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Jones Lang LaSalle, Inc. (JLL)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Q2 2024 JLL Earnings Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

And finally, I would like to advise all participants that this call is being recorded. Thank you.

I'd now like to welcome Scott Einberger, Head of Investor Relations, to begin the conference. Scott, over to you.

Scott Einberger
Head-Investor Relations, Jones Lang LaSalle, Inc.

Thank you and good morning. Welcome to the second quarter 2024 earnings conference call for Jones Lang LaSalle, Incorporated. Earlier this morning, we issued our earnings release along with the slide presentation and Excel file intended to supplement our prepared remarks.

These materials are available on the Investor Relations section of our website. Please visit ir.jll.com.

During the call and in our slide presentation and accompanying Excel file, we 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 slide presentation.

As a reminder, today's call is being webcast live and recorded. A transcript and recording of this conference call will be posted to 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 disclosed in our annual report on Form 10-K for the fiscal year December 31, 2023, 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, our President and Chief Executive Officer, for opening remarks.

Christian Ulbrich

President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

Thank you, Scott. Hello and welcome to our second quarter 2024 earnings call. JLL's second quarter financial results reflected the strengths of our resilient business lines, as well as solid performance across our transactional businesses.

I'm very pleased with our ability to continue to improve the efficiency of our operating model which, combined for the revenue growth in the quarter, drove increased profitability.

Looking first at the global real estate market backdrop. While risks remain, investor sentiment is more positive at midyear compared to late 2023, supported by the expectations for easing monetary policy in many large markets.

In the second quarter, global commercial real estate investment was down 1% year-over-year in local currency, reaching $155 billion, according to JLL Research.

Investment volumes in EMEA and Asia Pacific posted modest gains during the quarter, an early signal for growth.

In the US, activities declined 3% year-over-year in the second quarter. A wider than normal bid ask spread remains but has been improving as real estate markets globally have undergone significant price adjustments from peak 2022 levels.

Debt market conditions continue to improve as well as origination volume stabilized and pricing declines. Lender confidence remains varied and is strongest for in-demand sectors such as logistics, living and grocery anchored retail.

Turning to office leasing. Activities continued to strengthen from subdued 2023 levels during the second quarter. Globally, office leasing volumes increased 10% year-over-year, according to JLL Research.

Performance was mixed across geographies with an improving economic outlook and stabilizing hybrid work policies contributing to increases in the US and Europe while volumes were slightly lower in Asia Pacific amid cost concerns and limited available space in several key markets.

The number of large lease transactions continued to improve in the quarter, but is still well below pre-pandemic levels. The global vacancy rate inched higher to 16.6%, rising by 10 basis points sequentially across all three regions.

New ground-breakings have fallen to the lowest level on record in the US and in Europe. Supply is expected to slow in 2025. New deliveries will remain above historic averages in Asia Pacific to meet current demand.

On the industrial side, global activity remained subdued in the second quarter, as occupiers are still cautious and looking to increase utilization of space leased during the pandemic before committing to new deals.

Rental growth remains positive but is beginning to plateau. given an elevated level of supply. A bright spot has been the communications and technology sector, where average lease sizes have more than doubled as large tech companies take space to support data center operations.

Despite a slower start to 2024 across many markets, demand for high quality space for sustainable solutions and automated technology is expected to drive long-term growth. Finally, in the retail sector, consumer spending remains resilient, driving demand for the limited amount of space in prime locations.

Turning to JLL's results for the quarter. We continue to focus on growing our resilient business lines as part of our strategy to further diversify our revenue base and reduce earnings volatility. Collectively, our resilient revenue base grew 16%, led by our Workplace Management and Property Management businesses. We have a long runway for growth in these business lines.

As we continued to scale our global platform, we were able to leverage our existing cost base and drive margin expansion. Our transactional revenues increased by 5% in the quarter, led by growth in leasing, where our US office leasing revenue was up double digits for the second quarter in a row.

Investment sales revenue is also showing year-over-year growth, as the green shoots we spoke about earlier this year are translating to additional client engagements. Investments we have made in this part of our business are generating higher quality leads for our brokers and supporting above market growth rates.

