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JLL.N - Q1 2022 Jones Lang LaSalle Inc Earnings Call

EVENT DATE/TIME: MAY 09, 2022 / 1:00PM GMT

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PRESENTATION

Operator

Good morning. At this time, I would like to welcome everyone to the James Lang LaSalle, Inc. First Quarter Earnings Conference Call. For your information, this call is being recorded. (Operator Instructions) Thank you.

I would now like to turn the call over to Scott Einberger, Investor Relations Officer. Please go ahead.

Scott Einberger

Thank you, and good morning. Welcome to the First Quarter 2022 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 and in our slide presentation, 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 release and slide presentation.

As a reminder, today's call is being webcast live and recorded. A 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 for the fiscal year ended December 31, 2021, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements. Please note that effective with the first quarter 2022, our financial results are now being reported under 5 business line segments instead of the geographic-based structure that was utilized in the past.

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

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

Thank you, Scott. Hello, and thank you all for joining our first quarter earnings call. This morning, JLL reported first quarter financial results under our new business line format. Our results highlight the competitive advantages we have across each of our business lines, led by robust top and bottom line growth in our Markets Advisory, Capital Markets and Work Dynamics businesses as well as strong fee revenue growth in our JLL Technologies and LaSalle businesses.

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Our One JLL philosophy has allowed us to seamlessly serve clients across business lines and geographies, which has manifested itself in the strong results we just reported. I would like to thank all JLL employees for their dedication to helping our clients navigate the evolving macroeconomic and geopolitical environment.

The geopolitical environment in Eastern Europe has forced many companies to evaluate how they conduct business in this part of the world. In early March, JLL made the difficult decision to separate our domestic operations in Russia. Russia's continued attacks on Ukraine and the Ukrainian people are horrendous and have no place in today's world. Our thoughts and sympathies remain with everyone in Ukraine and elsewhere, whose livelihoods are being impacted by this ongoing conflict.

Our main priorities continue to be supporting our colleagues in Ukraine. We have engaged with the World Economic Forum and other coordinating bodies in contributing to wider humanitarian efforts and thousands of JLL employees have also donated to relief efforts. I would like to extend a special thank you to our people in Poland and Central Europe, who have opened their doors to those in need.

Though not comparable to the situation of Ukrainians, I also want to note the hardship on our Russian colleagues. Some of them have been with us for more than 20 years. We have opened our doors for them in other JLL countries.

From a business perspective, Eastern Europe and Russia combined accounted for approximately 1% of our 2021 fee revenue, and we do not expect the decision to separate our Russian business to have a meaningful impact on our fee revenue for 2022.

The effect of the war in Ukraine on our leasing and capital markets businesses was minimal during the first quarter. Conditions in Europe remain fluid. And over the last weeks, sentiment in the region has started to shift with some transactions being delayed. The extent of the impact is still unknown and will be influenced by the evolution of the war in Ukraine.

Turning to the current market environment. Capital Markets activity remained healthy during the first 3 months of the year. According to JLL's research team, first quarter activity was the highest on record with global Capital Markets transactions totaling $292 billion. Investments in office, retail and hotels are now growing in line with the overall market after these asset classes lagged during the heart of the pandemic.

Operating conditions continue to vary significantly by geography with impacts from inflation, rising interest rates, COVID lockdowns and geopolitical events. Rising interest rates are beginning to create more volatility in the debt markets, and investors are undertaking greater price discovery before closing transactions.

On the Leasing side, corporate occupiers are beginning to return to the office with occupancy rates rising gradually in most city center locations. A hybrid return to office is the most common solution we see with companies providing amenities and collaboration space required to draw employees back into the office. Global office market demand was up 35% versus the first quarter of 2021, with all regions showing a demand increase. Flight to quality remains the defining characteristics of the global office market with rents and vacancy rates diverging between Class A and Class B and C properties.

In the U.S. specifically, office leasing volumes and the average lease terms, both increased for the fifth consecutive quarter. The average U.S. office lease term is now at 8.2 years, just shy of the pre-pandemic 5-year average with effective rents approximately 5% below the pre-pandemic levels for Class A office space.

Shifting to other asset classes. Leasing activity in industrial and retail remained strong in the first quarter. In the industrial space, all-time low vacancy rates persist despite record levels of new space under construction. It's likely that leasing volumes in the industrial sector will moderate, given the lack of supply in the market. Retail activity is recovering rapidly in the large mature markets as many retailers look to open new brick-and-mortar concepts. This activity increase is supporting retail rent growth for higher-quality locations.

