLA) (sqm)	196,000
Footfall (millions)	19.6

Type of Shop	Rents(AED/sqm)
General	2,700
F&B	3,500 -7,100
Anchors	1,000 - 1,500
Entertainment	
Electronics & Household	
Clothing & Accessories	2,800 - 3,100
Health & Beauty	3,800 - 4,200

Source : MAF Annual Report and JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall/Dubai Marina Mall due to the scale/'local community' target market.
- Mirdif City Center has a variety of attractions including Playnation, Little Explorers, Magic Planet and iFly.
- Due to its location, Mirdif City Centre also targets visitors from the northern Emirates.
- It was announced in Feb 2014 that the mall is to get its own Metro station as part of plans to extend the network.
- At the 2010 GCC Construction Week Awards, the mall was awarded 'Best Commercial Project in the GCC' for being the first LEED Gold Standard Shopping Center in the region.

Key Tenants

- Carrefour/ Sharaf DG/ H&M/ Magrudys/ Debenhams/ Paris Gallery

Dubai Festival City

General Information	
Type	Super Regional
Developer	Al Futtaim Group
Opening year	2007

Indicators	
Occupancy Rate (%)	87%
Area (GLA) (sqm)	130,317
Footfall (millions)	10

Type of Shop	Rents(AED/sqm)
General	1,851
F&B	2,700
Anchors	1,300
Entertainment	448
Electronics & Household	300
Clothing & Accessories	2,500
Health & Beauty	2,600

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall/Dubai Marina Mall due to the scale/'local community' target market.
- The Center is part of Festival City, which is one of the largest mixed use developments in Dubai.
- The Development includes two hotels, InterContinental and Crowne Plaza and a long term stay serviced apartment complex all alongside the creek with waterfront views.
- The Center features a Marina Restaurant Pavilion, including a wide variety of international cuisines overlooking the waterfront.
- Several concerts and international artists perform at Dubai Festival City annually.

Key Tenants

- Hyper Panda/ Ikea/ Ace / Marks and Spencer/ Paris Gallery/ Plug Ins

Deira City Centre

General Information	
Type	Super Regional
Developer	Majid Al Futtaim
Opening year	1995

Indicators	
Occupancy Rate (%)	98%
Area (GLA) (sqm)	132,835
Footfall (millions)	21

Source : MAF Annual Report and JLL Retail

Type of Shop	Rents(AED/sqm)
General	4,800
F&B	5,000 - 6,000
Anchors	1,000 - 1,500
Entertainment	
Electronics & Household	
Clothing & Accessories	3,000 - 4,000
Health & Beauty	3,000 - 4,000

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall/Dubai Marina Mall due to the scale/'local community' target market.
- The construction of phase two of Deira City Centre was completed in 2011.
- It was the first of the Majid Al Futtaim Group shopping malls to open in Dubai.
- The Mall offers a Pullman Hotel which is centrally located and is very close to the Dubai International Airport.
- Deira City Centre was one of the first large scale, mixed use shopping destinations, complete with retail outlets, restaurants, entertainment facilities and a hotel to be developed in the Middle East and UAE..

Key Tenants

- Carrefour/ Iconic/ Debenhams/ Paris Gallery/ Marks and Spencer/ Zara/ Sharaf DG/ Virgin Megastore

Ibn Battuta Mall

General Information	
Type	Super Regional
Developer	Nakheel
Opening year	2005

Indicators	
Occupancy Rate (%)	95%
Area (GLA) (sqm)	111,524
Footfall (millions)	12

Type of Shop	Rents(AED/sqm)
General	3,200
F&B	5,400 – 10,800
Anchors	300 – 1,500
Entertainment	1,600
Electronics & Household	3,800
Clothing & Accessories	4,300-5,400
Health & Beauty	3,800-5,400

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to The Dubai Mall/Dubai Marina Mall due to the scale/'local community' target market.
- The mall is themed on the journeys of Ibn Battuta, the 14th Century Arabic explorer, with each region - Andalusia, Tunisia, Egypt, Persia, India and China -reflected in the architecture and theme of the mall's six courts.
- The new expansion will see the mall adding 28,000 sqm of total retail area, with leasable area of 17,000 sqm, adding 150 new shops to the existing complex. Completion planned for 2015.
- Nakheel signed an agreement with UK-based Premier Inn for its hotel at Ibn Battuta Mall. The 372-room hotel will feature F&B outlets, a rooftop swimming pool and gym, and will be linked to the Dubai Metro station and the mall via a pedestrian bridge. Opening date is set for 2016. .

Key Tenants

- Geant/ Sharaf DG/ Magrudys/ Debenhams/ Paris Gallery

Oasis Centre

General Information	
Type	Regional
Developer	Landmark Group
Opening year	2009

Indicators	
Occupancy Rate (%)	95%
Area (GLA) (sqm)	55,741
Footfall (millions)	

Type of Shop	Rents(AED/sqm)
General	2,400
F&B	
Anchors	
Entertainment	
Electronics & Household	
Clothing & Accessories	
Health & Beauty	

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to Dubai Marina Mall/Community Centres portfolio due to the scale/'local community' target market.
- Oasis Centre was developed by Landmark Group.
- In 2005, the original Oasis Center was destroyed by a large fire. The new larger mall was rebuilt and opened in 2009.
- The mall's strength lies in multiple and diverse anchor stores..

Key Tenants

- Carrefour/ Home Centre/ Splash/ Shoe mart/ Lifestyle/ E-max/ Q Home Décor

Arabian Centre

General Information	
Type	Community
Developer	Lal's Group
Opening year	2009

Indicators	
Occupancy Rate (%)	96%
Area (GLA) (sqm)	29,980
Footfall (millions)	5.8

Type of Shop	Rents(AED/sqm)
General	2,500
F&B	2,300
Anchors	900-1,200
Entertainment	600
Electronics & Household	1,600
Clothing & Accessories	2,200
Health & Beauty	2,000

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to Dubai Marina Mall/Community Centres portfolio due to the scale/'local community' target market.
- Arabian Center was built by the Lals Group and the construction was completed in 2009.
- Although Arabian Centre is essentially a community mall, serving the needs of residents in its nearby communities, it also targets tourists and people from other areas.

Key Tenants

- Lulu/ Cinemacity/ Fun City/ Daiso/ Homes R US/ H&M/ Red tag/ Matelan

Mercato Mall

General Information	
Type	Community
Developer	Al Zarooni Group
Opening year	2002

Indicators	
Occupancy Rate (%)	95%
Area (GLA) (sqm)	22,955
Footfall (millions)	4.5

Type of Shop	Rents(AED/sqm)
General	2,800
F&B	2,600
Anchors	1,400
Entertainment	900
Electronics & Household	1,400
Clothing & Accessories	2,700
Health & Beauty	2,800

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to Dubai Marina Mall/Community Centres portfolio due to the scale/'local community' target market.
- Located on Jumeirah Beach Road, Mercato is essentially a community mall serving the needs of residents in its nearby communities. However it also targets tourists and people from other areas given its distinctive architecture.
- The mall is established around a Renaissance architectural concept, capturing a blend of Tuscan and Venetian features.
- The internal design/layout of the mall is not optimal; there are several dead zones with minimal footfall located throughout the shopping environment. .

