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Jones Lang LaSalle, Inc. (JLL)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Christa, and I will be your conference operator today. At this time, I would like to welcome everyone to the Jones Lang LaSalle Incorporated Second Quarter 2025 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] Thank you.

I would now like to turn the conference 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 second quarter 2025 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 as well as in our slide presentation and supplemental Excel file, we referenced 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 referenced Resilient and Transactional revenues, which we define in the footnotes of our earnings release.

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 second quarter 2025 earnings call. I'm pleased to report strong results for the second quarter, demonstrating JLL's ability to deliver sustainable organic growth. We saw double-digit revenue gains for the fifth consecutive quarter, led by momentum in our Resilient business lines on both the top and bottom line.

The consolidated level revenue increased 10%. Adjusted EBITDA grew 17% and adjusted EPS was up 29%. Before sharing perspectives on our performance, I'd like to briefly address the impacts of the evolving policy environment on the market.

During the second quarter, we saw an uptick in the late and prolonged decision-making, particularly in industrial and manufacturing and for more significant capital projects and investment decisions. This had a greater impact on transactional markets where growth decelerated from first quarter levels in light of the confluence of geopolitical and trade policy pressures as well as fiscal policy uncertainty.

Within our Outsourcing business, most companies remain committed to enhancing the value of their workplaces and property investments. Supporting the pipeline for mid-sized capital spend projects and contract expansion opportunities. As we assess the pipeline for larger transaction and expansion opportunities, the markets are again becoming more constructive though remain sensitive to developments in the macro environment.

Turning to our results this quarter. The stability, organic growth and profit contribution of our Resilient businesses, validating our strategy and give us confidence in the depth and breadth of our platform. Growth in Resilient revenue was led by Workplace Management and a notable strengthening in Project Management. Last year, we announced the global unification and strategic restructuring of the Project Management business to enable a more cohesive approach to connecting people, processes and expertise and to expand our capabilities in high-growth sectors and industries.

Strong results this quarter are indicative of the momentum it has garnered and reflects our ability to drive greater client value as a globally unified business. The double-digit growth across our Resilient businesses in the current market demonstrates the resilience and scalability of our platform as well as the significant untapped potential for Outsourcing penetration across industries over the long term.

Our investments in data technology and artificial intelligence are integral to our growth strategy, to enhancing operational efficiency and to delivering on client demand for integrated end-to-end Real Estate Management Solutions and data-driven insights. We will continue to invest in the organic growth of these businesses and assess M&A opportunities on a risk-adjusted return basis as part of our disciplined approach to capital allocation.

With the backdrop of decelerating growth in the broader market, our Transactional businesses grew 7% in the quarter, led by Capital Market Services. The Investment Sales, Debt/Equity Advisory businesses saw growth of 14%, [ph] booed (00:06:35) by resilient debt markets and robust refinancing activity that continued to drive strong growth in our Debt Advisory business, up 27% with notable strength across the US and Europe.

Significant growth was led by the residential sector. Across our Transactional businesses, the stability of our pipeline gives us confidence that we are well positioned to see continued organic growth and market share gains.

With that, I will now turn the call over to Kelly Howe, our new Chief Financial Officer, who will provide more details on our results for the quarter.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thank you, Christian. I'm delighted to join you all today in my new capacity as JLL's Global CFO. The transition into my new role has been smooth, reflecting the strength and continuity of our team. I am excited to work closely with the investment community and proud to continue to uphold JLL's commitment to transparent financial reporting. Most importantly, I look forward to partnering with Christian and our leaders across JLL to achieve our strategic priorities while building upon our strong foundation to drive long-term value creation.

Now to our results. I am pleased with our second quarter outcome, which reflects the continuation of positive business momentum as well as the strength of our platform and people. The meaningful margin expansion and earnings growth is a direct result of our ongoing cost discipline and improved platform leverage. Additionally, our focus on improving working capital efficiency is reflected in the increase in free cash flow in the quarter.

