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JLL.N - Q1 2021 Jones Lang LaSalle Inc Earnings Call

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OVERVIEW:

Co. reported 1Q21 consolidated revenue of $4b, adjusted net income of $109.7m and adjusted diluted EPS of $2.10.

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CORPORATE PARTICIPANTS

Christian Ulbrich *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Christopher D. Stent *Jones Lang LaSalle Incorporated - Executive MD of IR & Corporate Finance*

Karen G. Brennan *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

CONFERENCE CALL PARTICIPANTS

Anthony Paolone *JPMorgan Chase & Co, Research Division - Senior Analyst*

Jade Joseph Rahmani *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Richard Wynn Skidmore *Goldman Sachs Group, Inc., Research Division - Vice-President*

Stephen Hardy Sheldon *William Blair & Company L.L.C., Research Division - Analyst*

PRESENTATION

Operator

Good morning. At this time, I'd like to welcome everyone to the Jones Lang LaSalle, Inc. first quarter earnings conference call. For your information, this conference call is being recorded. (Operator Instructions)

I would now like to turn the conference over to Chris Stent, Executive Managing Director of Investor Relations. Please go ahead.

Christopher D. Stent - *Jones Lang LaSalle Incorporated - Executive MD of IR & Corporate Finance*

Thank you, and good morning. Welcome to our first quarter 2021 conference call for Jones Lang LaSalle, Inc. Earlier this morning, we issued our earnings release, which is available on the Investor Relations section of our website along with the slide presentation intended to supplement our prepared remarks. Please visit ir.jll.com.

During the call, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of non-GAAP financial measures to GAAP in our earnings release and presentation.

As a reminder, today's call is being webcast live and recorded. The transcript of this conference call will also be posted on our website.

Any statements made about future results and performance, plans, expectations and objectives are forward-looking statements. Actual results and performance may differ from those forward-looking statements as a result of factors discussed in the annual report on Form 10-K of the fiscal year ended December 31, 2020, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

I will now turn the call over to Christian Ulbrich, President and Chief Executive Officer, for opening remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Chris. Hello, and welcome to all of you joining us today as we report our first quarter results. As discussed in our last earnings call, we entered 2021 with a cautious yet optimistic outlook on JLL's ability to take advantage of the expected global recovery.

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We are pleased to start the year with a strong first quarter. Our strong results were yet again driven by the continued hard work and dedication of the entire JLL team. And I remain impressed by their ability to execute against ongoing rapidly changing and trying circumstances. We continue to realize the benefits of our One JLL philosophy of bringing the best of JLL to our clients for all our services and products across geographies.

Turning to the market environment. The global economy had modest growth in the first quarter, although highly concentrated in a small number of large economies. The macroeconomic outlook has improved meaningfully as the rollout of the vaccination expands and ongoing global government stimulus programs outpace initial expectations, setting the stage for more robust growth expected in the rest of the year.

Our research indicates global office leasing activity has remained subdued, with global leasing volumes down 31% compared with Q1 2020. EMEA showed relative resilience with a decline of 8% in the quarter, while APAC and the U.S. saw significantly larger declines of 26% and 45%, respectively. In comparison to the fourth quarter of 2020 which saw global leasing volumes down 43% for the quarter, it is clear that the trajectory is trending in the right direction.

Investment sales also continued to show signs of recovery, with global volumes down 13% versus the same period last year following a 21% decline in the fourth quarter and 44% in the third. This reflects the steady improvement of liquidity and capital flows. The signs so far lend credence to the belief that 2021 will be a year of sustained recovery and expansion as the world begins to adjust to new normal, despite certain countries continuing to witness the devastating effects of the pandemic. We expect an acceleration of vaccination programs across the world, which should lead to increased transaction activity in the second half of the year for many geographies.

Our first quarter results build upon the momentum we closed 2020 with. We believe these results reflect strong diversification across the business with exposure to high-growth areas like data centers, life science and industrial and JLL's increasing value proposition for clients particularly around technology and sustainability.

In local currency, consolidated revenue fell 4% to $4 billion and fee revenue declined 7% to $1.4 billion. Adjusted EBITDA of $190 million represented an increase of 96% from the prior year, with adjusted EBITDA margin increasing 700 basis points to 13.4% in local currency driven by discrete items of approximately $50 million, ongoing cost mitigation initiatives and a better-than-expected performance in our transaction-based service lines.