Key Tenants

- Spinneys/ Virgin Megastore/ Fun City/ Areej

Times Square Centre

General Information	
Type	Community
Developer	Sharaf Group
Opening year	2007

Indicators	
Occupancy Rate (%)	85%
Area (GLA) (sqm)	20,454
Footfall (millions)	

Type of Shop	Rents(AED/sqm)
General	1,300
F&B	2,000-2,200
Anchors	
Entertainment	
Electronics & Household	1,300-1,400
1,300-1,500	2,700
1,300-1,500	2,800

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to Dubai Marina Mall/Community Centres portfolio due to the scale and 'local community' target market.
- Times Square Centre was developed by Sharaf Group and the construction was completed in 2007.
- While other malls compete for shoppers with retail space, Times Square Centre increases footfall with Dubai's only ice lounge, Chill Out.
- It is a rather small shopping centre, with few, but useful, stores.

Key Tenants

- Spinneys/ Chillout/ Sharaf DG/ Adventure HQ

City Walk

General Information	
Type	Community
Developer	Meraas Holding
Opening year	2013

Indicators	
Occupancy Rate (%)	100%
Area (GLA) (sqm)	10,000
Footfall (millions)	

Type of Shop	Rents(AED/sqm)
General	3,200-3,800
F&B	3,500-4,000
Anchors	n/a
Entertainment	n/a
Electronics & Household	1,300-1,400
1,300-1,500	3,000-4,000
1,300-1,500	3,000-4,000

Source JLL Retail

Location Map

Illustrative Images

Commentary

- Comparable to properties in the Marina Walk and Boulevard portfolios due to the nature of the development (tenant mix and design) and 'local community' target market.
- Developed by Meraas Holding, Citywalk is a new outdoor lifestyle concept launched in 2013, consisting of retail, hospitality and family entertainment outlets.
- Once complete, the entire development will span an area of 13,000 sqm. Currently, phase 1 includes 350 m of uninterrupted retail frontage, along with a tree-lined walk designed to look like European streets.
- The second phase of Citywalk is currently under construction and is expected to be completed by Q2 2015.

Key Tenants

- Spinneys/ Sephora

Jumeirah Beach Residences

General Information	
Type	Mixed Use Complex
Developer	Dubai Properties Group
Opening year	2008

Type of Shop	Rents(AED/sqm)
F & B Ground	3,229-3,767
F&B Plaza	1,938-2,153
Non F&B Ground	2,368-3,229
Non F&B Plaza	1,615-1,938

Indicators	
Occupancy Rate (%)	
Area (GLA) (sqm)	728,000 (The Beach + The Walk)
Footfall (millions)	10

Source JLL Retail

Location Map

Illustrative Images

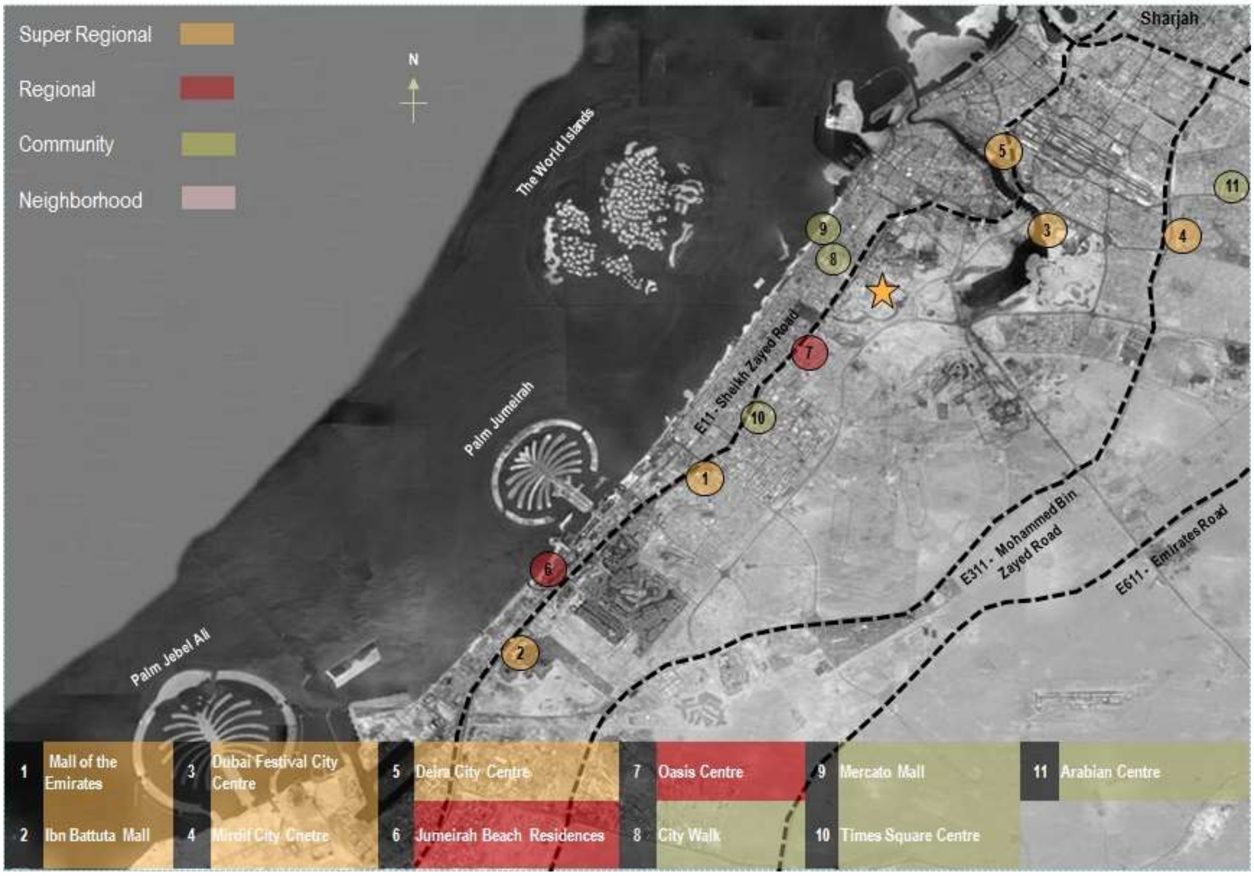
Commentary

- Comparable to Marina Walk and other properties in the Marina Retail portfolio due to the nature of the development (tenant mix and design) and 'local community' target market.
- Stretching 1.7 km long, The Walk is Dubai's first outdoor shopping and dining promenade built in 2008, occupying the ground and plaza levels of the Jumeirah Beach Residences complex.
- Numerous five-star hotels are located along the strip including Sofitel, Movenpick and Hilton (among others).
- The Beach by Meraas Holding, now sits directly on the beachfront adjacent to The Walk. The new development consisting of shops, restaurants and entertainment. Its most prominent feature is an open-air cinema. The level of rental rates achieved on pre-lets have reached up to AED 400 per sq ft.

Key Tenants

- Boutique 1/Paul/The Butcher Shop/ Style Avenue/ Zaatar W Zeit

Map of Comparable Retail Projects in Dubai



Summary of Comparable Retail Outlets

Generally speaking, the only currently completed retail outlet which is somewhat comparable to The Dubai Mall is Mall of the Emirates. However, although Mall of the Emirates has a similar mix of brands, the design and layout of the mall is of a poorer quality and it does not benefit from the tourist attractions and master planned, single ownership nature of the community surrounding the Dubai Mall.