While the macroeconomic factors I mentioned previously plot the future operating environment, current conditions remain favorable. Ample liquidity and the continued allocation of investment dollars to the real estate markets bode well for long-term growth.

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Let's now shift our attention to JLL's performance for the quarter. First quarter revenue rose 21% to USD 4.8 billion and fee revenues increased 36% to USD 1.9 billion in local currency, nearly all of which was organic. All 5 business lines contributed to the growth in fee revenue led by our Markets Advisory and Capital Markets businesses.

Adjusted EBITDA for the quarter was USD 274 million, an increase of 47% from the prior year, and our adjusted EBITDA margin was 14.4% in local currency. Adjusted net income totaled USD 177 million for the quarter and adjusted diluted earnings per share were $3.47, an increase of 69% from the prior year.

Our adjusted EBITDA margin expanded 110 basis points year-over-year, speaking to the strength of our core business, diligent cost management and the growth in higher-margin transactional business lines. Disciplined capital allocation remains a focus. Our strategy is to invest in the business to drive future growth, both organically and through select M&A and return capital to shareholders. Our pipeline has expanded with the recent market turbulence, and we continue to rigorously evaluate all opportunities against our capital allocation framework.

In the first quarter, we returned approximately USD 150 million to shareholders through our ongoing share repurchase program. The strength of our balance sheet and the meaningful amount of cash that our business generates gives us the flexibility to both invest in the business and return cash to shareholders.

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

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

Thank you, Christian. I'm very pleased with our first quarter results, which reflects double-digit top line growth in all business segments and across all 3 regions. We continue to see strength across the service lines, which were most significantly impacted by COVID as well as increased momentum and those which prove more resilient.

Investments in our people and global platform over the last several years are enhancing our competitive position, which allows us to capitalize on market opportunities and accelerate our business momentum. Adjusted EBITDA increased 47% compared to the first quarter of 2021, and we generated healthy margin expansion, driven in part by revenue growth and productivity improvement.

We continue to return capital to shareholders, repurchasing approximately $150 million of shares during the quarter. Over the past 12 months, we have reduced our quarter-end share count by approximately 3%. While the current macroeconomic environment and geopolitical backdrop result in less clarity for the second half of the year, our robust business fundamentals, strong balance sheet and ongoing efforts to improve operating and capital efficiency underpin our focus on long-term growth and value creation.

Beginning in the first quarter 2022, we transitioned to reporting 5 business line segments comprising Markets Advisory, Capital Markets, Work Dynamics, JLL Technologies and LaSalle. The new financial reporting structure better aligns with how we've evolved our management structure over the past few years and improved transparency, making it easier for investors to understand our performance and key drivers.

Moving to a detailed review of operating performance, I remind everyone that variances are against the prior year period in local currency, unless otherwise noted. Beginning with Markets Advisory, Leasing led the segment with very strong fee revenue growth of 46%, which was broad-based across geographies and asset classes. Office sector leasing volumes continue to improve. And for the second consecutive quarter, office fee revenue growth slightly outpaced industrial, where year-over-year growth remains strong but is decelerating on a sequential basis.

Leasing fee revenue growth was most notable in the U.S. up 52%, while EMEA increased 25% and APAC grew 11% despite mixed COVID conditions and restrictions in the region. Compared with first quarter 2020, which was largely unaffected by the pandemic, leasing fee revenue increased 30%. We saw a significant increase in transaction volume and size globally, including a 35% increase in the average transaction size in the U.S. versus a year ago.

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Mid-single-digit property management fee revenue growth was driven by a strategic joint venture investment in fourth quarter 2021, boosting nominal organic growth. Demand remains robust globally across sectors. As an example, our U.S. leasing pipeline remains strong, up approximately 10% from a year ago supported in part by economic growth and the confluence of maturities of the ordinary course long-term leases as well as the pandemic-driven short-term maturities.

According to JLL Research, U.S. office leases representing 243 million square feet or about 11% of leased office space are set to expire in 2022, the most to come to market since 2015. With employers rethinking the workplace and potential impacts from the macroeconomic environment, the leasing market remains active. Occupier preferences continue to be for Class A space with the amenities and sustainability profile needed to attract employees after the office.