Our focus on cost management and operating efficiency is paying dividends, with adjusted EBITDA growth meaningfully exceeding revenue growth in the first six months of the year.

With that, I will now turn the call over to Karen, who will provide more detail on our results for the quarter.

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. Before I begin, a reminder that variances are against the prior year period and local currency unless otherwise noted.

Overall, I am pleased with our operating performance in the quarter, with continued strength in our resilient revenues and an acceleration in transactional revenue growth. In addition, our ongoing focus on enhancing the operating efficiency of our platform is reflected in our improved profitability, free cash flow and leverage ratio.

The investments we are making in our business are aimed at further differentiating JLL services, enabling us to deliver superior value to our clients and drive long-term stakeholder value.

At the consolidated level, revenue increased 12% to $5.6 billion in the quarter, led by 19% growth in Workplace Management and a 13% increase in Project Management, both within Work Dynamics, as well as 8% growth in Property Management and a 5% increase in Leasing, both within Markets Advisory.

The revenue growth, along with the benefits of our cost reductions, were the primary drivers of the 11% increase in adjusted EBITDA to $246 million and a 23% increase in adjusted diluted EPS to $2.55.

Other notable items impacting profitability in the quarter included the positive impact of the year-over-year timing of incentive compensation accruals, as well as headwinds from $18 million of expenses associated with the repurchase of a loan, lower incentive fee activity within LaSalle compared with the prior year and $12 million year-over-year increase in carried interest expense related to JLL Technologies' equity, earnings and losses.

Moving to a detailed review of our operating performance by segment, beginning with Markets Advisory. The 6% increase in revenue in the quarter was led by Leasing, which generated growth across most geographies, notably in the US, Greater China, India and Germany.

Increased deal size and transaction volumes in the office sector led Leasing growth, while lower deal size and volumes within the industrial sector were partial offset. Portfolio expansions in the Americas and Asia Pacific, primarily from incremental pass-through expenses, led Property Management revenue growth.

We continue to see more sustained leasing demand for high quality assets and large office deals increased from a year ago, both of which are favorable for our business mix. Our global growth Leasing pipeline is up versus this time last year, supported by the growth in active tenant requirements.

The trends within the OECD Business Confidence Index from late 2023 to June, which generally leads leasing activity by two to three quarters, along with limited new office and industrial building starts and stabilization in sublease space, provides optimism for a continued pickup in activity in the second half of 2024 and beyond.

The revenue growth and cost management actions largely executed in 2023 drove a 30% increase in Markets Advisory adjusted EBITDA. In addition, the timing of incentive compensation accruals positively impacted year-over-year profitability.

Shifting to our Capital Markets segment. Broad-based growth across all business lines drove a 3% increase in revenue despite economic, geopolitical and interest rate outlook uncertainty during the quarter.

Excluding an $11 million year-over-year headwind from net non-cash MSR and mortgage banking derivative activity, revenue grew 5%. Revenue increased across most geographies led by the UK, Australia and the US, though growth was mixed across major asset classes, with the notable growth in office, industrial and hotels, offset by a decline in residential and retail.

Our global investment sales revenue, which accounted for nearly 40% of segment revenue in the quarter, grew 17% when compared favorably with the 1% decline in global sales volumes that Christian referenced with the Americas and EMEA regions performing notably better than their respective market activities, according to JLL Research.

Our US Investment Sales, Debt and Equity Advisory Revenue, which accounts for approximately a third of segment revenue, grew low-single digits as more than a 20% increase in investment sales was mostly offset by a notable decline in equity advisory.

The Capital Markets adjusted EBITDA decline was predominantly driven by $18 million of cost associated with the repurchase of a loan we originated and sold to Fannie Mae, which more than offset the positive contribution from revenue growth and cost management actions primarily executed in 2023.

In addition, lower equity earnings reflected a $4.6 million gain in the prior year quarter that did not recur as expected.

Looking ahead, the global Investment Sales, Debt and Equity Advisory pipeline is up high-single digits compared with this time last year, and client engagements have picked up.

As Christian mentioned, we see signs of improving investor sentiment, which bodes well for higher growth rates in the second half of 2024. However, as we've seen in the recent past, factors that impact transaction activity such as the interest rate outlook and geopolitical risks can shift quickly and influence deal timing and closing rates, particularly in the near term.