I will now review our operating performance by segment. Beginning with Real Estate Management Services, revenue growth was led by workplace management with client wins slightly outpacing mandate expansions as incremental pass-through costs augmented high single-digit management fee growth. On a two-year stack basis, workplace management revenue increased nearly 30% for the quarter, consistent with the first quarter and reflective of the value we bring to clients.

Project Management revenue growth was broad-based geographically, most notably from new and expanded contracts in the US and Asia Pacific, with mid-teens management fee growth supplemented by higher pass-through costs. The acceleration in growth within Project Management stems in part from the strong leasing activity over the past several quarters as well as recent incremental investments in our platform and human capital. The overall segment revenue growth, along with continued cost discipline, more than offset headwinds from the favorable prior year impact of incentive compensation accruals timing, leading to higher adjusted EBITDA and margin.

Looking ahead, we remain confident in the trajectory of the Workplace Management business as our sales pipeline is strong and contract renewal rates are stable. For Project Management, client activity continues to be healthy, though the recent moderation in office leasing growth as well as mixed corporate CapEx signals may temper growth later in the year.

Within Property Management, we are encouraged by the progress we have made in our transition to date as we are starting to see the benefits of bringing teams together as well as operating cost synergies. We are still early in the process and anticipates an elevated contract turnover in the near term, given our ongoing focus on long-term growth and margin potential.

From an overall segment perspective, we continue to target healthy annual margin expansion, though it's not likely to be linear as we balance long-term growth and profitability alongside near-term business performance, mix, investment and ongoing cost management.

Moving next to Leasing Advisory. Higher revenue was driven by continued Leasing growth across major asset classes, led by an 11% increase in industrial. The US led the growth primarily driven by 13% growth in industrial. This compares favorably to the 4% growth in US industrial market volume, which we attribute to the strength of our brand and platform as well as our market position.

Global Office Leasing revenue tracked in line with market volume, which showed a deceleration in growth according to JLL Research. US Office Leasing revenues increased for the sixth consecutive quarter growing nearly 3%, which compared favorably to the 3% decline in market volumes according to JLL Research. The increases in Leasing Advisory adjusted EBITDA and margin were primarily driven by Leasing revenue growth and an improved ratio of compensation and benefits to revenue partly offset by discrete variable operating expenses in the quarter.

Excluding the impact of the discrete expenses, the incremental margin would have been in line with the typical range for the segment. Looking ahead, our Leasing pipeline is stable and business confidence as measured by the OECD has been resilient considering the macro backdrop, providing reason for cautious optimism for continued modest growth in the near term. Client demand for high-quality and energy-efficient assets, which are becoming increasingly scarce, remains a consistent trend.

Within office, tenant requirements are generally studied with sectors such as professional services, finance and legal, driving demand in many markets. Though as we've seen in the recent past, this could evolve quickly as clients consider the macro outlook. For Industrial, clients continue to assess the impact of supply chain, production and the economy from the evolving policy backdrop, which may temper near-term growth.

Shifting to our Capital Market Services segment, increased investor desire to transact alongside strength in the debt markets and liquidity supported the continuation of favorable growth trends of the past few quarters albeit at a more moderate pace as geopolitical and fiscal policy uncertainty weighed on investor sentiment. Debt Advisory revenue increased 27% and Investment Sales grew 9% on the back of more challenging comparisons. On a two-year stacked basis, Investment Sales and Debt Advisory revenue each grew 25%.

During the quarter, we recognized approximately \$14 million of incremental expense after reaching an enhanced loss share agreement with Fannie Mae for a specific three-loan portfolio with confirmed borrower fraud. This is the portfolio we mentioned during our fourth quarter earnings call. The increase in capital market services adjusted EBITDA and margin was largely attributable to higher Transactional revenues and the net impact of year-over-year loan-related losses.

