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Jones Lang LaSalle, Inc. (JLL)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Sean Coghlan
Head-Investor Relations, Jones Lang LaSalle, Inc.

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

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

OTHER PARTICIPANTS

Peter Abramowitz
Analyst, Jefferies LLC

Anthony Paolone
Analyst, JPMorgan Securities LLC

Patrick Mcilwee
Analyst, William Blair & Co. LLC

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Jade J. Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Aaron and I will be your conference operator for today. At this time, I would like to welcome everyone to the Jones Lang LaSalle Incorporated Q1 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. And after the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

With that, I am pleased to turn the call over to Sean Coghlan, Head of Investor Relations. Sean, you may begin.

Sean Coghlan
Head-Investor Relations, Jones Lang LaSalle, Inc.

Thank you and good morning. Welcome to the first quarter 2025 earnings conference call for Jones Lang LaSalle Incorporated. Earlier this morning, we issued our earnings release along with a 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 as well as in our slide presentation and supplemental 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. We also reference Resilient and Transactional revenues, which we define in the footnotes of our earnings release.

Effective with first quarter results, we updated our definition to shift Project Management from Transactional to Resilient. Categorizations of all other business lines remain unchanged.

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 discussed in our Annual Report on Form 10-K and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

Finally, a reminder that percentage variances are against the prior-year period in local currency, unless otherwise noted.

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, Sean. Hello and welcome to our first quarter 2025 earnings call. As we look back at the first quarter, we are pleased with our financial results with double-digit revenue gains across both our Resilient and Transactional businesses and 28% growth in adjusted EPS. The continued improvement of our leasing and investment sales, debt and equity advisory businesses was a key driver of higher profit and margin, as momentum from the second half of 2024 supported stability in real estate fundamentals.

Sustained growth of double-digit Resilient revenue further amplified these gains, driving a strong start for our newly formed Real Estate Management Services segment. Clients are looking to JLL for integrated end-to-end building management solutions, industry expertise and data-driven insights.

Since the end of the quarter, the market backdrop has become more dynamic and is creating a more challenging operating environment for companies. JLL has a long history of navigating market uncertainty at least over the past five years, while also gaining market share and growing at over 3 times the rate of global GDP through cycles.

We remain confident in the strength and resilience of our company and our industry-leading platform. To date, there have been limited direct impacts on our results from the recent policy volatility and uncertainty, although some clients are delaying decision-making as they monitor macro developments. Slower economic growth could have spillover effects for our industry, but it is still too early to predict the future implications for our business.

Despite the challenges of the current economic climate, we maintain high conviction in our strategy and the long-term structural drivers for our industry. We remain focused on profitable and sustainable growth and will continue to strategically invest in our people and platform. We have built leading businesses that will remain key contributors to our outperformance through market volatility. I will highlight three of these areas today.

First, our Real Estate Management Services business has capitalized on the growing trend of outsourcing as well as the increased focus on building operations and tenant experience across occupier and investor portfolios. We are building differentiated and scalable platforms across our Workplace Management and Project Management businesses, and we are now globalizing our Property Management business with a shift into this segment, which went into effect on January 1.

We believe many geographies and industries have significant untapped potential for outsourcing penetration and advancements in technology, including in artificial intelligence, which will further transform how we serve clients in the future. Across our people, data and technology, we are investing to grow the revenue and profit contributions, in particular of our Resilient businesses.

Second, JLL has been a beneficiary of increasing capital flows to real estate for many decades, creating product and services to meet the needs of our investor clients throughout the asset's life cycle. The proliferation of private credit has brought new sources of debt capital into the market and has become a key driver of our business with notable growth prospect ahead. We are the largest debt intermediary in commercial real estate globally through our debt advisory business, where revenue growth exceeded 45% in the first quarter.