JLL specializes in the Class A space, which comprises the majority of our leasing fee revenue. Over the long term, we expect leasing activity to remain highly correlated to economic growth.

Markets Advisory adjusted EBITDA margin improved 300 basis points from a year ago to 14.9% as a result of higher fee revenue and the timing of incentive compensation accruals, which more than offset the growth in T&E expense, incremental investments in our people and higher commission rates resulting from changes in underlying business mix.

Moving now to our Capital Markets segment. Robust fee revenue growth was broad-based both across sectors and globally. Activity in the office sector continued to rebound and growth in residential and industrial remained strong. The retail and hotel sectors also grew, a reflection of the strength in the overall market recovery. Higher volume across all deal sizes within investment sales, debt and equity advisory drove 67% fee revenue growth over the prior year and a 45% increase compared with the first quarter of 2020.

Fee revenue from U.S. investment advisory sales grew about 80% and U.S. debt and equity advisory increased approximately 60% from the prior year quarter. Notably, EMEA investment sales, debt and equity advisory fee revenue grew 75%. Our loan servicing business maintained strong momentum with fee revenue up 33%, driven by gains in our servicing portfolio, particularly from Fannie Mae originations. Valuation Advisory fee revenue growth of 12% was propelled largely by the Americas.

As we look towards the rest of this year, the global capital markets investment sales, debt and equity advisory pipeline continues to build and is up 36% compared with this time last year. Echoing Christian's comments, the evolution of interest rates and inflation, the geopolitical environment and the pandemic will influence closing rates and timing of transactions.

Capital Markets adjusted EBITDA margin increased 500 basis points from a year ago to 20% as a result of revenue growth, higher productivity and timing of incentive compensation accruals, which more than offset the continued return of T&E expense and the headwind from the release of a loan loss credit reserve in the prior year quarter.

Moving now to Work Dynamics. Our global Work Dynamics fee revenue growth accelerated to 15% versus the prior year, fueled primarily by workplace management, new client wins and contract expansions in the Americas and EMEA regions. Both our annuity and transactional revenue streams within this segment had strong momentum globally.

Compared with 2 years ago, which was largely pre-pandemic, Work Dynamics fee revenue was up 12%, driven primarily by growth in workplace management. Project Management fee revenue growth accelerated to 11% as a result of pandemic restrictions even and clients resuming project-related work. The Work Dynamics adjusted EBITDA margin improved 130 basis points from a year ago, driven primarily by improving productivity of our scaling global platform as well as changes in our incentive compensation program to better align with business performance.

The global real estate services outsourcing market opportunity remains compelling. So we will continue to invest in our sustainability initiatives, people and technology to enhance our competitive position and drive profitable growth.

Moving next to JLL Technologies, which is comprised of our expanding suite of software and other service solutions, along with our strategic investments in proptech companies. JLL Technologies fee revenue reflects direct revenue from software sales and service and consulting fees and

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grew 52%, including 24% organic growth. We continue to invest in our technology team and platform, which we believe will further differentiate our suite of services, scale a recurring revenue business line and create long-term value.

The JLL Technologies adjusted EBITDA margin declined from a year earlier, primarily on lower equity earnings, along with continued investment in people and platform, both organically and through acquisitions. Equity earnings totaled $19 million for the quarter compared to $35 million a year ago.

Turning to LaSalle. Robust capital deployment and valuation increases over the past 12 months drove a 10% increase in assets under management and translated to 18% advisory fee revenue growth. Our capital deployment in the quarter more than doubled from a year ago, driving strong growth in transaction fee revenue.

Considering LaSalle's $9.1 million of capital raised over the trailing 12 months, including $1.9 billion in the first quarter, we expect the strong LaSalle advisory fee revenue growth trends to continue. Lower equity earnings were due to the combination of headwinds from a reversal of a pandemic-related portfolio valuation adjustment a year ago as well as an approximate $11 million adverse fair value mark from the share price decline in our publicly traded JV, which was valued at $70 million as of March 31, representing 20% of LaSalle's $350 million co-investment portfolio.

The lower equity earnings more than offset the increase in fee revenue and incremental platform scale driving a decline in LaSalle's adjusted EBITDA margin.

Shifting now to an update on our balance sheet and capital allocation. As of March 31, reported net leverage was 0.8x. We have $2.2 billion of liquidity, providing a strong foundation to execute on our strategic priorities. We will continue to invest in our business and capabilities to better serve our clients and drive long-term growth and value creation.