Unlike The Dubai Mall, Yas Mall is located in an area with no immediate catchment. We understand that the tenant mix will be similar to The Dubai Mall and it should benefit from its proximity to the tourists attractions of Yas Marina Circuit, Ferrari World and Yas Water World. A number of other tourist attractions are planned for future development in the area. However, it is currently untested and we do not envisage it providing immediate competition to The Dubai Mall.

It can be concluded that the ‘experience’ of visiting The Dubai Mall is unique, not just regionally but arguably globally.

The remaining retail properties in the portfolio can, broadly speaking, be compared to other regional/community malls in Dubai. Having said that, in our opinion, their location/catchment and the pro-active asset management regime operated by Emaar Malls Group results in the properties providing the best consumer retail experience and highest grade retail investment product in the UAE market. For example, residents of Dubai recently voted Dubai Marina Mall the best shopping mall in the Emirate.

Souk Al Bahar and Pier 7 offer an almost unique mix of food and licensed entertainment venues in a single location in Dubai. They benefit not only from their proximity to The Dubai Mall and Dubai Marina Mall respectively, but also the local community catchment area and are leisure destinations in their own right.

Gold and Diamond Park is again an almost unique property in Dubai, offering modern jewelry retail space together with ancillary workshops and office accommodation in an easily accessible location within Dubai.

7 Valuation Approach

7.1 Market Value Definition

Our valuations provide an estimate of Market Value, prepared in accordance with the RICS Valuation – Professional Standards (January 2014) (the "Standards"), defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"

7.2 Base Rent and Turnover Lease Structure

The leases are structured on the basis of a stepped rent which is paid annually in advance on the anniversary of the lease start date. The steps are contractually agreed in the lease. Typically the leases also have a turnover provision which varies for each tenant according to the lease agreement. This turnover provision generates a turnover rent. The turnover rent is calculated based upon a percentage of sales that exceeds the base rent. This percentage is agreed in the lease. Where the turnover percentage exceeds the base rent, turnover rent is payable at the end of each year.

Emaar Malls Group has incorporated a new turnover rent mechanism into new leases granted since 2013. Once the turnover rent payable has been established a fixed percentage (typically 50% or 90%) of this is added to the following year's base rent. This is called the Effective Base Rent (EBR). The EBR plus the base rent is called the Total Base Rent. As the base rent typically steps up each year due to contractual pre-agreed uplifts, the amount of turnover rent added as EBR is reduced as the fixed stepped increase means the base rent is already higher than in the previous year. This EBR is payable on top of the base rent at the beginning of the year.

7.3 Gross Passing Rent Definition

Gross Passing Rent (or "current rent") is the income receivable at the date of valuation and includes income from the letting of retail units, terraces and storage space, as well as specialty leasing (kiosks, ATMs etc.), multimedia and car parking income and EBR and Turnover rent where applicable. Income is excluded for vacant units or where there is a future lease start date.

7.4 DCF Calculation

The Market Value of The Dubai Mall, Dubai Marina Mall, Souk Al Bahar and Gold and Diamond Park have been assessed using the Discounted Cash Flow (DCF) calculation method. This takes into account the agreed rent for the signed leases, the market rent for currently vacant space and estimated rents for re-letting of the space after lease term expiry. This is based upon the Tenancy Schedule, accuracy of which is therefore important and impacts Market Value.

We have calculated the DCF both over a 10-year hold period and assumed a capitalised value based on a stabilised rental income of the property after this period (the exit value). Cash flows for the relevant year are calculated as follows: the Rental Income including (where applicable) Estimated Base Rent and Turnover Income at full occupancy is reduced by the loss of rent due to vacancy. Where applicable income from step rents at the pre-agreed rent step dates have been added to obtain the Total Gross Revenue. While rents are calculated according to their particular adjustment clauses, operating expenses and capital expenditure have been adjusted according to the change in the Consumer Price Index (CPI) on a yearly basis.

After deduction of the non-recoverable operating expenses (i.e. but not exclusively Management, Chilled Water and Maintenance Costs) and reimbursable expenses (Vacancy Costs), the Net Operating Income (NOI) is determined. In case of vacancy, the reimbursable costs the landlord receives are lower than the amount he has to pay, so that only in this case do Vacancy Costs have an influence on the NOI.

Subtracting the non-operating expenses (such as Leasing Commissions, Tenant Improvements and Capital Expenditures) from the NOI results in the Total net Income.

The resale is calculated based on the Cash Flow of year 11. The resale value takes the Rental Income at full occupancy and subtracts the expenses at full occupancy, resulting in the Stabilised Net Operating Income. This result is capitalised into perpetuity and produces an indication for the resale value. For calculating the sales proceeds at Exit a growth implicit yield has been applied. This Exit Yield is based upon any applicable market transactions or market sentiment pertaining to current market conditions. This yield can then be varied for property specific attributes such as obsolescence, reversionary potential / over-rent, lease expiry profile and any capital enhancement projects factored into the Cash Flow. Only known and confirmed future competition at the valuation date is taken into consideration in the adopted Exit Yield.

Discounting the remaining Cash Flows for the 10-year period and the Net Proceeds from Sale at exit in Year 11 to the valuation date produces the Gross Capital Value. The cash flows calculated across the valuation period are discounted to the valuation date monthly in advance using the market derived discount rate. The discount rate adopted considers the probability of default as well as the security of the forecast for the Cash Flow. Therefore, factors which influence the discount rate include existing terms and conditions of lease contracts and strengths of tenant covenants.

The following yields are inputs/outputs from our discounted cash flow calculation:

- Initial yield: the net passing rent at the date of valuation expressed as a percentage of the net capital value.
- Exit yield: the yield represents the asset as fully let, rental levels at market prices, capital expenditure spent which is included in the cash flow as the asset 10 years older.
- Internal Rate of Return: the unleveraged internal rate of return over the holding period.

7.5 Residual Method of Valuation (applicable to The Dubai Mall Fashion Avenue extension)

We have simplified the development timeline for ongoing development projects also known as IPUCs (Investment Property Under Construction) into five stages from the initial stage of site acquisition and/or assembly to the final stage whereby the IPUC is converted to an investment property as a fully let and income producing completed development. These stages are listed below:

Stage 1 - Site Acquisition / Site assembly;

Stage 2 - Planning consent and permits obtained, demolition and construction commences;

Stage 3 - Construction programme underway, agreements for lease in place on % of units;

Stage 4 - Practical completion imminent;

Stage 5 - Conversion from IPUC to Investment Property.

The standard approach adopted for the valuation of IPUCs is the Residual Method of Valuation. Total costs include construction, fees, contingency, finance costs and developer's profit which are deducted from our estimate of the development value upon completion to arrive at a surplus. We refer to this surplus as the residual value; which is the amount that a purchaser would be willing to pay for the site. This applies well to Stage 1 and Stage 2 however can become more complicated as the development progresses.

A standardised approach is therefore important to the valuation of an IPUC throughout the development to ensure that it is only certain variables that can change and not the approach. We continue to value the development in this way throughout Stages 1 to 4. As the development progresses the value of the site (the residual) should increase as remaining costs are reduced, the level of risk and therefore required profit also fall (see Profit on Costs parameters) and the remaining time prior to the IPUC becoming income producing and being converted into an investment property is reduced.