In Investment Management, our business has experienced operating credit funds across Europe and North America dating back 15 years. We are seeing strong fundraising demand in both regions today, particularly for our US credit strategy. Our deep expertise in real estate debt is providing us with an unparalleled level of data and insights in the industry, allowing us to better advise clients and gain market share while introducing a degree of resilience to our Transactional revenue.

Third, tailwinds are emerging, which support a broader recovery in the office sector, supported by the expansion of return-to-office mandates, moderation of downsizing rates in office leasing activity and liquidity improvements for office sales and financing. Corporates around the world are gaining more clarity on future space needs. And with historically low development pipelines in the US and Europe, office fundamentals and trends are likely to continue to strengthen for top-tier buildings.

Quality assets are also growing more scarce, creating spillover demand for the next tier of buildings. We have seen positive improvements in office Transactional revenues of the past year, in particular in the US, where pressures on the sector have been most pronounced. As clients optimize office holdings, increase acquisition activity in the sector and reinvest in buildings and spaces, JLL is well positioned to lead the office sector's rebound with a collective data and insight of the [ph] full firm (00:08:32).

Before handing it over to Karen, I want to get back to the important changes to our senior leadership team announced earlier today. After five years as CFO, I'm pleased to share that Karen will be taking on a new role on our Global Executive Board as Chief Executive Officer of our Leasing Advisory business globally, effective July 1.

Andy Poppink, current CEO of Leasing Advisory, will assume the role of CEO, Leasing Advisory, EMEA and Asia Pacific, reporting to Karen and based out of Europe. Throughout Karen's more than 25-year tenure at JLL, she has exemplified strategic vision, excellence in execution and dedication to our clients, as she has taken on numerous leadership roles across our business globally.

I'm also pleased to announce that Kelly Howe will succeed Karen as JLL's Chief Financial Officer. Kelly joined JLL as the CFO of Leasing Advisory in January 2024, after 23-plus years of experience in professional services with Boston Consulting Group, most recently as their North America CFO. Kelly will join our Global Executive Board.

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

Karen Brennan

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. I have enjoyed working closely with our investor community over the past five years and look forward to continuing to work with you all in my new capacity as CEO of Leasing Advisory. We are excited to introduce to you all to Kelly later this year. Kelly's financial leadership and growth mindset position her well to lead and carry forward the strategic priorities of the CFO's office and our finance organization.

Now to our results. Our first quarter reflects the continuation of positive business momentum as well as the impact of our ongoing investments to unify our data, technology and people that enhance the outcomes we deliver to clients. Additionally, our focus on operating efficiency produced meaningful margin expansion and earnings growth. I will now review our operating performance by segment.

Beginning with Real Estate Management Services, revenue growth for the quarter was led by Workplace Management as incremental pass-through costs augmented high single-digit management fee growth that stemmed from both new client wins and mandate expansions. On a two-year stacked basis, Workplace Management revenue increased nearly 30% in the quarter, which reflects the value of our differentiated platform and services.

Within Project Management, new client wins and an increase in existing client activity, most notably in the US and Asia Pacific, drove near double-digit growth in management fees and it was supplemented by higher pass-through costs. The investments in our technology platform, including artificial intelligence and Project Management workflow tools, and the incremental human capital investments we made in the latter part of 2024 to support future business growth, notably within Project Management, weighed on the segment adjusted EBITDA performance.

Looking ahead, we continue to expect Workplace Management growth to moderate from the elevated levels of the past year, as we lap large contract wins and mandate expansions. In addition, certain clients have delayed decisions as they monitor policy and macro development. Still, we remain confident in the long-term trajectory of the Workplace Management business, as our sales pipeline is strong and contract renewal rates are healthy and stable.

For Project Management, the strong growth in leasing over the past several quarters is supportive of continued client activity. However, slowing corporate CapEx and the recent shift in the macro environment may temper near-term growth rates. Within Property Management, we expect revenue trends of the past few quarters to continue in the near term as we work to bring together our team, realize synergies and evolve our positioning, which comes with some transitory incremental costs. For this segment, we continue to target healthy annual margin expansion, though it is not likely to be linear as we balance long-term growth and profitability alongside near-term business performance, mix and investments.