Our adjusted net income totaled $109.7 million for the quarter, resulting in adjusted diluted earnings per share of $2.10. Our transaction-based service lines continued to face broad-based pressure as a result of the pandemic. But our strong results for the quarter were buoyed by resilience amidst slowly improving market conditions for Capital Markets and Leasing.

Our Property & Facility Management business also continues to demonstrate its strengths, particularly in the Americas. Further, our Advisory, Consulting and Other service line reflected considerable growth from strong valuation results, with Asia Pacific recording substantial gains over Q1 2020. Overall, we are encouraged by our strong first quarter results and are increasingly optimistic about the road ahead.

This quarter demonstrated the continued growth of our JLL Technologies platform, a key pillar of our strategy. JLLT represents our ability to broaden client access to leading-edge technology and transform the real estate industry through innovation. We will continue to expand upon our portfolio of investments, focusing on strategic investments, such as the multi-faceted Roofstock transaction and believe that the value of our portfolio will continue to yield considerable upside for JLL as demonstrated in the first quarter.

I will now turn the call over to Karen Brennan, who will provide further detail on the results for the quarter.

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Thank you, Christian. Overall, I'm encouraged with the start of the year. First quarter top and bottom line results exceeded our expectations and demonstrated continued momentum in the pace of the recovery we saw in the latter part of 2020. The outperformance versus our expectations was relatively broad based, both by geography and business line within real estate services and also due to several discrete items that I'll discuss in more detail later in my remarks.

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Our adjusted EBITDA margin improved 700 basis points year-over-year, driven primarily by the discrete items and cost reduction measures we instituted over the past several quarters. Given the trends in our pipeline, improving macro indicators and our view of the evolving market, we remain cautiously optimistic on the outlook for the year, particularly the second half. However, the global economic recovery remains uneven with continued uncertainty. We intend to use our strong financial and competitive position to invest for growth and create value for all stakeholders.

Moving to a detailed review of our operating performance. I remind everyone that variances are against the prior year period in local currency, unless otherwise noted. Our overall real estate services fee revenue declined 6% in the first quarter, an improvement from the 17% decline in the fourth quarter. This was driven by a return to growth in Asia Pacific and a moderation in the pace of decline in both EMEA and the Americas.

The real estate services adjusted EBITDA margin was 12.7%, which compares with 8.5% a year earlier. Absent discrete items, which include $35 million of noncash valuation increases to investments by JLL Technologies and early-stage prop tech companies as well as an $8 million multifamily loan loss reserve release this year and the $31 million increase to the corresponding reserve a year ago, the real estate services adjusted EBITDA margin would have been relatively flat year-over-year. Benefits from our cost reduction actions largely offset the impact from lower transaction-based revenues and investments in growth initiatives, including JLL Technologies.

Turning to the Americas. The fee revenue decline showed steady improvement on a sequential basis, primarily due to performance in Leasing, continued robust growth in Property & Facility Management and a return to growth in Advisory and Consulting. While Americas Leasing saw a few large transactions pulled forward into the first quarter, our leasing platform is benefiting from diversification across asset classes, including the higher growth areas, such as industrial, life sciences and data centers.

In addition, our data-driven and experiential technology platform is leading to increased client engagements, and we believe it is a key differentiator. Based on our leasing pipeline, client activity and our overall view of the market, we expect leasing activity to accelerate slightly more than the typical seasonality in the second half of the year, though we emphasize closing rates and timing remain highly uncertain.

The Americas office sector continues to be soft, though there are some early indications of improvement, such as an increase in property tours. According to JLL Research, the decline in net effective rents in offices across major U.S. cities stabilized in the first quarter, down approximately 13% since the beginning of the pandemic. Also, after 4 consecutive quarters of declines, average lease terms increased, albeit slightly from 7.1 years from 6.7 years.

The Americas Capital Markets growth trajectory was slightly impacted by the pull forward of some transactions from 2021 into fourth quarter of 2020. But we are encouraged by the underlying business fundamentals and signs of thawing in the hardest hit sectors. The Americas industrial sector remains strong, and our multifamily debt origination and loan servicing businesses have been resilient. Encouragingly, our Americas Capital Markets pipeline continues to build.

From a profitability standpoint, the Americas adjusted EBITDA margin increased approximately 700 basis points. Noncash valuation increases within our JLL Technologies investments and movement in the multifamily loan loss reserve were the primary drivers of the expansion. Our cost mitigation actions taken over the past several quarters were mostly offset by the impact from lower fee revenues in Capital Markets and Leasing.