Profit on Cost

The level of profit reasonably required by a purchaser (and therefore reflected in arriving at fair value) will diminish as each stage is passed and the risk associated in realising the value of the completed development is reduced. The amount of profit is typically measured as profit on cost and will be influenced by the level of pre-lets and agreements for lease secured. Typically profit on cost varies between 10% for de-risked 100% pre-let IPUCs and 25% for 100% speculative IPUCs. This assumes a standard retail led development in a viable location with a site free from any contamination or any other onerous factors that may impact negatively upon value.

Profit on cost is expressed as a percentage of total costs including fees, finance costs and site value (residual value) and is the estimated level of profit that a purchaser would reasonably expect to receive in acquiring the IPUC and completing the development. The level of profit may be varied depending on the perceived risks left in the development. Key determinants include the level and quality of pre-lets and that required permits, planning consents and other legal requirements are all in place.

Projected Initial Yield on Completion

The initial yield (net income / gross sale price) is applied to the anticipated income upon completion of the development and reflects current market evidence and sentiment for investment properties. The initial yield assumes the development has been completed and is let in accordance with our assumptions on letting. No allowance has been made to reflect development risk in this yield. The risk to the development is reflected in the % profit required from the development.

Finance Costs

Finance costs adopted will be those available in the financial markets for a developer of similar covenant strength and reputation to Emaar. Finance costs are applied to 100% of the total development costs and it is assumed that this is repaid in full at the end of the construction period. The interest payments are calculated on a monthly basis.

Contingency

Contingency costs are typically adopted as a percentage of the construction costs and fees assumed in the valuation. Typically, 5% is adopted but can be varied to reflect the complexity of development project or if the timescale is longer than normal. As the development nears completion the level of contingency can be reduced. Where construction contracts are turnkey contracts the liability rests with the contractor and so contingency costs may be removed. Where fixed price construction contracts are agreed this can be removed if the contract is considered to completely de-risk the construction costs for the owner / developer.

7.6 Income Capitalisation Approach

The Market Value of the Properties located in the portfolios known as Burj District (BD), Marina Retail (MR) and Community Centres (CC) has been estimated using the income capitalisation approach, adopting a term and reversion or hardcore method as appropriate. The former method considers the term income (contractually agreed income) and reversionary income (to market rental levels) on expiry of existing contracts. On reversion, the net operating income is capitalised into perpetuity using a growth implicit yield. The latter method is used for vacant space which is let-up at market rental levels and directly capitalises income in perpetuity using a growth implicit yield

We have modelled our valuation calculations using Argus Valuation Capitalisation software.

Term Income

We have explicitly modelled the rental income, including the fixed annual rental increases over the term of existing lease contracts. In our valuation model, turnover and EBR income has also been applied to the remaining unexpired term of existing lease contracts where applicable.

During the term of existing lease contracts, turnover rent and EBR have been estimated based on the turnover rent and EBR achieved in the year preceding the year of valuation (i.e. 2013). We have applied the actual invoiced turnover and EBR rents provided to us by the Company. We have not made explicit assumptions regarding growth of the turnover rent and EBR over the term of existing leases. Based on our understanding of Emaar's lease terms, we assume turnover rent and EBR will become a diminishing proportion of the total rental income receivable from tenants as the lease draws closer to expiry.

Reversionary Income

On expiry of existing lease contracts, market rents are applied to the units. Our opinion of market rents are formed from analysis of achievable market rental levels, having regard to achievable rental levels at the Property and also at competing retail schemes.

Where information was available we have also considered the rental uplift which was achieved at the previous lease renewal. Based on our analysis, it appears that Emaar Malls Group was typically able to renew lease terms at significantly higher rental rates. However, local property market dynamics at the time of renewal were in some cases quite different and we have reviewed this information on a case by case basis.

Reversionary turnover rent and EBR has been based on the assumption that the sum of base rent, turnover rent and EBR achieved in the year preceding the year of valuation (i.e. 2013) is the maximum level of income the owner can achieve. Thus, upon expiry of the current lease contracts, the base rent is reviewed to market levels and the difference between the maximum level of income payable in the previous year and the revised base rent is treated as turnover rent.

On reversion, all future rental, turnover and EBR growth is captured in the growth implicit yield.

Operational Expenses

We have been provided with the information on total operational expenses in respect of the assets and also the level of expenses which the owner can recover from the tenants. We have analysed this data to calculate non-recoverable expenses for each property. We have been advised that leasing fees are included in these expenses, therefore no additional fees have been included in our valuation. We have modelled stabilised non-recoverable expenses and also expenses on vacant units and during expiry void periods in our valuation calculation.

Historic operational expenses have been provided at a portfolio level for Burj District, Marina Retail and Community Centre. Using the information supplied, we have analysed the trends for non-recoverable operating expenses and applied a uniform non-recoverable expense across each of the three portfolios. Generally, the trend shows that an increasing amount of operational expenses are recovered by the property owner.

However, given the limitations of the data provided we have been unable to analyse operational expenses on a property by property basis. We highlight that to an extent, allocation of expenses on this basis is somewhat artificial, driven by the accountancy based information supplied to us. There is a risk that if a detailed analysis of the actual operational expenses for each Property was provided, the value of some Properties could change materially.

Similar issues arise with the data provided for the operational expenses associated with chilled water. In some instances (Marina Retail), chilled water expenses are charged as part of a wider “community charge”. In other instances (Burj District), the data suggests that there is an over recovery of chilled water expenses, again driven by accountancy based information provided to us. We have allocated non-recoverable expenses associated with chilled water on an asset by asset basis but again highlight that if a detailed analysis of the actual operational expenses associated with chilled water for each Property or unit was provided at an asset level, the value of some Properties could change materially.

Based on discussions with Emaar Malls Group, we understand that all leases provide the ability to recover 2.5% of the base rent per annum for contributions to marketing/promotions. This money is in turn fully allocated/spent for marketing expenses. We have therefore assumed that this is cost neutral.

Bad Debts

We are of the opinion that any property owner is likely to suffer some loss of income as a result of bad debts. In our valuation calculation we have made an allowance for bad debts of 1% of Market Rent. However, we do acknowledge that the Properties are currently actively and effectively managed by Emaar Malls Group. The nominal nature of the bad debt provision which we have made reflects this fact.

Voids

We have applied a current void period to the units which are vacant at the date of valuation, reflecting the period over which we believe they will be let-up. Upon the expiry of existing lease agreements we have provided for an expiry void period required for the turnaround of tenants.

During void periods, the Property owner bears the full costs of operational expenses.

Capital Expenditure

We have not explicitly reflected future capital expenditure in our valuation but rather reflected this in the yield applied to the reversionary income.

Yields

As discussed above we have applied yield profiles, subject to the type of income (term income, reversionary income, turnover rent and EBR) and where appropriate, also the lease type ie. longer term leases with fixed rental uplifts have keener yields whereas annually renewable licenses applicable to terrace units, ATM's, car parking income etc. have softer yield profiles.