Moving next to Work Dynamics. 17% revenue growth was led by a 19% increase in Workplace Management revenue as we continue to benefit from the 2023 global client wins and mandate expansion.

Within Project Management, higher pass-through costs drove the 13% increase in revenue as management fees grew low-single digits. The increase in Work Dynamics adjusted EBITDA was primarily attributable to the revenue growth, ongoing cost management and a timing of incentive compensation accruals.

We remain confident in Work Dynamics revenue and profit growth opportunity over the coming years considering our global platform capabilities, strong demand and a significant market opportunity.

Within Workplace Management, we continue to add clients and expand existing mandates, supporting a solid, long-term growth trajectory. As a reminder, we will begin lapping the benefit of the 2023 wins in the third quarter and more meaningfully in the fourth quarter of this year.

Shifting to Project Management. We remain focused on securing additional mandates. However, the moderation in corporate CapEx spending broadly and the soft late 2023 leasing environment may dampen near-term growth rates.

Turning to JLL Technologies. Lower bookings over the past few quarters as well as client decisions to delay projects were the primary drivers of the 7% decline in revenue. While we expect these trends to continue to pressure growth in the near-term, we are encouraged by the long-term growth opportunity of our technology business.

Adjusted EBITDA declined $10 million from a year ago, driven entirely by the $12 million year-over-year change in carried interest accruals associated with equity earnings and losses within our Spark Venture Funds.

The carried interest more than offset benefits from the reduction in certain expenses associated with cost management actions and incremental operating efficiency gains over the past 12 months.

The combination of the revenue pressures and timing of expenses, including carried interest accruals, may adversely impact JLL Technologies profitability in the near term. We aim to strike an appropriate balance between investing to drive growth and progressing to sustain profitability within the segment.

Now to LaSalle. Revenue decreased 27%, largely on the expected decline in incentive fee activity in the current quarter. Advisory fees fell 8% in the quarter, primarily on the impact of ongoing valuation declines within our assets under management over the past year, as well as lower fees in Europe from the structural changes in our business mix we discussed in the first quarter.

Absent foreign currency exchange movements, assets under management were 5% lower than a year earlier, nearly all attributable to the valuation reduction as dispositions and withdrawals were mostly offset by investments.

We anticipate valuation declines to continue through the balance of 2024, albeit at a moderating pace. Capital raising and deployment activity remain subdued in the evolving market environment, which are reflected in the muted incentive and transaction fees in the quarter.

The contraction in LaSalle's adjusted EBITDA in the quarter was driven by the lower revenue and a few discrete individually immaterial items, partially offset by lower operating expenses, reflecting a decline in variable compensation and cost management actions alongside an $8 million gain following the purchase of a controlling interest in LaSalle-managed fund.

Turning to free cash flow. The growth in earnings from improved business performance partially offset by timing of tax payments were a 19% increase in free cash flow to $236 million. Cash flow conversion is a high priority and we remain very focused on our working capital efficiency.

Shifting to our balance sheet and capital allocation. Liquidity totaled $2.4 billion at the end of the second quarter, including $2 billion of undrawn credit facility capacity. We launched a commercial paper program during the quarter with $2.5 billion authorized for issuance. Proceeds are intended for general corporate purposes, including repayment of credit facility borrowings.

In addition to further diversifying our short-term sources of liquidity, the commercial paper program intends to provide interest expense savings. As of June 30, reported net leverage was 1.7 times, down from 2.0 times a year earlier due to both the reduction in net debt and higher adjusted EBITDA over the trailing 12 months.

Over the medium term, we intend to manage the business of our 0 to 2 times leverage range. During the quarter, we selectively deployed capital towards growth initiatives and repurchased $20 million of shares during the quarter.

As Christian will further detail, our acquisition of SKAE is a prime example of our targeted M&A objective within our overall capital allocation framework. Organic reinvestment in our business remains a top priority for capital allocation.

Considering seasonality of cash flow, current leverage, and the broader macro and geopolitical volatility, we anticipate near-term share repurchases to continue at a pace that will at least offset full year stock compensation dilution.