In EMEA, fee revenue remains down year-over-year, though the rate of decline has moderated meaningfully from prior quarters, in part due to partially lapping pandemic headwinds. Growth and valuations advisory, along with a relatively resilient leasing fee revenue, continues to be more than offset by lower activity in Project & Development Services and our U.K. mobile engineering business.

Continued robust industrial sector leasing growth was offset by softness in most other sectors, though we are encouraged by early indications of improving activity. Material moderation in the EMEA Capital Markets rate of decline was driven by improvement in the office sector, mainly due to a few large transactions in Switzerland.

In terms of EMEA's profitability, the cost savings from actions taken over the past several quarters were more than offset by the lower fee revenue as well as a contract loss in the U.K., timing of expenses and investments in global growth initiatives, driving a decline in the adjusted EBITDA margin.

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Asia Pacific generated robust double-digit fee revenue growth as activity picked up across most business lines in key markets with the region lapping pandemic headwinds. Growth was particularly strong in Capital Markets due to the timing of several large transactions in the office, life sciences and data center sectors. In addition, our valuations advisory business grew year-over-year. Leasing activities are picking up in some markets, particularly in Greater China, but the pandemic resurgence continues to weigh on momentum across the region.

On a global basis, our Property & Facility Management service line continues to grow, led by new business wins and contract expansions in the Americas, including an uptick in reentry work. Property & Facility Management has grown throughout the pandemic as corporate occupiers and investors seek our services not only for higher building management standards but also our broad view on best practices and reopening the workplace.

Our Corporate Solutions business fee revenue grew 2%. A strong growth in the Americas was mostly offset by ongoing EMEA headwinds. We continue to be encouraged by the secular outsourcing trend, especially as clients increasingly seek our extensive knowledge and breadth of services, including sustainability, offered under our One JLL philosophy.

Turning to LaSalle. Fee revenue declined 17%, primarily on lower transaction fees and the expected absence of incentive fees. We expect the lower level of transaction activity caused by the pandemic to continue in the near term. We continue to forecast full year 2021 incentive fees of approximately $25 million, with about 1/4 of those hitting in the second quarter. The 8% decline in advisory fees was primarily attributable to pandemic-driven AUM valuation declines.

LaSalle's assets under management grew about $2 billion or 3% from the prior quarter to total $71 billion. LaSalle's equity earnings reflect $13 million of noncash valuation increases in our co-investment portfolio, which compares with a $40 million decrease in estimated fair value a year earlier at the onset of the pandemic.

As discussed on our last earnings call, we allocate capital by adhering to our framework, maintaining an investment-grade balance sheet, driving future growth through organic and inorganic investments in the business and returning 20% of free cash flow to shareholders over the long term. In the first quarter, we prioritized internal cash needs and investments in areas where clients have increasing demand, which serves to enhance the attractiveness of our products and solutions. We did not repurchase any shares during the quarter.

Shifting now to an update on our balance sheet and cash flows. At the end of March, reported leverage was 0.7x, within our targeted range and seasonally up from 0.2x at the end of December. Our liquidity stood at $2.9 billion, with 87% available on our $2.75 billion revolving credit facility. We recently renewed the credit facility under essentially the same terms while extending the maturity date 3 years to April 2026. The renewal also included incentives linked to achieving certain sustainability goals.

Lower incentive compensation payouts from prior year performance and our ongoing focus on improving capital efficiency helped drive a nearly $100 million improvement in the free cash flow deficit compared to the prior year.

Looking ahead to the full year 2021, the pipeline and business trends I discussed paint a picture of a gradually accelerating recovery as we move through the year. We continue to expect to operate within a 14% to 16% long-term adjusted EBITDA margin target range for the full year. We remain confident in our ability to meet our 2025 Beyond targets. Our investments in near-term and longer-term growth initiatives, along with our continued focus on providing a leading data-driven and technology-enabled platform, position us well to deliver for our clients and all stakeholders.

I'll turn it back to Christian for further remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Karen. As we look ahead, the outlook for the global economy is beginning to brighten. There's particular optimism for the second half of the year, but the recovery will be uneven and staggered across geographies. For example, the U.S. and U.K. are progressing well with their vaccination efforts, but the news out of India and Brazil is devastating. We are taking complete steps to support our employees and their families during this difficult time.