Turnover rent and EBR are subject to a variety of macro and micro economic, demographic and asset specific influences. The levels of turnover rent and EBR are mutually dependent. Turnover rent and EBR are therefore considered a more risky income stream and this risk has been reflected in the yield applied to this element of income generated at the Properties (where applicable).

Based on these inputs our model outputs the following yields:

- Initial yield: the net passing rent at the date of valuation expressed as a percentage of the gross capital value.
- Equivalent yield: the weighted average yield based upon the timing of the income received. The equivalent yield is effectively the unlevered growth implicit internal rate of return.

7.7 Liquidity

There is limited transaction activity in the Dubai real estate market and this could depress the value of the Property where a rapid disposal is sought or required. Any investment transactions are usually off-market deals and the confidential nature of these can result in inaccurate information about the transaction.

As such values are derived from a combination of market knowledge, investor sentiment towards commercial property and risk-free rates in the region with a build-up to allow for property specific risk factors and characteristics.

In assessing the values of the larger assets we have also considered prime retail yields from a global perspective in both core markets and in other frontier or emerging markets. We have had regard to both the property fundamentals and also the ownership, legislative and perceived systemic risk factors of Property ownership in United Arab Emirates and more specifically Dubai. It is difficult to gauge the full extent of these "emerging market" risk factors and they have the potential to depress or slow the realisation of value from the Properties.

For an asset such as The Dubai Mall the lot size would limit a 100% acquisition of the whole to a very limited number of potential investors. Therefore any acquisition would in all likelihood need to be based on consortiums acquiring shares in the asset or in a form of bond. It is unlikely that any potential investor (consortium) would take on the management of the Mall due to the current performance of existing management and local market expertise required and therefore Emaar would retain any management role. Accordingly ownership would be both passive and granular. This may result in a complex ownership structure and the investment would preclude bringing in additional management expertise. As a highly successful shopping centre with excellent performance any purchaser would regard there to be limited opportunities in improving the asset from an occupational or operational perspective over the current level of performance. This impacts the yield a purchaser would be willing to pay for The Dubai Mall in particular. The complex ownership and limited opportunity to bring in additional management expertise to the investment are explicit assumptions we have made in arriving at our valuation of The Dubai Mall.

8 Opinion of Market Value

Having regard to the foregoing assumptions we are of the opinion that the aggregate Market Value of the freehold interest in the Properties as at 30 June 2014 is:

AED 39,789,940,000

(THIRTY NINE BILLION SEVEN HUNDRED EIGHTY NINE MILLION AND NINE HUNDRED FORTY THOUSAND UAE DIRHAMS)

The aggregate Market Value reported above is the sum of the Market Value of each Property valued individually and does not necessarily represent the Market Value of the Properties if sold as a single portfolio.

In line with local market practice, no allowance has been made in our valuations for a seller's costs of realisation, a purchaser's costs of acquisition or for any tax liability.

Yours faithfully

Simon Brand FRICS
Head of Valuation Advisory
MENA
For and on behalf of JLL

Andrew Renshaw FRICS
Lead Director - Valuation and Professional Advisory
EMEA
For and on behalf of JLL

Appendix A – General Principles Adopted in Preparation of Valuations and Reports

These General Principles should be read in conjunction with JLL's General Terms and Conditions of Business except insofar as this may be in conflict with other contractual arrangements.

1 **RICS Valuation - Professional Standards (January 2014)**
All work is carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof. Our valuations may be subject to monitoring by the RICS.

2 **Valuation Basis:**
Our reports state the purpose of the valuation and, unless otherwise noted, the basis of valuation is as defined in the RICS Valuation – Professional Standards (January 2014). The full definition of the basis, which we have adopted, is either set out in our report or appended to these General Principles.

3 **Disposal Costs Taxation and Other Liabilities:**
No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon.
No allowance is made for the possible impact of potential legislation which is under consideration.
Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

4 **Documentation:**
We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

5 **Tenants:**
Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

6 **Measurements:**
All measurement is carried out in accordance with the Code of Measuring Practice (6th Edition) issued by the Royal Institution of Chartered Surveyors, except where we specifically state that we have relied on another source. The areas adopted are purely for the purpose of assisting us in forming an opinion of capital value. They should not be relied upon for other purposes nor used by other parties without our written authorisation.

7 **Estimated Rental Value:**
Our opinion of rental value is formed purely for the purposes of assisting in the formation of an opinion of capital value. It does not necessarily represent the amount that might be agreed by negotiation, or determined by an Expert, Arbitrator or Court, at rent review or lease renewal.

8 **Town Planning and Other Statutory Regulations:**
Information on town planning is, wherever possible, obtained either verbally from local planning authority officers or publicly available electronic or other sources. It is obtained purely to assist us in forming an opinion of capital value and should not be relied upon for other purposes. If reliance is required we recommend that verification be obtained from lawyers that:-
the position is correctly stated in our report;
the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;
that there are no outstanding statutory notices.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

9 **Structural Surveys:**
Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention. Unless stated otherwise in our reports we assume any tenants are fully responsible for the repair of their demise either directly or through a service charge.

10 **Deleterious Materials:**
We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

11 **Site Conditions:**
We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses, delays or restrictions will be incurred during the construction period due to these matters.

12 **Environmental Contamination:**
Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

13 **Insurance:**
Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms, for example in regard to the following:

Composite Panels

Insurance cover, for buildings incorporating certain types of composite panel may only be available subject to limitation, for additional premium, or unavailable. Information as to the type of panel used is not normally available. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

Terrorism

Our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism. We have assumed that the insurer, with whom cover has been placed, has been suitably reinsured.

Flood and Rising Water Table

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table. Unless stated to the contrary our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

14 **Outstanding Debts:**
In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of

contractors, subcontractors or any members of the professional or design team.

15 **Confidentiality and Third Party Liability:**

Our Valuations and Reports are confidential to the party to whom they are addressed and for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

16 **Statement of Valuation Approach:**

We are required to make a statement of our valuation approach. In the absence of any particular statements in our report the following provides a generic summary of our approach.

The majority of institutional portfolios comprise income producing properties. We usually value such properties adopting the investment approach where we apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice we construct our valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent. We would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Where land is held for development we adopt the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals.

There are situations in valuations for accounts where we include in our valuation properties which are owner-occupied. These are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

Appendix B – Interpretative Commentary of Market Value

Definition and Interpretive Commentary reproduced from the RICS Valuation – Professional Standards January 2014, VPS 4

Valuations based on market value shall adopt the definition and the conceptual framework settled by the International Valuation Standards Council (IVSC):

Definition

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Commentary

- In applying market value, regard must also be had to the conceptual framework set out in paragraphs 31–35 of the IVS Framework, including the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date.
- The basis of market value is an internationally recognised definition. It represents the figure that would appear in a hypothetical contract of sale at the valuation date. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the report.
- Market value ignores any existing mortgage, debenture or other charge over the property.
- Notwithstanding the disregard of special value (see definition in paragraphs 44–47 of the IVS Framework) where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of 'hope value' is reflected in market value. Examples of where the hope of additional value being created or obtained in the future may have an impact on the market value include:
  – the prospect of development where there is no current permission for that development; and
  – the prospect of synergistic value (see definition in paragraph 48 of the IVS Framework) arising from merger with another property, or interests within the same property, at a future date.
- GN 2, GN 4 and GN 5 contain guidance on the application of market value to the specified types of asset.