We continue to return capital to shareholders during the quarter. As I mentioned earlier, we repurchased approximately $150 million of shares in the first quarter, bringing the trailing 12-month total repurchases to $493 million. Approximately $1.6 billion remained on our share repurchase authorization as of March 31. We expect to continue repurchasing shares on both a programmatic and opportunistic basis throughout the year. The market volatility over the past several months have expanded the investment opportunity set, and we have ample flexibility to capitalize on organic investments and select M&A opportunities alongside continued share repurchases to drive long-term shareholder value.

Looking ahead, we expect our business momentum to continue, driven by the strength in our underlying business fundamentals and investments in growth initiatives, along with positive industry trends. We expect top line growth rates to moderate from the pace of the first quarter as we have now lapped the most heavily pandemic impacted quarters.

For the full year 2022, we are reaffirming our adjusted EBITDA margin of 16% to 19%. Our business model is more resilient than ever, and we are well positioned to navigate an evolving macroeconomic environment.

In closing, I'd like to thank my JLL colleagues for their collaboration with one another across business lines and geographies to further our One JLL philosophy and seamlessly deliver on our integrated full-service platform. These efforts allow us to continue generating long-term value for all stakeholders.

Christian, back to you.

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

Thank you, Karen. The global economic outlook is less clear than the last time we spoke. Inflation, rising interest rates and the consequences of the war in Ukraine will likely have a trickle-down effect on economic activity. While it is difficult to predict the impact of these various factors on the global economy, we do know that the commercial real estate industry has proven to be resilient. The rapid recovery we have experienced over the past 18 months is a clear indication of how our industry and JLL's business model has evolved since the great financial crisis.

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Once the Russia-Ukrainian war has come to an end or the immediate threat of it expanding into further territories has receded, corporates will significantly refocus on their investments needed to build a more stable supply chain. The same, they will be increasing their efforts to reduce their overall carbon footprint, which we continue to view as the most significant change to our industry going forward. We expect that the combination of these factors will result in a significant reshoring of production.

Products will be produced where they are actually needed and the deglobalization of the supply chain will drive very significant real estate requirements over the next decade. Our One JLL approach allows us to serve clients from first strategic discussions to the delivery of a fully built out and finance building.

Our tremendous progress in digitizing our core services is well received by our clients and demonstrated in our ongoing increase in the revenue per head of our producers. Our global platform, thought leadership, superior technology tools and full suite of services puts us in a unique position to serve clients. I'm ever more confident about the long-term prospects of JLL and short term, we aim to demonstrate our ability to navigate a cloudy macro environment.

Operator, please explain the Q&A process.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Stephen Sheldon from William Blair.

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

Appreciate the pipeline detail and Capital Markets advisory win, I think you talked about Leasing up 10%, Capital Markets up 36%. I'm curious how much visibility that gives you as you think about the next few quarters, it sounds like there have maybe been some delays or pushouts in areas like Europe. So just curious if you're growing, you've got a big pipeline, just curious if you're growing more concerned that industry-wide activity could slow down some here? Or really, at this point, is it just some delays in some smaller pockets of the business?

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

It's Christian. Listen, in the absence of that troubled war in the Ukraine, we would be very optimistic for the remainder of the year. We have within our Leasing business, though, especially on the office leasing side pent-up demand from the pandemic, which has been covered over the next couple of quarters. And that probably will come anyway, although the lowering sentiment in the economy is potentially having also a slight impact there.

On the Capital Markets side, the pipeline is incredibly strong. It's up at this point more than 30% higher than last year. But there's always the risk that if that war continues and widens that pressures on the overall sentiment are becoming so big that people are starting to be more careful in further investments.

Now our business is very balanced to the debt side of it. If you don't trade your buildings, you have to work on the equity and on the debt side, but that may have an impact. But again, for the time being, the pipelines are incredibly strong.

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

And then maybe on the margin side, as you think about the potential for margin improvement in the coming years, where are the bigger opportunities that you see to drive increased efficiency? And just curious, are there some segments where there may be more opportunities for efficiency improvements than others?

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

It's Karen. As we think about margin expansion and the ability to drive further improvements, we're really looking across all of our segments and looking at the scale of our platform in one area -- so two comments. One is it relates to our transaction business lines and the higher productivity per producer that Christian referenced earlier, we're going to continue to focus on that. We are coming out of a market environment where we had an expense base that was lower than it would have been in a normal year in 2021, but continuing to focus on that and see where we can drive further improvements.