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We are also leveraging our global organization to ensure business continuity. Overall, we see promising economic indicators as signs of pent-up demand that could benefit general economic activity. Further, JLL Research predicts that by Labor Day, U.S. office physical occupancy levels will top at least 50%, up significantly from the levels observed through the first quarter of approximately 15%. We expect this year we'll see continued recovery in expansion even while the pandemic causes further ways of disruption.

Before we close, I would like to provide an update on advancements in our efforts to create value for all of our stakeholders through a continued focus on environmental sustainability practices. Central to our stated purpose of shaping the future of real estate for a better world is our commitment to sustainability, which we believe benefits not only our clients but our communities and society as well.

Cognizant of the real estate industry's impact on the environment, we continue to play a leading role in advancing the focus on sustainability within the broader business landscape. As a company, we successfully ensure that our goals and targets for greenhouse gas reduction, safety and diversity remain at the center of our strategic decisions. It's integrating our long-term sustainable growth objectives throughout our business.

Regarding environmental sustainability, I would like to share a number of developments. In signing the climate pledge, we announced our aim to achieve net 0 carbon emissions by 2040 across all areas of our operations, including the client sites we manage globally. We are continuing to partner with Bloomberg Green for second year to address critical issues related to climate and sustainability. As part of our strategic partnership with World Economic Forum and a member of the CEO Alliance of Climate Leaders, we have to committed to publicly disclose performance against sustainability goals. We conform 1 Broadgate as our new U.K. flagship office, which represents an opportunity to achieve one of the most sustainable and technologically advanced workplaces in the U.K.

Lastly, building on Karen's comments, we further formalized our commitment to environmental sustainability as we successfully extended the maturity of our revolving credit facility, leading within our industry by integrating select incentives to the achievement of certain sustainability goals. We will continue to proactively execute against our environmental sustainability strategic road map and raise the bar on acting as a responsible corporate citizen throughout our communities.

As we emerge into the next normal, we remain focused on our employee safety, supporting our communities and serving our clients. Our first quarter results are a testament of the benefits of our global and scale platform. We are emerging from this period as a stronger company with more integrated services and expertise allowing us to capitalize on new opportunities because of our continued investment in our technology and platform.

While it's clear that the post-pandemic world will look much different, we are encouraged by the fact that clients are seeking the high-quality services, meaningful insight and global connectivity and consistency that JLL is uniquely positioned to offer. We serve our clients with best-in-class services and advise while simultaneously bolstering our strong financial position and continuing to make intelligent investments aimed at enhancing long-term value for all stakeholders.

Operator, please explain the Q&A process.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Stephen Sheldon with William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

I guess first here, in Americas Leasing, Karen, I think you said you expect leasing activity in 2Q to accelerate slightly more than the typical seasonality. Is that comment about the normal sequential improvement in absolute revenue? Just wanted to make sure I understood that comment as I think

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Leasing revenue, if you go back 2017 to 2019 in the Americas, increased about 30% to 40% sequentially from the first quarter to the second quarter. So can you just give us some more detail on that comment and how we should interpret it?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. That's really a comment related to the second half of the year and the seasonality in the second half of the year.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Okay. Got it. And then, I guess, it would be great to get more detail on the Roofstock investment and kind of how you envision this sitting in with other solutions. I guess, how will you be leveraging kind of that platform when you think about your internal operations going forward?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

It's Christian here. Pretty much all our investments in our JLL Technologies are directly connected to our opportunity to bring that product to our clients. And the same is true for the Roofstock work we are doing, where we see an opportunity to help accelerate that product within our client base within the Americas, but even over and above that to bring it over to Europe. And so that is very attractive for both sides, the Roofstock and for us, that we can really accelerate this great product into a much broader client base.

Operator

Your next question comes from Rick Skidmore with Goldman Sachs.

Richard Wynn Skidmore - *Goldman Sachs Group, Inc., Research Division - Vice-President*

Christian, can you just talk about how you're thinking about the long-term impact of working from home on office demand? And how that might impact the Leasing business over time?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Sure. I mean, this is one of the most asked questions. And in the past, I've always said, it's quite early to give a final comment. I think we are coming now closer to being -- get much more clarity around that topic. And for many of those who kind of expressed views in the past that they believe that there will be an absolutely fundamental shift post-COVID, I see also them retreat from that statement. Frankly speaking, I think the changes will be much less than people are expecting.

We have all learned how hard it is to constantly work from home. And so most employees would like to come back into the office. They do like the flexibility of working once in a while from home. But directly, they want to get back into the office. And so the material impact on space usage, as we said before, will be relatively minor because if you are reducing a bit of space because you need less work desk, you need much more collaboration space and other ways of making an office real exciting place where people are able to get kind of the best out of them and all their creativity and experience the brand. So this is something where we are pretty optimistic that numbers are coming close to what we saw before the pandemic.