Looking ahead, the strength of our differentiated data-driven global platform positions us to continue to gain market share. We are encouraged by the stability of the debt markets and capital availability alongside the amount of dry powder on the sidelines. Our global Investment Sales, Debt and Equity Advisory pipeline remains strong, though the timing and pace of deal closings will be influenced by the evolution of the economic outlook, investor sentiment and interest rates.

Turning to Investment Management. Lower assets under management compared with the year earlier, which primarily reflects dispositions of assets on behalf of certain clients in the fourth quarter of 2024, drove the decline in advisory fees. Higher valuations and capital raising led the sequential quarter increase in assets under

management. We raised \$1 billion of private equity capital in the second quarter bringing the year-to-date total to \$2.9 billion, which compares with \$2.7 billion for the full-year 2024.

The increase in capital raising, highlighted by a demand for credit and core strategies is encouraging, but note the flow-through to revenue will take several quarters to manifest given the expected timing of capital deployment. The changes in adjusted EBITDA and margin in the quarter were largely driven by the absence of an \$8 million gain a year ago.

Moving to Software and Technology Solutions. Low double-digit growth in Software revenue was more than offset by reduced Technology Solutions spend from certain large existing clients. The benefit from year-over-year change in carried interest drove the adjusted EBITDA improvement. We remain focused on attaining sustained profitability within the segment while also making select investments to drive growth.

Turning to free cash flow. The higher inflow in the quarter was largely due to incremental advanced cash payments for new and renewed clients, primarily within Real Estate Management Services, improved collections on trade receivables and lower cash taxes paid, partially offset by greater commission payments stemmed from the growth in leasing and capital markets activity. 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 upon 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 second quarter, including \$2.9 billion of undrawn credit facility capacity. In addition, we had \$1.8 billion of untapped capacity on our commercial paper program, both a reduction in net debt and higher adjusted EBITDA over the trailing 12 months led to an improvement in reported net leverage to 1.2 times, down from 1.7 times a year earlier. We continue to manage to a full-year average leverage ratio of around 1.0 times, the midpoint of our zero 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. Returning capital to shareholders is a high priority, and we will look to increase share repurchases above the second quarter amount of \$40 million while considering our target leverage, the broader operating environment, and other M&A or investment opportunities.

We continue to pursue select acquisitions that augment organic initiatives, improve our capabilities and span multiple business lines, particularly within our Resilient businesses. Regarding our 2025 full-year financial outlook, the market backdrop overall remains constructive despite mixed economic indicators and the evolving policy environment.

Given our strong year-to-date performance, stability in our pipelines and solid underlying business trends, we increased the low end of our full-year adjusted EBITDA target range by \$50 million, resulting in a new range of \$1.3 billion to \$1.45 billion. With our ongoing focus on operating efficiency, alongside investments in our platform and people, we are well positioned for long-term profitable growth and stakeholder value creation.

Christian, back to you.

Christian Ulbrich

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

Thank you, Kelly. The strong growth in profit, margin and adjusted EPS during the quarter reflects the strength and resilience of our platform and gives us confidence in our revised full-year outlook.

As we look ahead, and reflect on the health of our industry, we see continued signals of stability and cause for cautious optimism for our business. Real Estate Fundamentals remain stable, the case to outsource is strengthening, tenant demand is growing and debt markets and capital availability remains strong. Above all, the focus on high-quality, well-managed real estate is elevated and broadening. And our [ph] occupier and investor clients (00:19:15) alike are more motivated than in recent years to make investment decisions.

Entering the second half of 2025, we maintained high conviction in our strategy to drive continued organic top and bottom-line growth, increase resiliency, enhance returns on invested capital and lead JLL into the next growth cycle.