The definition of market value shall be applied in accordance with the following conceptual IVS framework:

(a) "the estimated amount"

refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value;

(b) "an asset should exchange"

refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date;

(c) "on the valuation date"

requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made;

(d) “between a willing buyer”

refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”;

(e) “and a willing seller”

is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

(f) “in an arm’s length transaction”

is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently;

(g) “after proper marketing”

means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;

(h) “where the parties had each acted knowledgeably, prudently”

presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

(i) “and without compulsion”

establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.

The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.

The determination of the highest and best use involves consideration of the following:
(a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,

(b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg. zoning designations, need to be taken into account,

(c) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

Appendix C – Al Tamimi & Co. Report on Investigations with Dubai Land Department

التميمي و مشاركوه
AL TAMIMI & CO.

REPORT ON INVESTIGATIONS WITH DUBAI LAND DEPARTMENT

17 August 2014

Emaar Malls Group LLC
PO Box 191741
Dubai, UAE

Attention: Mr. Walid Karam

Dear Sir,

I. Further to your instructions, we have been requested to carry out an investigation with the Dubai Land Department ("**DLD**") in respect of the 60 real estate assets set out under ANNEXURE 1 ("**Assets**") registered in the name of Emaar Malls Group LLC ("**Company**") in order to provide certain confirmations relating to the Assets to Jones Lang LaSalle for the purpose of their valuation exercise concerning the Assets.

II. The scope of our investigation included the following:

(i) Whether the Company is the registered owner of the Assets;
(ii) Whether such Assets are located in areas of the Emirate of Dubai in which ownership of freehold property by foreigners, i.e. non UAE/GCC nationals, is permitted (so called "*designated areas*"); and
(iii) Whether there are any mortgages, any other encumbrances and/ or any other restrictions attached to the Assets.

III. Pursuant to the submission of the Company's written request, we attended the DLD on 7 August 2014 and obtained written confirmations from the DLD vide their letter dated 7 August 2014 set out under ANNEXURE 1 ("**DLD Letter 1**"). Thereafter, we received a further letter from the DLD dated 12 August 2014 set out under ANNEXURE 2 providing further clarification ("**DLD Letter 2**", together with the DLD Letter 1, the "**DLD Letters**"). Along with copies of the DLD Letters, for your reference we provide their informal translations.

IV. We have reviewed the DLD Letters. Based on our review, we are able to confirm the following:

(i) The Company is the registered owner of the Assets.

(ii) There is no restriction, mortgage or other encumbrance registered against any of the Assets.

(iii) The 10 Assets pertaining to the Emaar Towers project (Item numbers 23 to 32 under ANNEXURE 1 attached to the DLD Letter 1) are not located in a designated area and are therefore not available for ownership by foreigners on a freehold basis.

Al Tamimi & Company
Advocates & Legal Consultants
www.tamimi.com

Dubai International Financial Centre
Sheikh Zayed Road
Building 4 East, 6th Floor

PO Box 9275, Dubai, UAE
T: +971 4 364 1641
F: +971 4 364 1777

(iv) The remaining 50 Assets are located in designated areas and are therefore available for unrestricted ownership by foreigners on a freehold basis.

We have not carried out an independent investigation with Dubai Land Department as to the ownership of the Assets and their status and have relied exclusively on the DLD Letters in providing this report.

Regards,

Al Tamimi & Co.

Al Tamimi & Company

التميمي و مشاركوه
AL TAMIMI & CO.
Advocates & Legal Consultants

ANNEXURE 1

DLD Letter 1 and Its Informal English Translation

حكومة دبي
GOVERNMENT OF DUBAI

دائرة الأراضي و الأملاك
Land Department

التاريخ : 2014/08/07
01:13:54 م

السادة/ مجموعة إعمار مولز (ش ذ م م) المحترمين،،

تحية طيبة وبعد،،

الموضوع : المحلات التجارية التابعة لمجموعة إعمار لمراكز التسوق

تهديكم دائرة الأراضي والأملاك أطيب التحيات، و بالإشارة إلى الموضوع أعلاه، وردا على خطابكم المؤرخ 2014/08/06 ، بخصوص طلبكم للاستفسار عن حالة العقارات المرفقة و عددها (60 عقار) ، فإننا نفيدكم علماً بأن سائر العقارات المرفقة خالية من القيود و الموانع حتى تاريخ صدور هذه الشهادة.

المرفقات :

-كشف بالعقارات

عبدالله أحمد الصبري

م/ مدير إدارة خدمة العملاء

دائرة الأراضي و الأملاك
Land Department
Emp. No. 079 رقم الموظف

ص.ب. ١١٦٦، دبي، إ.ع.م. هاتف: ٢٢٢٢٢٥٣ ٩٧١٤+، ٢٢٢٢٢٥٤ ٩٧١٤+، فاكس: ٢٢٢٢٢٥١ ٩٧١٤+
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EMAAR MALLS GROUP - RETAIL SPACES