Richard Wynn Skidmore - *Goldman Sachs Group, Inc., Research Division - Vice-President*

Great. And then maybe just a question for Karen. Can you talk to the amount of cost reduction you expect to be permanently in place as you go forward? And how we should think about sort of the operating leverage as we go forward?

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Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Sure. Rick, good question. So first, let me take a step back to remind everyone of the 2 different buckets of cost optimization programs that we had last year. The first was $135 million of fixed compensation and benefits reductions on an annual run rate basis. And the second was the category of nonpermanent expense savings that we realized $330 million in 2020.

And -- first, I'll talk about the fixed compensation and benefits reduction. So of that $135 million, to date, we have realized $93 million of that number over the last few quarters. And the remaining $42 million will primarily flow through in the second and third quarter of this year. And then moving to the second bucket of expenses, the nonpermanent reductions, of that $330 million, you might recall that I described roughly half of that would not recur in any way in 2021 because they were due to discrete actions taken through both government programs as well as temporary reductions in our fixed compensation benefits.

Of the other half, it comprises items more such as T&E and marketing expenses, and we continue to expect those to return gradually as business activities resume to normal. And for reference, in the first quarter, we still had approximately $46 million of savings for the items in that category, again, primarily T&E and marketing.

Operator

Your next question comes from Tony Paolone with JPMorgan Securities.

Anthony Paolone - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I guess speaking on the question for Karen around margins and EBITDA, you'd mentioned the 14% to 16% range. I'm just wondering if you can give a little bit more color on puts and takes given the strength in 1Q? Because it would seem like what would keep you, I guess, from being at the top end of that range, given, again, the strong 1Q.

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Sure. Tony, great questions. Good. Perhaps we take a step back, given the different puts and takes that you mentioned and take everyone through margin walk. First, just to really highlight that the -- for the Real Estate Services business, absent the noncash items in both the current quarter and the prior year, our margins are flat on lower revenue. And 2 key points I want to highlight behind that headline. The first because I just talked about, right, is that our cost optimization actions are delivering as planned. And the second thing to highlight is that we are making purposeful investments in our business as we talked about in the last several quarters.

So to go through in some more detail, given the various puts and takes you referenced, I suggest we turn to Slide 10 of the supplemental slide deck that we released this morning, and we can talk through those in a little bit more detail. And I'll go from right to left in a way I describe these. So starting all the way to the right, we've isolated in the noncash items bar the specific COVID-related item that we took in first quarter of last year, and then this quarter represents a partial reversal of those items.

Moving next to the left, the JLL Technologies bar, 90 basis points includes the noncash valuation increases associated with the JLL Technologies investments partially offset by our investments in the JLL Technologies platform. Against the left now LaSalle, the 40 basis points decline represents the anticipated absence of incentive fees in the quarter compared to prior year as well as the decline in transaction volumes, which flow through to a reduction in transaction-based fees.

And then finally, to the left, we have our Real Estate Services margin at 100 basis points of improvement year-over-year where we had the cost mitigation actions more than offsetting the revenue decline. So that's kind of more detailed attribution analysis of the overall enterprise level

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behind my comments earlier. So hopefully, that's helpful in understanding that there's a lot going on in the first quarter clearly to break that out in a bit more detail.

Anthony Paolone - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. Just a couple of other ones. Can you talk about EMEA and the profitability there and whether you think that mobile engineering will just rebound post-COVID, and that will be back to a better level of profitability? Or is that a business that you have to revisit for long-term profitability?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

It's Christian. Listen, the mobile engineering business in the U.K., where -- that's where we have that business is super dependent on open buildings and general open sites. And that hasn't been the case in the past. So frankly speaking, didn't come across in the numbers, but we are still impressed how well we are able to hold up to that business. It was all kinds of actions to mitigate the cost impacts we have. But as the U.K. is now at the point of opening up again, we are expecting a relatively quick rebound in that mobile engineering business.

As we stated in earlier quarterly calls, we invested heavily into the technology, and the overall productivity of that business is now at a very different level than it was before. And so I understand that U.K. is planning to be fully open again from the June onwards, and there will be a lot of kind of pent-up demand needed from our mobile engineering services. So you won't see that in the second quarter, but you will then see that shipping in the third and the fourth quarter of this year.