Regarding our 2024 full year financial outlook, growth trends in our more resilient business lines collectively remain solid. Considering our pipeline activity and general improvement in a number of key market drivers, we are cautiously optimistic for an acceleration in transaction activity in the back half of the year, though macro and geopolitical risks remain key factors in the timing and shape of a sustained recovery.

With this in mind, and given our strong performance in the first half of the year, we are increasing our full year 2024 adjusted EBITDA target range to $1.0 billion to $1.2 billion. We are focused on executing our strategic initiatives, improving the operating efficiency of our platforms, and investing for future growth opportunities, which gives us confidence in the long-term resiliency and the value creation prospects of our business.

Christian Ulbrich

President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

Thank you, Karen. While the first interest rate cut in the US is still to come, there have been early signs of an inflection point in real estate markets. Over the first half of the year, bidder activity has increased significantly according to JLL's proprietary global Bid Intensity Index. Large strategic transactions are reemerging in the markets globally, particularly in the living sector. These transactions represent important barometers for the market and are expected to spur more activity.

In Leasing, we are expecting global activity to continue improving through the remainder of the year. In the US, active tenant requirements were stable from Q1 and up from last year, with new acquirements outpacing executed transactions during the quarter, which should lead to a continued raise in activity.

At JLL, our vision is to grow our position as the commercial real estate industry's premier brand, leveraging global insights, leading technology, sustainable practices and our inclusive culture for better client outcomes.

Our recent acquisition of SKAE, a New York-based provider of data center technical and project management services, is an example of this vision. The data center market is an area where we see growth for the foreseeable future and the SKAE acquisition positions us well to take advantage of this opportunity.

By infusing this talent and regional expertise into the JLL platform, we are able to quickly scale enhanced data center capabilities into new markets globally, deliver on our clients' expectations, and cross-sell JLL's services to SKAE's existing clients.

We plan to continue to invest in capabilities both organically and through this type of targeted M&A in order to strengthen our product offerings and grow our resilient business lines. By leveraging our data-driven market insights to help serve our clients, I'm confident we will seize on the opportunities ahead.

Before I close, I would like to thank our colleagues for all you do for JLL and our clients every day. I look forward to what we can achieve together.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes the line of Stephen Sheldon of William Blair. Your line is open.

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Hey. Good morning. Thanks and nice work in the quarter. Christian, I think I want to start with you and ask about some of your ending comments about potentially seeing a pickup in larger deals in Capital Markets.

Can you give us some more detail there on what you're seeing? And am I right to think that JLL on average is more exposed to larger deal activity than some of your peers or do you think that's an unfair characterization?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Thanks, Stephen. Hi. Yes, what we are seeing is, first of all, as we already alluded to on the prepared earnings, that the Bid Intensity Index is – has strengthened quite significantly, which is always a nice sign. We see a significant number of more, larger transactions, especially around the living sector and that will continue to be the case.

When you look at the interest rate development on the 10-year bond rate that came up from peak to current levels, roughly 100 basis points. And we are now at a level where the overall cost of capital is very close to where it needs to be considering the current market pricing.

And so that will form more deals in the second quarter of this year if we don't have any major other disturbances coming into the market. And yes, we are very focused on large transactions so we will take particularly benefit from that trend.

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Got it. That's really helpful. And then, Karen, as a follow-up on the loan repurchase in Capital Markets, some of the drag on profit in the quarter, can give some more context or background there?

And then, this might be a tough one to answer, but how much risk do you see of additional one-off items like that dragging on Capital Markets profit as we look out over the coming quarters?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. So first, let me give some more color on the individual loan repurchase in the quarter that we mentioned. Actually, in August is when we repurchased the loan at an unpaid principal balance of $74 million, and we had originated and sold that loan to Fannie Mae in the first half of 2019.

Both we and Fannie Mae were victims of fraud on this loan. The borrower has pled guilty and is awaiting sentencing. The estimated loss in the quarter that I cited was $18 million, which includes expenses associated with the loan repurchase as well.

So the status of that loan right now is it's in default. A receiver has been appointed and we're intending to stabilize the property, including some occupancy improvements before the asset is sold.