Sr.No.	Building Name	Building No.	Plot No.	Municipality No.	Community	Property Type	Property No.	Floor No.	Parkings	Area in Sqm	Area in Sqft	Owners Name
1	Dubai Marina Mall	2	217	392-479	Marsa Dubai	Sized Partition	V1	14	5184834	481686.63	5184831.73	Emaar Malls Group (LLC)
2	-	-	2245	665-5417	Wadi Al Safa 7	Land	-	-	-	15708.76	169087.69	Emaar Malls Group (LLC)
3	-	-	2586	664-1000	Wadi Al Safa 6	Land	-	-	-	23052.58	248135.91	Emaar Malls Group (LLC)
4	-	-	582	394-5943	Al Thanayah Fourth	Land	-	-	-	36482.45	392693.82	Emaar Malls Group (LLC)
5	-	-	28	368-640	Al Goze Industrial Third	Land	-	-	-	47509.01	511382.73	Emaar Malls Group (LLC)
6	-	6	151	392-565	Marsa Dubai	Building	-	-	-	4361.05	46941.95	Emaar Malls Group (LLC)
7	Marina Plaza	1	213	392-472	Marsa Dubai	Shop	SH-1	G	L1-31, L1-32	98.65	1061.86	Emaar Malls Group (LLC)
8	Marina Plaza	1	213	392-472	Marsa Dubai	Shop	SH-2	G	L1-33, L1-34	130.74	1407.27	Emaar Malls Group (LLC)
9	Marina Plaza	1	213	392-472	Marsa Dubai	Shop	SH-3	G	L1-35, L1-36, L1-37, L1-38, L1-39	364.93	3928.07	Emaar Malls Group (LLC)
10	Marina Plaza	1	213	392-472	Marsa Dubai	Shop	SH-4	PR	L1-40, L1-41	168.26	1811.14	Emaar Malls Group (LLC)
11	Marina Plaza	1	213	392-472	Marsa Dubai	Shop	SH-5	PR	L1-42, L1-43	168.99	1818.99	Emaar Malls Group (LLC)
12	-	-	584	394-3635	Al Thanayah Fourth	Land	-	-	-	29989.46	322803.86	Emaar Malls Group (LLC)
13	-	-	6849	394-6998	Al Thanayah Fourth	Land	-	-	-	26261.17	282672.88	Emaar Malls Group (LLC)
14	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-001	G	B2-21, B2-22, B2-23	211.28	2274.2	Emaar Malls Group (LLC)
15	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-002	G	B2-24, B2-25, B2-26	193.78	2085.83	Emaar Malls Group (LLC)
16	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-003	G	B1-110	68.12	733.24	Emaar Malls Group (LLC)
17	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-004	G	B1-111, B1-112, B1-113, B1-114, B1-115	342.19	3683.3	Emaar Malls Group (LLC)
18	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-005	G	B1-116	43.98	473.4	Emaar Malls Group (LLC)
19	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-006	G	B1-117	95.38	1026.66	Emaar Malls Group (LLC)
20	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-007	G	B1-118	42.81	460.8	Emaar Malls Group (LLC)
21	8 Blvd Walk	1	184	345-808	Burj Khalifa	Shop	BD EBW-GF-008	G	B1-119	100.86	1085.65	Emaar Malls Group (LLC)
22	GR Arno	1	9	388-1490	Al Thanyah Third	Shop	GR Arno-G-Site 26	G	-	252.64	2719.39	Emaar Malls Group (LLC)
23	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S1	G	B1-52	103.02	1108.9	Emaar Malls Group (LLC)
24	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S2	G	B1-55	76.17	819.89	Emaar Malls Group (LLC)
25	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S3	G	B1-54	27.47	295.68	Emaar Malls Group (LLC)
26	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S4 & S5	G	B3-12, B3-13	180.89	1947.08	Emaar Malls Group (LLC)
27	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S6	G	B3-33	109.99	1183.92	Emaar Malls Group (LLC)
28	Emaar Tower 1	1	411	125-155	Rega Al Buteen	Shop	ET Tower1-G-S7	G	B3-36	29.67	319.37	Emaar Malls Group (LLC)
29	Emaar Tower 2	2	411	125-155	Rega Al Buteen	Shop	ET Tower2-G-N1-N2-N3-N5-N6	G	B3-14, B3-61, B3-62, B3-63, B3-89, B3-90	480.43	5171.31	Emaar Malls Group (LLC)
30	Emaar Tower 2	2	411	125-155	Rega Al Buteen	Shop	ET Tower2-G-N4	G	B1-56	27.76	298.81	Emaar Malls Group (LLC)
31	Emaar Tower 2	2	411	125-155	Rega Al Buteen	Shop	ET Tower2-G-N7	G	B2-15, B2-16, B2-73	106.33	1144.53	Emaar Malls Group (LLC)
32	Emaar Tower 2	2	411	125-155	Rega Al Buteen	Shop	ET Tower2-G-N8	G	B1-16	25.94	279.22	Emaar Malls Group (LLC)
33	The Dubai Mall	1	156	345-897	Burj Khalifa	Sized Partition	V3-Mall	10	1	1100273.36	11843243.86	Emaar Malls Group (LLC)
34	Sahab-1	1	108	392-400	Marsa Dubai	Shop	SH-01	G	(P-2)-40, (P-2)-417, (P-1)-212, (P-1)-322	83.2	895.56	Emaar Malls Group (LLC)
35	Old Town Commercial Island	5	200	345-826	Burj Khalifa	Sized Partition	V2	-	1047	117104.05	1260497.5	Emaar Malls Group (LLC)

36	South Ridge Retail	9	201	345-798	Burj Khalifa	Sized Partition	V1	2	36	5199.43	55966.2	Emaar Malls Group (LLC)
37	Burj Views Podium	4	202	345-422	Burj Khalifa	Sized Partition	V2	-	22	5192.82	55895.05	Emaar Malls Group (LLC)
38	Park Island Retail	7	103	392-286	Marsa Dubai	Sized Partition	V1	4	32	7083.22	76243.15	Emaar Malls Group (LLC)
39	Dukkan Al Manzil	24	198	345-794	Burj Khalifa	Sized Partition	V2	4	136	20551.89	221218.7	Emaar Malls Group (LLC)
40	The Residences II Retail	4	380	345-823	Burj Khalifa	Sized Partition	V1	-	9	4835.45	52048.35	Emaar Malls Group (LLC)
41	Dukkan Qamardeen	14	196	345-801	Burj Khalifa	Sized Partition	V2	3	59	8218.86	88467.07	Emaar Malls Group (LLC)
42	Marina Promenade Retail	9	107	392-391	Marsa Dubai	Sized Partition	V1	4	108	12349.11	132924.71	Emaar Malls Group (LLC)
43	Dubai Marina Towers Retail	2	17	392-210	Marsa Dubai	Sized Partition	V2	2	76	31093.46	334687.22	Emaar Malls Group (LLC)
44	Dubai Marina Towers Retail	4	18	392-211	Marsa Dubai	Sized Partition	V2	3	70	10588.66	113975.39	Emaar Malls Group (LLC)
45	Residences-Retail	9	192	345-822	Burj Khalifa	Sized Partition	V1	-	17	6834.28	73563.58	Emaar Malls Group (LLC)
46	Blvd Central-Retail	4	191	345-824	Burj Khalifa	Sized Partition	V2	3	15	2796.9	30105.58	Emaar Malls Group (LLC)
47	BD Blvd Plaza-Retail	3	165	345-894	Burj Khalifa	Sized Partition	V3	7	81	14324.37	154186.24	Emaar Malls Group (LLC)
48	The Lofts Retail	5	168	345-841	Burj Khalifa	Sized Partition	V1	-	26	4887.75	52611.3	Emaar Malls Group (LLC)
49	GR Una	1	20	388-1535	Al Thanyah Third	Sized Partition	V1	3	68	11306.77	121705.06	Emaar Malls Group (LLC)
50	GR Turia	1	19	388-1481	Al Thanyah Third	Shop	GR Turia-G-Site23	G	5-95	377.53	4064.78	Emaar Malls Group (LLC)
51	Claren PD	3	185	345-804	Burj Khalifa	Sized Partition	V4	4	34	5115.78	55065.8	Emaar Malls Group (LLC)
52	BD 29 Blvd Podium	3	190	345-825	Burj Khalifa	Sized Partition	V4	2	26	4254.56	45795.7	Emaar Malls Group (LLC)
53	BD Standpoint Podium	3	174	345-847	Burj Khalifa	Sized Partition	V3	20	21	4430.61	47690.69	Emaar Malls Group (LLC)
54	Marina Quays Retail	7	191	392-581	Marsa Dubai	Sized Partition	V1	3	16	3383.12	36415.6	Emaar Malls Group (LLC)
55	Emaar Square Bldg 1	1	162	345-836	Burj Khalifa	Shop	G01	G	P2: 448 to 467, 395 to 401, 413 to 418, 468 to 474	1850.96	19923.57	Emaar Malls Group (LLC)
56	Emaar Square Bldg 2	2	162	345-836	Burj Khalifa	Shop	G01	G	P1: 629 to 635, 614 to 617, 546 to 548, P2: 565 to 669, 795	919.74	9900	Emaar Malls Group (LLC)
57	Emaar Square Bldg 2	2	162	345-836	Burj Khalifa	Shop	G02	G	P1: 560, 561, 605 to 610, 626 to 628, 787 to 789, P2: 241, 242, 244, 538, 539, 795	919.14	9893.54	Emaar Malls Group (LLC)
58	Emaar Square Bldg 4	4	163	345-832	Burj Khalifa	Shop	G01	G	P1: 01 to 26, 148 to 150, 275 to 285	1863.14	20054.67	Emaar Malls Group (LLC)
59	Emaar Square Bldg 1	1	162	345-836	Burj Khalifa	Shop	G02	G	P2: 395 to 401, 413 to 418, 468 to 474	933.21	10044.99	Emaar Malls Group (LLC)
60	Emaar Square Bldg 4	4	163	345-832	Burj Khalifa	Shop	G02	G	P1: 21 to 26, 148 to 150, 275 to 285	931.61	10027.77	Emaar Malls Group (LLC)