Moving next to Leasing Advisory. Broad-based revenue growth across asset classes was led by an 18% increase in office and accelerated momentum within industrial, which was up 14%. The office revenue growth outpaced the 9% market increase, while industrial compared favorably to the 10% market decline, according to JLL Research. Most geographies achieved double-digit leasing revenue growth, notably the US, Canada, Greater China and Germany.

US office leasing increased for the fifth consecutive quarter, exceeding first quarter 2019 levels, driven in part by growth in the number of large leasing transactions. Large transactions in the US, where JLL historically has had a greater share of the market, remain approximately 30% below pre-pandemic averages, according to JLL Research. Higher Leasing Advisory adjusted EBITDA and margin for the quarter was primarily driven by leasing revenue growth as well as continued improvement in platform leverage.

Looking ahead, the general stability of the OECD Business Confidence Index for much of 2024 and through March provided reason for cautious optimism for 2025. As Christian mentioned, client demand for high-quality and sustainable assets, which are becoming increasingly scarce, remains a consistent trend. Within office, tenant requirements are generally steady, with sectors such as professional services, finance and legal driving demand in many markets. So, as we've seen in the recent past, this could evolve quickly as clients consider the macro outlook. The dynamic policy backdrop has led to uncertainty for select industrial clients as they assess the impact of supply chain, production and the economy.

Shifting to our Capital Market Services segment, increased investor desire to transact and more liquidity entering the market supported the continuation of favorable trends from the fourth quarter and fueled revenue growth in the current quarter of over 45% in debt advisory and 15% in investment sales. Globally, the residential sector contributed the most significant increase to revenue, followed by hotels and industrial.

Within the office sector, significant growth in the US was mostly offset by declines in several countries. On a geographic basis, revenue growth was led by the US, with debt advisory up 49% and a 46% increase in investment sales, which compared favorably to the 42% growth in market volumes, according to JLL Research.

Our investment sales across EMEA and Asia Pacific lagged regional market volume, in part, due to notable outperformance a year ago. The increase in Capital Market Services adjusted EBITDA and margin was predominantly driven by higher Transactional revenues and continued improvement in platform leverage. The incremental margin in the quarter included additional expense for platform investments.

Looking ahead, our global investment sales, debt and equity advisory pipeline remains strong, and the timing and pace of deal closings will be influenced by the evolution of the interest rate and economic outlook. The increased uncertainty that Christian described is affecting investor underwriting, although it is too early to assess the extent to which transaction activity may be impacted. The strength of our differentiated data-driven global platform positions us to continue to gain market share.

Turning to Investment Management. Advisory fees declined largely on lower assets under management, primarily reflecting dispositions of assets on behalf of certain clients in the fourth quarter. Absent foreign currency exchange movements, assets under management declined 6% from a year earlier, largely due to net asset dispositions as net valuation changes over the trailing 12 months were negligible. The changes in adjusted EBITDA and margin in the quarter were primarily driven by the lower overall revenue, foreign currency transaction losses in the current quarter and timing of certain expenses.

We are encouraged by signs of recovery in the capital raising environment. In the first quarter, we raised $1.9 billion compared with $500 million a year ago and $2.9 billion for full year 2024, with a notable uptick in demand for credit strategies, particularly in the US. So the flow-through to revenue will take several quarters to manifest.

Moving to Software and Technology Solutions. Wins from new and existing clients drove continued growth in software revenue that was partially offset by lower technology solutions bookings over the past year. The benefit from year-over-year change in carried interest related to equity losses within our investment portfolio was partially offset by growth in revenue-related expenses and drove the adjusted EBITDA improvement. We continue to invest in our Software and Technology Solutions platform to drive growth while remaining focused on attaining sustained profitability within the segment.