In terms of your second question around, what else might be coming in terms of one-off items such as this? On this particular topic, there are a handful of other loans that are also subject to fraud or suspected fraud by the borrower that we are monitoring for which we don't have full resolution at this time.

The other loans I want to highlight are smaller in nature. So, the loan we just repurchased has the largest unpaid principal balance of that list, and the one we just repurchased also has the lowest occupancy level, [ph] but (00:25:47) other loans are more stabilized occupancy.

So holistically, if you look at including the recently repurchased loan, loans with known or potential fraud by the borrowers represent less than half of 1% our overall Fannie and Freddie portfolio. So at this stage quite contained.

Stephen Sheldon
Analyst, William Blair & Co. LLC

Q

Great. Thank you.

Operator: Your next question comes the line of Anthony Paolone from JPMorgan. Your line is open.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Yeah. Thanks. And just maybe to stay on Capital Markets and sort of adjust for this loan, if we add, I guess, $18 million back to your Capital Markets EBITDA, the margin would seem to have been a pretty high like 11% plus.

And so, just wondering if maybe how we should think about whether that was dramatically higher than the year-ago period, like is the right number somewhere in between or just any help in thinking about the margin improvement in cap markets this year?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Well, Anthony, it will depend very much how the second quarter plays out. As you know the incremental margin of that business relatively high. And if we will see these encouraging signs of the last couple of weeks continuing, then we expect further margin improvement in that business for the rest of the year.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. And so, the second quarter, like just adjusting for the $18 million that is a number that's like a fairly straightforward one.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

The other thing I would just call out, Tony, would be the fact that we're lapping more significant cost reduction actions that we took in the second half of last year and the second half of this year. And so, that impact is really being experienced across all of our different business segments as well [indiscernible] (00:27:47).

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Got it. So that was going to be sort of my follow-up, too. If I look in Work Dynamics, if I take out the pass-throughs that margin year-over-year seem be up just inside 200 basis points. So, I guess same sort of thing, again trying to just understand when you lap those because I was just both – in both cases, pretty notable pickups in margin.

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. So I'd call out three specific things related to first half versus second half for Work Dynamics margin overall adjusted EBITDA expectations.

So, first on the revenue side, we will begin to be lapping the wins that we had that have caused a significant increase in revenue in the second half of this year, certainly in the third quarter and then even more in the fourth quarter. The impact of the cost reduction actions we took in the second half of the last year that we're lapping the second half of this year also holds true, as I just referenced, on Capital Markets.

Then finally, I referenced an overall impact of incentive accrual timing and phasing. And so, that will unwind itself in the second half of the year as well. So I'd say those are the three callouts with respect to our Work Dynamics business.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Got it. Thank you.

Operator: Your next question comes from line of Michael Griffin from Citi. Your line is open.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. Christian, I appreciated your comments on the macro. In your prepared remarks. I acknowledge that it's kind of certainly been volatile in recent weeks.

But just given the maybe potential recession fears really that have picked up probably over the last week, can you give us a sense of maybe how we would expect business performance to be if this recessionary hard landing scenario ends up coming to fruition?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Yeah. I mean, we have been less enthusiastic about massive tailwinds already for the last couple of quarters and that's how we plan for the year. And so, what has happened over the last four weeks and maybe has come a little bit more to surface over the last two days at the stock market is not completely off the charts with regards to our own planning for the year.

So, we have two kind of opposing dynamics with regards to our business. Obviously, an overall economic decline will feed into our Leasing and Project Management business and into the sentiment overall. But at the same time, this more rapid interest rate decline, which we have seen over the last couple of weeks, will help our Capital Markets business. And so, there is a bit of an offset there on that side.

So, overall, we do better when the economy is doing great. If the economy has a slightly harder landing than what has been expected a couple of months ago, that may have an impact, but it's frankly reflected in our guidance for the second half of the year.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Great. That's helpful. And then maybe just a question on capital allocation, Karen. Obviously, it was pretty positive quarter in terms of free cash flow. But as you kind of look to opportunities in the future, does using that free cash flow make more sense to pay down debt, to use it for future M&A or for any other potential uses?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. I'll just restate how we're thinking about capital allocation at this stage. So, first and foremost, it's to reinvest in our business organically for growth.