The second area, I would say, is really capitalizing on the scale of our platform as it relates to our Work Dynamics business and really looking to make further gains there as we grow that business.

Operator

Our next question is from Alex Kramm from UBS.

Alexander Kramm - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers*

Coming back to basically the outlook here for maybe the remainder of the year or next year, I think the biggest factor you always mentioned and I think this is both for Leasing and Capital Markets' GDP. And obviously, that -- there's obviously a lot of question marks. But I think, Christian, you mentioned some of the other external factors that we should be considering. So interest rates, availability of credit, are there -- can you touch upon what you're seeing there or any other things that we should consider outside of just GDP growth and obviously, war in Europe, et cetera, but some of the maybe more technical things that we may not be thinking about?

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

Yes. I mean I think GDP is for the Leasing business, a very important indicator. So if you take away the pent-up demand coming from the pandemic, the Leasing business will react on GDP. Now you have to be very specific because the type of business we are focused on in our leasing business, especially on the office leasing side, the Grade A buildings, which are making the majority of our revenues.

And within that, we have a very, very high proportion towards the most successful companies within the industries. So general GDP is relevant. And then more specifically, the performance of our typical clients. And so that's one reason why we tend to outperform the general market with our Leasing business.

On the Capital Markets side, interest rates are clearly a very important factor, especially the quick spiking up of the interest rates. Everything which kind of happens in line with expectations that is more easily digestible because pricing will adjust. But when it's spiking up too quickly, that can create a little bit of hesitation on the investor side.

So that is the piece which obviously creates some caution when you look at the business going forward, whether central banks are able to do their actions in line with market expectations so that the market can adjust accordingly because no doubt when interest rates are moving up, at some point, yields of buildings have to move up as well. Otherwise, it doesn't work.

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And that kind of adaptation takes some time and, therefore, it's important that things are not happening too rapidly. But as I said, at the moment, there is still a tremendous amount of money at the sideline waiting to be invested into great buildings, and that is probably the reason why our own pipeline is so significantly ahead of last year.

Alexander Kramm - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers*

And then switching to the Work Dynamics business, I don't know if you mentioned a pipeline specifically, but I think you said it was pretty healthy. Maybe you can just give us a little bit more color where you're seeing opportunities? Is this partially competitive takeaway opportunities? Is it still all white space? Or how should we be thinking about the opportunity set here in the maybe next few quarters?

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

Well, first of all, I think it's important to reinforce our Work Dynamics business is, you can call it, the flywheel of our business. It's primarily an account-based business with significant long-term contracted revenues. Usually, it's about 5 years and predominantly from very large occupiers.

And so you have the renewal of existing contracts, which is obviously very relevant, and we tend to have very high renewal rates. And then you have other opportunities coming to markets, those can be opportunities from companies who are currently being served by competitors. But what is also a very important area of growth is companies who are coming for the first time to the market, they may have had some elements of outsourcing, but never a full-scale outsourcing contract for the whole of their services.

And that is a very important growth aspect for all of our -- us and our industry who we're competing with, especially during the pandemic, people have seen how difficult it is when they have a vast set of suppliers, which then ended up in different experiences for the employees depending in which location they are sitting.

And what all employers are now seeking is that the employees have the same experience wherever they are based, and that is now driving a lot of additional demand into major outsourcing contracts. So pipeline is very strong, and we expect that continue to be strong, irrespective of the GDP development over the next couple of years.

Alexander Kramm - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers*

Maybe just one very quick one. You mentioned retail as an area of strength. We've heard that from a few others, too. Can you just remind us how big that business is for you? And is it actually an area that you want to grow? It doesn't seem like the outlook there has been that great with everything going on in commerce. But just maybe a quick reminder of how you feel about retail?

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

Our retail business is not massively big. It has a solid contribution to our results. What you see in the retail business is that after that massive trend towards online retailing, the retailers were forced to kind of reinvent themselves in a way what kind of physical experience clients would seek when they come into a store, and that has led to some very healthy work for us going over the last couple of quarters now. And also going forward, we are very optimistic. Karen can give you the detail on how big our retail business is in comparison to the others. Karen, over to you.