Turning to cash flow. The negative free cash flow reflected typical seasonal business trends, notably payment of annual incentive compensation. The incremental outflow in the quarter was largely due to timing of net reimbursables activity as well as greater commission payments, reflecting higher Transactional revenue in the fourth quarter 2024 compared with the fourth quarter 2023. These factors were partially offset by greater cash provided by earnings. While cash conversion ratios can vary notably from year to year for a variety of factors, enhancing our working capital efficiency remains a top priority as we focus on improving our 10-year average cash conversion ratio of 80%.

Shifting to our balance sheet and capital allocation. Liquidity totaled $3.3 billion at the end of the first quarter, including $2.9 billion of undrawn credit facility capacity. In addition, we had $1.6 billion of untapped capacity on our commercial paper program. As of March 31, reported net leverage was 1.4 times, down from 1.9 times a year earlier due to both a reduction in net debt and higher adjusted EBITDA over the trailing 12 months.

As a reminder, our leverage is seasonal, with the first quarter typically the highest. We continue to manage to a full year average leverage ratio of around 1 times, the midpoint of our 0 to 2 times target range.

Capital deployment priorities are focused, first, on organic growth as we invest in our people and platform to further differentiate our services and drive productivity across business lines. We continue to pursue select acquisitions that augment organic initiatives, improve our capabilities and span multiple business lines, particularly within our Resilient businesses. We repurchased $20 million of shares in the first quarter. Returning capital to shareholders is a high priority and we will look to share repurchases in the absence of acquisitions while considering our target leverage.

Regarding our 2025 full year financial outlook, we are encouraged by our strong pipeline alongside business trends to-date. However, it is still too early to fully discern the impact of the recent and fluid tariff policy shift on the broader economy as well as our industry and business. Thus, we are maintaining our full year adjusted EBITDA target range of $1.25 billion to $1.45 billion. Our business is much more resilient today than in prior cycles, which, combined with our ongoing focus on operating efficiency and our strong balance sheet, position us for long-term profitable growth.

Christian, back to you.

Christian Ulbrich

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

Thank you, Karen. Though risks have become more pronounced, our strengths during this time of uncertainty is underpinned by our strategic investments in our people and our platform. As a strong and agile organization, we continue to adapt to rapidly changing market dynamics. The growth of our Resilient businesses offers greater diversification of revenue and stability through economic cycles and we enter this period with elevated transaction pipelines and a relatively early point in a cyclical recovery.

Importantly, our global team is united by our shared culture of client centricity, focused on continually providing superior outcomes for our clients.

Before I close, I would like to once again thank my colleagues for their resilience, client focus and dedication. You are the driving force behind our achievements.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: Christian, thank you. [Operator Instructions] Our first question for today comes from the line of Peter Abramowitz with Jefferies. Your line is live.

Peter Abramowitz
Analyst, Jefferies LLC

Q

Yes. Thank you very much for taking the questions. Just wondering, if you could comment maybe specifically about kind of how you underwrite the longer-term kind of political risk with this administration. I think one of the things that is a possibility out there is that these kind of 90-day extensions on tariffs could just become the new sort of normal operating environment. So, if that's something where we don't necessarily get a clear kind of answer for a long time, how we should think about kind of the structural growth outlook for the Transactional businesses longer-term?

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

A

Listen, one of the key points which people would agree on is that the current environment has increased the uncertainty and has decreased the visibility. And if your scenario will be the case going forward that we will have an ongoing extension of these 90 days and things going back and forth, then we all have to get used to operate in that environment, hopefully, equally successfully than we were operating in a clearer environment with better visibility.

At the end of the day, business needs GDP growth. That's an outcome of well-performing businesses. And for our operations, we are correlating with that GDP growth. As you know, about 3 times the GDP is what we can drive as growth rates. And so we look forward to a bit of a better visibility and we hope that also in the interest of our clients.