Anthony Paolone - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. And then, Christian, can you give us a view of your thoughts on co-working and flexible space and JLL -- how you see JLL in that space going forward?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

I think flex space is one of the big winners of that COVID crisis. We were pretty optimistic about that area before because it just is serving a need, which clients like to solve to have that flexibility. And that need has only become stronger during that COVID experience and that lockdown experience. So we see going forward, having nature building, having a couple of flex spaces in the building for working spaces in the building and probably all large occupiers will want to flex parts of that space.

And they can do that in-house, and they can do that with -- in-house with external providers, and we can move it just in the space of external providers. So there is room for many variations, and we have taken the stance so far that we are focusing on providing services to our clients. And so there's a lot of flex-based services offered by us as a wide enabled service to our clients that we are not planning to start our own brand and label around flex space.

Operator

(Operator Instructions) Your next question comes from Jade Rahmani with KBW.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Just looking at the 2021 comments you made and the macroeconomic outlook you provided in the slides, is it reasonable, given the comparables of the year ago period to project mid- to high-teens growth in fee revenue for the rest of the year?

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Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. Jade, we're not going to provide that level of specific guidance at this time.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. One of your peers introduced a metric called net revenue, which they believe is a more accurate representation of revenue than (inaudible) since there is some portion of pass-through that has a modest margin. I was wondering if you think that, that metric is useful and then it's something JLL might consider using, just to be more comparable with that peer?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. We just learned of that last -- I think it was Thursday when that was released. So we're performing our internal analysis on it and trying to understand the differences there. And we want to complete that analysis before we share our view on that.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. On JLL Technologies side, I was wondering if there was an accounting change or something in the methodology that caused the valuation increases and if their values were to change and decline in that sector, could we expect negative fair value marks going forward?

Karen G. Brennan - *Jones Lang LaSalle Incorporated - CFO & Member of the Global Executive Board*

Yes. Sure. There were no accounting changes. This was the first quarter where we started to realize the benefit of the strategic investments we've made over the last couple of years. And yes, they are fair value marks so that they can move both up and down based on valuation.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. On the capital markets side, I know that HFF didn't do very much business in the GSE multifamily space with Fannie Mae, and I believe that Oak Grove had a Fannie Mae license. Historically, the margins with Fannie Mae are very strong because of risk sharing. Is that an area of the business in which HFF's brokers have been gaining traction with the combination of the platform JLL has been gaining traction on the Fannie Mae side?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes, absolutely. I mean this was one of the benefits of that merger that we could use our existing Fannie Mae, Fannie Mac business and merge that with the HFF one where they had to use another provider who was carrying a license. So we have moved that business over, and that part of our business is growing very, very fast and also the ongoing services fees, which are coming from that business, which are fully annuity, are also growing very nicely.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

And then just lastly, I wondered if it's possible to quantify either the historical percentage of office within Capital Markets and Leasing or perhaps in the most recent quarter, what office was the share of the total transaction.

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Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

It's very easy. We have -- on the overall global business on the Leasing side -- office is about 50% on the Leasing side and about 25% on the office side in the first quarter. And in the U.S., we are slightly less exposed to offices because we have a much larger industrial business, whereas in APAC, we are much more focused on offices and then less on the other asset classes.

Overall, what we are seeing is that our dependence on offices as being reduced over the last couple of years as we have built a very strong industrial business and then on the Capital Markets side, a super, super strong residential business, which is now -- globally now more than 1/3 of our Capital Markets revenues is coming from the residential side.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Meaning the multifamily side?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes. You would call it in the U.S. multifamily, but there's also residential business, which is not multifamily. We have in Europe and Asia also business around single apartments. And so it's a variety of services which are falling under residential. And we spoke earlier about our Roofstock, so that would also then in the Leasing business.

Operator

And there are no further questions at this time. I'll turn the call back over to management for closing remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Now that is very fast. No more questions. That's great. Then that means that our numbers seem to be very, very clear. So if -- we will -- thank you very much for participating in today's call. Again, before we close, I like to take a moment to announce that we will be hosting a webcast for analysts and investors with Neil Murray, our Global Chief Executive Officer of Corporate Solutions. That will take place on May 20, so in about 2.5 weeks from now -- 2 weeks from now. Additional details of the event will be provided over the coming days. So once again, on behalf of the entire JLL team, we thank you all for participating on the call this morning. And Karen and I look forward to speaking with you again following the second quarter.

Operator

This concludes today's conference call. You may now disconnect.

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