Second, we are very focused on continuing to reduce our overall leverage levels closer to the midpoint of our range. And then, we think of what the opportunities are and evaluate M&A target opportunities versus share repurchases. And we are committed to repurchasing shares that offset the stock compensation dilution in any given year.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Great. That's it for me. Thanks for the time.

Operator: [Operator Instructions] And your next question comes from line of Jade Rahmani from KBW. Your line is open.

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. This this is Jason Sabshon on for Jade. Thanks for taking my question. It would be helpful to hear an update on JLL Technologies and whether you anticipate taking any more write-downs?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

A

Jason, in fact, what we have seen in the last – during the last quarter is that within our spot portfolio we had some equity earnings and we see overall a slightly reversing trend against the last couple of quarters that the interest in those proptech companies is growing again. So, we don't have any red flags here with regards to further write-downs.

The write-downs we have taken in the second quarter are concerned some of the other tech investments we have in our portfolio outside of the Spark Venture capital fund. And again, it's not that we can completely exclude any further negative developments, but generally we are quite happy with how the portfolio looks at the moment and have no major concern there.

Jason Sabshon
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Great. Thank you.

Operator: [Operator Instructions] And your next question comes from line of Peter Abramowitz from Jeffries. Your line is open.

Pete Abramowitz
Analyst, Jefferies LLC
Q

Yes, thank you. You called out in the earnings release, it looks like you gained share in investment sales in the quarter in the US, which I think were down 3% but you were up 20%.

Could you just touch on any investments in teams whether in specific property types or specific geographies that are helping drive that? And any thoughts on where you might invest in those teams or geographies going forward?

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.
A

Sure, Peter. You may recall that we did not take out any client-facing people in our Capital Markets business during the downturn. We were keeping very tight to our team members, because they believed in their strengths and we knew that the market will come back.

And so, that is obviously helpful now, because we have a full team on the ground and they are picking up the opportunities which are there. Then, as we alluded to, we see a slight – a trend to slightly larger transactions now coming back, which is helpful for us.

And so, the third piece is and we've spoke about that a couple of times now that we believe that we've really had an edge through our technology platform, helping us to win more business and get to better results for our clients. And that as a combination is probably driving that performance in the market. And we have good reason to believe that this will continue to be the case.

And we don't need to make any further additions to the team. That doesn't rule out that we once in a while get some new team members in if there is a great opportunity, but our planning for the year is based on our existing team strength.

Pete Abramowitz
Analyst, Jefferies LLC
Q

All right. Thanks, Christian. And then one more for me. You called out a little bit softer leasing in industrial this quarter. And I think in Karen's comments, you mentioned a lack of new construction over the past few years will certainly have a tailwind from a supply perspective.

Could you talk about what you're seeing on the ground, what your brokers are saying from a demand perspective and maybe sort of what you're thinking of when that might inflect?

Karen Brennan
Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. So I'll focus on the US industrial market specifically here just to frame the comments.

We're continuing to see a normalization of leasing activity and demand towards pre-COVID levels. And based on conversations with clients, this is really tied to uncertainty on the economy inflation, spending, geopolitical impacts on trade.

And people are just not preemptively leasing space the way they were a couple of years ago. And so, we have developments delivering with vacancy, which are pushing that overall vacancy rate higher and slowing the rent growth.

Importantly, there's still positive demand in industrial and the overall secular trends around industrial, particularly in the US, remained strong.

The vacancy rates only at 6.6%. And as I mentioned in the reference, the total amount of industrial space under construction has decreased and it's around – down around 47% or thereabouts year-over-year.

We are still seeing some pockets of strength. The key industries where we're seeing the highest leasing volume are energy and utilities, advanced manufacturing and ecommerce uses.

So there'll still be some level of – we anticipate or some level of softness in the near term. But over the medium and longer term, we do see continued strength in industrial leasing demand broadly.

Pete Abramowitz
Analyst, Jefferies LLC

Q

That's helpful. That's all for me. Thank you.

Operator: There are no further questions at this time. So, I would like to hand the call back to Christian Ulbrich for closing remarks.

Christian Ulbrich
President, Chief Executive Officer & Director, Jones Lang LaSalle, Inc.

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 third quarter. Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may now all disconnect.