Peter Abramowitz
Analyst, Jefferies LLC

Q

Got it. That's helpful. And then on the real estate outsourcing side, I guess just kind of high level, when we hit macro uncertainty, is that something that you think is kind of unaffected and companies really are still going to look to outsource their real estate solutions, if they were – before all this uncertainty was introduced? Or does that tend to at least give them a little pause and think about how they're kind of allocating cash flow?

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

A

Well, I mean, the reason for outsourcing your real estate needs are numerous. It could be driven by your interest in cutting costs. And so, this is an environment where people will look at their operating costs and will see that there may be an opportunity within their remit and that would drive them to talk to people like us in order to get those benefits.

The other reason is very often that they are expanding. And again, this environment could mean that stronger companies will pick up less strong companies. There will be opportunities going forward for the very best companies of each sector. And a lot of those very successful companies are our clients. So we expect that, that will then lead to more business to us.

In the short-term, the lack of visibility will mean that companies will be slower on decision-making and that can have, in the short term, some impact also on our business. So the picture is slightly mixed. It's way too early to tell whether that has a negative impact on our outsourcing business or whether it will almost be unimpacted by it. For the time being, we don't see any impact. But as I said, it's very early. And so let's wait how that plays out over the next couple of quarters.

Peter Abramowitz
Analyst, Jefferies LLC

Q

All right. Thank you for taking my questions.

Operator: Thank you. Our next question comes from the line of Anthony Paolone with JPMorgan. Your line is live.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Great. Thank you. And first, congrats to both Karen and Kelly. And my first question, I want to go back to Real Estate Management Services. It seems like there's a few different things going on there. So, I guess, maybe on the revenue side, I understand the tougher comps coming in some of the – sounded like maybe some pauses in making some decisions, but I guess as we start to think about later this year and maybe even beyond, what do you think the growth rate of that business should be and also how to think about margins?

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

A

Hi, Tony. Thank you. So, first, on the revenue side, if we think about the Real Estate Management Services segment overall now, previously, we've communicated that we expected to grow in the high single-digit, low double-digit range kind of for that combination of different services in the segment. As we've added Property Management into that segment, we don't expect a material deviation from that over the medium and long-term. We do expect a little bit of downward pressure on that expectation in the current year as we work to further evolve and globalize our Property Management business.

On the margin side, I do want to just call out, first, I'll start with a reminder of what happened in the current quarter and then I'll look out to the second quarter and then the full year. So there's a few things going on in the first quarter that impact both the profit and the margin. Two of those relate to continued investments for growth, both in our platform and people, as we are investing to continue to win new mandates and grow the top-line.

So, the first is that we're making, as I mentioned, investments in our technology platform, which includes both client-facing tools, utilizing AI as well as internal workflow tools for our teams. And then, second, we ramped up hiring at the end of last year in a couple of countries, in particular, in anticipation of growth in 2025. That was particularly in our Project Management business.

And then, finally, I'd say the third point is really, as we are absorbing the Property Management business into the segment, there are some transition costs associated with that activity. If we look to the second quarter, we do expect some of the same factors to be at play as in the first quarter. And I also want to remind everyone that last year's second quarter, we called out we were – we had a notable incentive compensation accrual benefit. So we'll be lapping that in addition to the factors I just referenced.

But if we look ahead of the second half of the year, we're expecting to have stronger profit and margin profile there when looking at a year-over-year comparable for those individual quarters in the third and fourth quarter. So, on a full year basis, we do still expect profit growth and margin expansion compared to full year 2024.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Good. That's kind of where I was going. Okay. Thank you for that. And then just my only second question was for LaSalle. It seems like you're still raising capital, but you mentioned the dispositions. Like, for the full year, do you anticipate just putting aside marks maybe like AUM net up, down, sideways? Like, how should we think about that?