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

Yes. Sure. On a combined basis, across Leasing and Capital Markets, as Christian mentioned, it's not all that significant. It's roughly 10% of our total revenues across those 2 service lines. But there is, as Christian mentioned, some really interesting trends where we've seen an uptick and faster growth in both Leasing and in Capital Markets for the reasons that Christian described, and particularly in Capital Markets, we're seeing an uptick

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as investors are looking at the relative risk return profile between retail and other property types out there and how they feel about return potential going forward.

Operator

Our next question is from Chandni Luthra from Goldman Sachs.

Chandni Luthra - *Goldman Sachs Group, Inc., Research Division - Associate*

Could you perhaps give a little bit more color on what you're seeing in Europe in Asia? So in Europe, specifically within Capital Markets and Advisory, you guys mentioned a little bit that sentiment has started to shift with some transactions getting delayed, but then there is also the other side of that argument that perhaps there is a flight to quality taking place from perhaps Eastern parts of the region to western parts of the region and maybe that can drive some activity. So what are you seeing there? And then shifting gears to Asia, generally with all the lockdowns and everything that's been going on, what are you seeing across that geography?

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

Well, on the Capital Markets side, EMEA had a very, very strong performance in the first quarter. Actually, from a growth perspective, the strongest of our 3 regions on the investment sales side. As you rightly say, EMEA is a combination of many, many countries, and there is, if you generalize this slightly more hesitation, the closer you come to the Ukraine.

So Eastern Europe is suffering the most, but interestingly enough, also Germany, which was always perceived as the safe haven is feeling some hesitations from overseas investors. There's still enough capital at the sideline so that you don't see that currently in the transaction volumes, but it's something which we know because we do so many transactions every day.

APAC also had a pretty good start into the year. But in the perspective of JLL, our overall capital markets business in the U.S. is so much bigger that the European and the Asian total revenues are just about 1/3 of the Americas revenues and, therefore, was slightly more than 1/3. So that it's very important for us to watch what's also -- what's actually going on in the Americas and how sentiment is developing there? Karen, anything for you to add?

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

Yes. Sure. Thanks, Christian. I'll add couple of points, in particular, because EMEA has been an area of focus for us over the last several quarters, given profitability and our intention to improve that. We're happy with how that's progressing in EMEA. We had overall 29% growth in our free revenue compared to prior year, and that was both from capital markets that Christian called out, but also within Market Advisory and our Work Dynamics business. So we're pleased with how things have progressed there and are continuing to focus on our cost structure and driving efficiencies. And so we were able to pull through that top line growth, particularly in Capital Markets to improve profitability.

As it relates to Asia Pacific overall area of question and concern given current COVID lockdowns in China would be, well, what's going on with that business and how is that developing and Greater China is less than 5% of our consolidated fee revenue overall globally, still an important part of our business. But just to give some more color on how things are progressing there and moving at different speeds.

For full year 2021, our China fee revenue was up 14%. And for year-over-year for this quarter, it was flat. Within those numbers, right, we have Leasing, was up 40% last year, and it was down 32% in the first quarter as a result of some of the lockdowns. So you're seeing things moving at different speeds, both across our service lines as well as geographies. And as we demonstrated, coming out of the pandemic, right, these countries might respond in different ways to different shocks to their economies, but we have diversification both across the business lines and geographies, which allows us to be more resilient.

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Chandni Luthra - *Goldman Sachs Group, Inc., Research Division - Associate*

And then for my follow-up question, you guys mentioned in your prepared remarks that there is expanded opportunity for M&A, given market volatility. What are the segments or regions where you perhaps see more opportunity for M&A? And how should we think about capital allocation towards buyback? We know it was in line with how you did in the fourth quarter. But is there an opportunity to get more opportunistic here, just given where sentiment across the stock is right now and how you think about that?

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

Okay. I give it a start, and then I will hand over to Karen. So with regards to the M&A part of your question, there is a quite significant more activity visible in the market, but there's still price discovery. Pricing is still orientated to kind of peak times and so we are very carefully assessing those opportunities and seeing whether they would create shareholder value going forward.

We don't give any specific areas where we need to grow. We have a pretty full platform everywhere, but there are always specific segments where it's nice to have some additions in order to just accelerate growth. But if it doesn't happen, that's fine for us as well. So we will continue to do these smaller acquisitions on the tech side and waiting patiently whether there is a bigger opportunity in our core real estate services coming up. Karen?