GOVERNMENT OF DUBAI DUBAI LAND DEPARTMENT

DATE: 7 August 2014

01:13:45 PM

M/s Emaar Malls LLC Group

Greetings,

Subject: Commercial Units Belonging to Emaar Malls

The Land Department wishes you all the best, and with reference to the above subject, and in response to your letter dated 6 August 2014, with respect to your inquiry regarding the status of the attached units which are (60 Units), we would like to confirm to you that all units are clear from any restrictions or encumbrances to the date of this certificate.

Attached:

- Schedule containing the details of the units

Abdulla Ahmed Alsiri

Customer Relations Manager

[DLD Signatory & Seal]

ANNEXURE 2

DLD Letter 2 and its Informal English Translation

13.AUG.2014 11:32 042277110 #7025 P.001 /001

حكومة دبي
GOVERNMENT OF DUBAI

دائرة الأراضي والأملاك
Land Department

التاريخ: 2014/08/12

السادة/ مجموعة اعمار مولز (ش.ذ.م.م) الكرام،،

الموضوع: الارض رقم (411) بإعمار تاورز.

تهديكم إدارة خدمات التسجيل العقاري بدائرة الأراضي والاملاك بدبي أطيب تحياتها وأمنياتها لكم بالتوفيق، وبالإشارة الى الموضوع أعلاه، نفيدكم بما يلي أدناه:

- بالنسبة للعقارات بمشروع اعمار تاورز (Emaar Towrs) وعددها (10) محلات تجارية، والواقعة على قطعة الارض رقم (411) بمنطقة رقة البطين، فهي لا تخضع لقانون التملك الحر وتخضع لمواطني دول مجلس التعاون الخليجي.

- أما بالنسبة لباقي العقارات المبينة تفاصيلها في الكشف المرفق مع رسالتكم المؤرخة في 2014/08/07 وعددها (50) عقار، تقع جميعها ضمن المناطق التملك الحر وهي لجميع الجنسيات ملكية مطلقة غير مقيدة استنادا لأحكام المادة (4) من القانون (7) لسنة 2006 بشأن التسجيل العقاري في إمارة دبي للمادة (3) من النظام رقم (3) لسنة 2006 بشأن تحديد مناطق التملك الحر للعقارات في إمارة دبي لغير المواطنين.

- وتفضلوا بقبول فائق الاحترام والتقدير،،،

سلطان ابراهيم الاكرف
مدير أول إدارة خدمات التسجيل العقاري

دائرة الأراضي والأملاك
Land Department
Emp. No. 296 رقم الموظف

SGS SGS SGS

ص.ب. ١١٦٦، دبي، إ.ع.م. هاتف: ٢٢٢٢٢٥٣ ٤ ٩٧١+، ٢٢٢٢٢٥٤ ٤ ٩٧١+، فاكس: ٢٢٢٢٢٥١ ٤ ٩٧١+
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GOVERNMENT OF DUBAI DUBAI LAND DEPARTMENT

DATE: 12/08/2014

M/s Emaar Malls LLC Greetings,,

Subject: Plot No. (411) at Emaar Towers

The Land Department wishes you all the best, and with reference to the above subject, we would like to inform you with the following:

- With respect to the 10 Commercial Units at Emaar Towers Project, which are situated on Plot No. (411) at Riggat Al Buttain, they are not freehold properties and are available to GCC Nationals only.
- As for the rest of the properties detailed in the schedule attached to your letter dated 07/08/2014, a total of (50) units, all fall within freehold areas and for all nationalities as unrestricted freehold title in accordance with Article 4 of Law No. (7) of the year 2006 Regulating Real Estate Ownership in the Emirate of Dubai, and Article (3) of Order No. (3) of the year 2006 Specifying the Freehold Areas in the Emirate of Dubai which are to non-GCC Nationals.

With all respect,,,

Sultan Ibrahim Al Akraf

Senior Manager of Real Estate Registration

[DLD Signatory & Seal]

Appendix D – Ernst &Young Report of Factual Findings

Building a better
working world

Ernst & Young
P.O. Box 9267
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Dubai, United Arab Emirates

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REPORT OF FACTUAL FINDINGS

Emaar Malls Group LLC
PO Box 191741
Dubai, UAE

Attention: Mr. Yazan Nasser

Dear Sir,

We have performed the procedures agreed with you and enumerated below with respect to certain financial information of Emaar Malls Group LLC (the "Company"). Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400 - Engagements to Perform Agreed Upon Procedures Regarding Financial Information) applicable to agreed upon procedures. The sufficiency of these procedures is the sole responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this has been requested or for any other purpose. The procedures were performed solely to assist you in providing certain financial information regarding the lease contracts to JLL (the "Valuers") for the purpose of their valuation exercise and are summarised as follows:

1. We have obtained a list of retail lease agreements from the Company's management as of 30 June 2014 containing details of all leases where the Company acts as lessor as at that date. Management has confirmed to us that this is the same list provided to JLL for the purposes of their valuation exercise;

2. We have selected a sample of 250 leases as given in Appendix A from the list obtained in step 1, above. The sample has been selected as follows (i) the 25 leases which account for the highest annual lease value in the Dubai Mall, (ii) 35 leases chosen at random covering 1 lease from each property, (iii) 190 other leases chosen at random from the Dubai Mall;

3. In respect of the sample of leases selected in step 2 above we have obtained from management of the Company the lease agreements and supporting documents;

4. We have checked that for each of the selected sample of leases the information on the lease agreement is consistent with information contained in the records of Emaar Malls Group ("EMG") and collected in step 3, namely :

    a. Agree that the start date on the list received in step 1 agreed with the signed lease agreement.
    b. Agree that the lease tenure on the list received in step 1 agreed with the signed lease agreement.
    c. Agree that the base rent on the list received in step 1 agreed with the signed lease agreement.
    d. Agree that the turnover rent basis on the list received in step 1 agreed with the signed lease agreement.

Building a better
working world

The information used in performance of our work outlined in paragraphs 1 to 4 above were provided to us by the management of the Company.

We report our findings below:

1. With respect to item 1 above, no exception was noted;

2. With respect to item 2 above, no exception was noted;

3. With respect to item 3 above, no exception was noted; and

4. With respect to item 4 above, no exception was noted.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the information provided.

Had we performed additional procedures or had we performed an audit or review of the information provided in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information only and is not to be used for any other purpose or to be distributed to any other parties without our express written approval. This report relates only to the financial information agreed in our engagement letter dated 28 July 2014 and do not extend to any financial statements of the Company, taken as a whole.

Ernst & Young

3 August 2014

Dubai, United Arab Emirates

Simon Brand FRICS

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