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

A

Yeah. So, first, just to contextualize what's going on in the first quarter for LaSalle for this year. It's really the culmination of over two years of a stalled and depressed capital raising and investment environment where we had the muted transaction fees, we had lower AUM with dispositions exceeding new investments and virtually no incentive fees.

I do want to call out that, particularly for the first quarter, we had sold some larger deals at the end of last year, where we were harvesting returns for our clients, generated some incentive fees for us, but then we have not yet redeployed capital into new acquisitions to increase the AUM.

Where we believe the valuation pressures are largely through and we're seeing some slight uptick in certain products as it relates to valuation pressure on advisory fees, we think that we're through that. And then we do expect to continue to have new investments over the course of the year because we do have a meaningful amount of dry powder in addition to the new capital we're raising right now. It's just a matter of the length of time it takes to invest that capital and have that flow through to advisory fees.

But the momentum is building now and picked up again. And if you look at our capital raising for the first quarter of 2025 relative to 2024, it was $1.9 billion relative to $500 million a year ago. And our historical capital raising numbers on an annual basis were right $6 billion, $7 billion, $8 billion. So, we're hoping to continue that going forward.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Thank you. Our next question is from the line of Stephen Sheldon with William Blair. Your line is live.

Patrick Mcilwee
Analyst, William Blair & Co. LLC

Q

Hi, team. You have Pat Mcilwee on today. Thank you for taking my questions and great results this quarter. My first question is, in the leasing business, you noted some accelerating momentum in industrial and office leasing that has now exceeded 2019 levels. So, I wanted to ask how much more runway do you think there is for this type of growth in those end markets and how much of that is macro dependent?

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

A

Yeah. Thanks for the question. I'll talk a little bit about, first, office and then industrial. So just, again, contextualize what's happening in the market broadly, we've been talking about good momentum in office and that did continue in the first quarter. Over the past 12 months, the US office leasing market has returned to 90% of pre-pandemic levels nationally. So, right, that recovery is continuing. We were really pleased in that context that our first quarter office revenue was higher than the first quarter 2019 levels. So really encouraged by what our teams have been able to accomplish and how we've been growing market share over that time.

Another important metric we look at is the number of large lease transactions, which continued to improve in the quarter, although they're still well below pre-pandemic levels. So the stat I'll quote will reference deals over 100,000 square feet in the US office market. They were up 29% year-over-year in the first quarter, but still are below 30% – 30% below pre-pandemic levels.

And finally, an important metric we look at is the average downsizing that's happening upon lease expirations. That continues to decline and tenants who acted on lease expirations and reduced their footprints in the quarter, reduced them by about 7% on average and that compares to a 10% – roughly 10% reduction a year earlier and more closer to 15% kind of in years prior to that.

So, again, those – the momentum is all there. We are watching carefully what is happening with the macroeconomic and policy shifts and how that might impact decision-making. We've not yet seen it come through for office decisions, but we'll continue to watch closely. But the backdrop is that the market overall is in a healthy position. It's just a matter – and the pipelines are healthy. It's just a matter of is any decision-making get picked – pushed out, particularly as you think through second quarter and people digesting the various news that's coming through each day and each week, that is often surprising to them.

And on the industrial side, there is a different story. We were already in a place of more relative softness for the market overall with declining volumes as space was digested and people had taken down significant amounts of space. And so that activity continued to fall. And we were pleased there that even though the overall market declined, for example, in the US, the market was 20% lower compared to the prior year quarter, we had 14% growth in industrial revenue in the US.

So, what we're seeing there is people are definitely pausing on decision-making for long-term. They're much more focused on shorter-term decision-making, looking around how they can take flexible decisions, not make long-term commitments, because any more significant shifts in supply chains and distributions will – right, is more of a three- to five-year horizon while they have to consider new investments more broadly.

So two different stories really in terms of what we're seeing come through, but that kind of is a key high-level summary there.