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

Yes. So then shifting to the questions around share repurchases, where we'll be looking at, as I mentioned, both programmatic and opportunistic share repurchases over the remainder of the year and that will relate to what we're seeing in our M&A pipeline. So we'll be closely monitoring how that evolves, how we're feeling about pricing certainty, et cetera, and opportunity set relative to share repurchases.

Operator

Our next question is from Jade Rahmani from KBW.

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

Considering both the strong pipelines, strong first quarter results reflected that as well as increased macro uncertainty, could you please give some insight into the pipeline in terms of its stickiness? How long a lead time it represents? And if there's any callouts specifically geographically or by business line you'd like to make?

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

Listen, we cannot see so far any time delays of significance in that pipeline. As I -- kind of when we talk about stickiness, the Work Dynamics pipeline is incredibly sticky, and we don't expect anything to change there. On the Leasing side, there is still pent-up demand and we are pretty confident about the Leasing business over the next couple of quarters.

On the Capital Markets side, this is obviously a onetime event if somebody is buying a building. And if there are very concerning news coming overnight, a deal can still collapse at the very last hour. And so we have to just look at our pipeline, as I said earlier. It is the same time this year compared to last year, more than 30% stronger.

So all the indicators are very, very positive. But we need to be realistic if that turbulence in the world is widening and if interest rates are continuing to spiking up, pipeline like that can still kind of diminish very, very quickly and, therefore, I don't want anybody to get carried away about the strong performance of our Capital Markets business within JLL, but also within the industry in the first quarter.

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

Can you identify to what the restructuring charges relate? They still continue to run pretty high and wondering what that pertains to and over what period those would go away?

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

Yes. The primary contributor to our restructuring charges in the quarter was really the tail end of the HFF acquisition. And so we expect that this year will be the final year that we would see any further impacts from that in those charges.

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

And are those compensation-related charges?

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

Yes, they're related to retention compensation at the time of the acquisition.

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

Okay. And so those will be elevated for the rest of this year, but then there will be nothing beyond that?

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

Just through the second quarter.

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

Just through the second quarter? Okay. And in terms of overall business footprint, are you pleased with the proportionality of revenue mix at this point? Are there any low-hanging fruit opportunities you think? One thing I've been tracking is the growth in the non-traded REIT sector. And I know that HFF, prior to the merger had acquired an investment banking business to do those sorts of placements with REITs and such. Is that an area of growth? And are there any other areas that you see outsized potential irrespective of what the market does?

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

We have growth potential pretty much in all our different business areas, as you see with the overall revenue growth in the first quarter, again. What you were mentioning around Capital Markets, we have a broad portfolio of Capital Market services and the ones you just mentioned, not only deriving from the HFF acquisition, we also had those type of services in Europe within the JLL side and they are growing very strongly and we expect them to continue to grow very strongly going forward.

Operator

Our next question is from Patrick O'Shaughnessy from Raymond James.

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Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

What is your expectation for office rents going forward? I heard your comments earlier about it's a big year for leases coming due. I know sub-renting or subleases are increasing as well. Would you expect incremental headwinds going forward on office rents?

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

Yes. We're really seeing a divergence in terms of what's happening with both base rent and effective rent for different types of properties. So we're actually seeing increases in effective rents for Class A property and the best quality buildings with sustainability, credentials and tenant amenities that are well located, more commodity-type space, Class B and C office is definitely not following the same trend. So we expect to see that continuing as the -- as tenants are looking for in their next spaces. And in some cases, they are taking less space, but better space, and we expect that trend to continue.

Patrick Joseph O'Shaughnessy - *Raymond James & Associates, Inc., Research Division - Research Analyst*

And then what are some of the key drivers underlying your fee revenue growth within JLL Technologies?

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

Christian here. We have a series of software products, which we are selling to our clients, and they have performed really well in this quarter. And then additionally, we obviously had, for the first full quarter now, the revenues from building engines coming on top of that. And next to that, we are also providing technology advisory services to our clients and the mix of the 3 is driving that revenue growth, which we frankly expect to continue on that level.

Operator

(Operator Instructions) We have no further questions. I'll hand back over to the management team for any closing remarks.

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

Thank you, operator. With no further questions, we will close today's call. On behalf of the entire JLL team, we thank you all for participating on the call today. Karen and I look forward to speaking with you again following the second quarter.

Operator

Thank you, everyone, for joining today's call. You may now disconnect your lines, and have a lovely day.

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