Patrick Mcilwee
Analyst, William Blair & Co. LLC

Q

Okay. Thanks for all the color there, Karen. And my second question, your research group has put some interesting content out on the data center end market. And I know you've expanded your capabilities there on the Project and Property Management side. But my question is, are you participating meaningfully there from a capital markets and/or leasing perspective? And if so, is there any way you can frame that for us?

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

A

Sure. Yeah. We're certainly participating in the data center space kind of across the life cycle of what investors and occupiers need from us. I would say there's a lot of discussion around it and with a rapidly growing area of our business, but there's limited stock for data centers trading today. And so, it generally is a smaller part of our business overall as a percentage of fee revenue, but it's small, but rapidly growing. And it's something we'll continue to focus on and continue to build out our teams as we see the market opportunity to continue to develop.

Patrick Mcilwee
Analyst, William Blair & Co. LLC

Q

Okay. Thank you.

Operator: Thanks for your questions. Our next question comes from the line of Julien Blouin with Goldman Sachs. Your line is live.

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Q

Thank you for taking my question and congrats on the quarter. Karen, you talked a little bit about your continuing interest in M&A. I guess, when we think about that, are you looking more at surgical tuck-in acquisitions just on the Resilient side? Or would you be open to looking at sort of larger CRE services platforms, which maybe also include some Transactional businesses? And I guess, how do we frame that interest in M&A within the current context of sort of a more uncertain macro?

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

A

I'll take that question. Listen, first and foremost, we analyze any potential M&A opportunity, whether it creates value for our shareholders, whether they are small or large. Strategically, we are very focused in growing our resiliency and also the resilience of our P&L. And so any kind of business which helps there is favored over and above anything else. Specifically, on broader CIE services, it's very hard to make that work because you win and you lose at the same time when you do those type of acquisitions. And so that is probably not in the focus.

With regard to the overall environment we are in, we entered this environment with a super strong balance sheet. And so we are well prepared to take any advantages from the environment, which potentially come up. And so we see this environment as an – more as an opportunity for us to do something to drive shareholder value than the opposite.

Julien Blouin
Analyst, Goldman Sachs & Co. LLC

Q

Thank you, Christian. And maybe for – as my second question, Karen, you were earlier speaking about the slow – sort of the delays in decision-making from industrial lessors of space. I guess, could the same – does the same apply on the transaction side? Are you seeing a meaningful sort of pull-back in decision-making on the investment sales side?

And also, how data dependent do you find that your customers on the capital markets side are? Are they closely tracking sort of the hard macro data? And if they see a sign of deterioration, will that be their cue for sort of pulling back?

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

Yeah. So, let me first start by going to the data that we track around the deals that we're marketing globally and the bidding activity around them, because that's pretty instructive in terms of what we're seeing and how the market is developing in the current context. So, we referenced our bidding intensity index, which is, right, holding steady, broadly speaking. But if you look – if we kind of unpack the data underneath it, there's kind of some different components that are interesting and important to watch.

So, overall, we track the number of bids, which is holding steady. We track the bid-ask spread for the winning bid, which is also demonstrating stability. And then we also look at the variability of bids kind of overall received for the deal, and that variability is expanding. And what we're seeing there is that different buyers are taking different approaches to their underwriting assumptions considering the macro environment. And there are many different areas. Some of it's around growth expectations, how much they can grow NOI, what are the impact on CapEx requirements, how do they think/feel about interest cost, et cetera. And so that's all going in there.

So, we're watching it carefully. There's – again, we have healthy pipelines, we're seeing activity, but it's not – there's not meaningful movements in those underlying metrics other than the kind of variability in the bids.

The other important thing we're seeing, and we referenced, is that there's really strong activity, certainly, in the debt markets, as you saw from our own revenue generation in the first quarter. But then also broadly, as we look out the number and type of lenders that are out there, it still is a very wide spectrum and the markets overall are healthy. So, having healthy lending market is important to the transactions to continue on and gives the investors confidence. And so we are seeing that as well.

Operator: Thank you for your questions. [Operator Instructions] Our next question is from the line of Jade Rahmani with KBW. Your line is live.

Jade J. Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Thank you very much. Beyond the bidding intensity index, are there any indications signaling a pullback or pause? And are there any geographic trends that stand out at this point? Wondering if you're seeing any weakness in APAC or anything that stands out to you.

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

Well, obviously, when that whole debate was getting a bit heated around tariffs, we saw some hesitation chipping in on people closing transactions. But when we look at the data now for the first quarter and also what we see in April, people have gotten used to it very quickly, and the declining interest rates are obviously helping here.

With regards to the geographic situation, we have seen a real strength in the US, really super strong in the first quarter. But we always have to keep in mind, we are coming – we are still very early in the cycle of recovery. And so you have to put that always into context.

Within APAC, we see a strong environment in Japan, Korea and Australia. One of the most latest trends what we are seeing with regards to capital raising is that we see now some Asian investors redirecting capital, which was originally defined for the US, going now back to Europe, especially to the UK, where people see probably the strongest fundamentals across Europe, people see in the UK.

Jade J. Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. And beyond the current uncertainty, the back half of 2024 had some extremely strong growth rates in revenue, particularly leasing and capital markets. Is it reasonable to expect more like single-digit growth rates in those businesses in the back half considering the tough comps?

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

A

[ph] So there are (00:44:32) two things at play that we're really going to be watching. One is, certainly, as you call out, we had a really strong second half of the year. So we'll be lapping tougher comps. And then we'll need to, as we've called out, really understand what happens in the market and how things develop over the course of the year.

So, I think it's too soon to call exactly what will happen. So I'd say, overall, it's a moderation of rates, but it depends how the macro evolves. And we've reiterated our adjusted EBITDA target range for the year kind of in that context, if that helps you think about kind of how we're seeing the year develop.

Jade J. Rahmani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much.

Operator: Thank you for your question. Our next question comes from the line of Seth Bergey with Citi. Your line is live.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking my question. I just wanted to go back to kind of what you're seeing in the office market. Within the US, are you seeing any differences between geographies, West Coast versus East Coast, or tenant size requirements?

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

A

Yes. We are seeing some differences. We're actually seeing the West Coast to be performing quite strongly overall. The gateway cities as a batch have been a bit mixed in terms of strength in other – strength in some, like New York continues to power through where others like Washington, D.C., is obviously struggling some more. When we look to the secondary and tertiary markets, they've broadly kind of worked through some of their supply constraints for the supply – excess supply for the best buildings. And so we're seeing differences across markets, but there are enough key markets that are really generating some strong momentum.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Great. And then, kind of, as you think about the macro uncertainty, has there been any change in kind of hiring plans?

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

A

Yeah. So, overall, from a hiring perspective, we look at – we have many different business lines and we're operating in many different geographies. And our growth expectations for those different business lines, geographies will vary. And so what we do is we tailor our hiring plans to what is happening out there.

Certainly, when we have reasons to say, let's watch and wait and see, and we listen to our clients and are just looking to an uncertain environment, we'll be a bit more cautious than we would if everything was cranking forward and there were no signs for caution on the horizon.

One other thing I do want to call out as we talk about hiring is that, a reminder, we did not take out any meaningful producer numbers during the last couple of years when the transaction markets were more depressed. And so we're at a point where we're starting from a position of strength where we have producers in place to capture the growth and are advising our clients through challenging times.

And so we'll continue to strategically add in areas, whether it's, again, geographies or property types where we see growth ahead, but we feel like we're in a good position overall.

Seth Bergey
Analyst, Citigroup Global Markets, Inc.

Q

Thanks.

Operator: Thank you for your questions. And ladies and gentlemen, that will conclude our Q&A portion for today's call. I would like to turn it back over to Christian for any closing comments.

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

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. We look forward to speaking with you again following the second quarter.