Before I close, I would like to take this opportunity to acknowledge and thank our colleagues around the world whose dedication and focus ensure we continue to deliver for clients.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Anthony Paolone with JPMorgan. Please go ahead.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Great. Thank you. My first question relates to the REMS segment. First, within Project Management, the strength we saw there, how should we think about the duration of those deals and whether that's a level of revenue we should carry forward and grow?

Christian Ulbrich

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

Anthony, good morning. Well, we were ourselves positively surprised by the strength of the Project Management business in the second quarter. It was a really strong demand for midsize projects and the trend is continuing over the foreseeable future for the rest of this year. So there's increased optimism on our side with regards to the measures we have taken to bring that business together globally and align the processes and that is reflective in the performance and the satisfaction from our clients.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. And then I guess, in REMS, generally, you talked about the contract wins. And so – and should we take away from this that just at least for the next several quarters or so, we should expect revenue that's kind of above trend in terms of growth, just overall in REMS?

Christian Ulbrich

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

Well, I mean, we said that we are expecting in our REMS business over the medium term, high-single-digit, low double-digit revenues. And so we are still in line with that, more at the high end at the moment, I will not predict

exactly whether we'll be low double-digit or high single digit, but it will continue to perform in that range on an organic basis for the foreseeable future. We had some really nice new wins in the last quarter, and they will start to chip-in over the next couple of quarters. And so the trend is still very stable.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. And then just my follow-up, maybe Christian, as we think about moving past kind of this bounce-off the bottom over the last year in Capital Markets and Leasing and start to look towards 2026, 2027 what do you think are the biggest growth drivers we should be looking at for JLL, whether it's geographic, business line, margins, what do you think the focal points are?

Christian Ulbrich

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

A

Well, the capital markets business, obviously, reacting quite sensitive on noise in the geopolitical and political environment. And as much as that noise is coming down, the more you will see transaction volumes to grow again. We have seen, despite all that noise, a relatively stable interest rate environment, which was helpful.

What was kind of a headwind was that on the back of the announcement in early April, some of the larger transactions, which is a specific area for us, where we have a very high-end market share, did not go through and were paused, and we hope that this is coming back in the next couple of quarters again, so that we not only see kind of the mid-sized transactions growing but also the large transactions again.

On the Leasing side, the main challenge there is that you have very little new product coming to market. So tenants need to move from the expectations to potentially be able to sign agreements on the best buildings. They have to just accept that the best buildings are more or less sold out, and they have to move kind of a little bit down, which has the benefit on the other side that you will see a lot of upgrading of those type of A-minus buildings, and that is then strengthening our Project Management business again. But that is obviously something which we look very carefully on the office's side that there is so little new product coming to market.

We saw that stability on the industrial side, probably slightly better than we would have expected. And again, if the whole noise from the tariffs have settled and people are getting to terms with that then we should see that trend continuing and growing going forward into 2026.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Your next question comes from the line of Stephen Sheldon with William Blair. Please go ahead.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Hi. Thanks for taking my questions. First, can you just talk some more about what you are seeing in Capital Markets pipelines and how that pipeline maybe sits now relative to last year? And then also how deal activity trended through July? I know deal timing can be uncertain, especially for larger deals. But where you sit, is there decent visibility right now and to continue kind of solid growth into the back half of the year?

Christian Ulbrich

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

A

Sure. Listen, pipelines are fairly strong, notably up against last year. It goes pretty much across the board across all asset classes, maybe with a particularly strong angle on the retail side, the resi, again, very, very strong. And as I said earlier in the previous question, we are fairly optimistic around that the performance of the Capital Markets business going forward because it seems to be that people are accepting the noise in the world, and they just move on and do their business. And we just hope that also then the very large transactions are coming back into the market.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Got it. Thanks. And then just on the Fannie Mae loan loss, I think it's the second time this issue has popped up. So do you – how much risk do you see of additional losses there, especially over the next few quarters? Just can you just talk about if you have any visibility there and whether that could continue to be a drag?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. I can take that question. As we noted in my prepared remarks, we did take an expense this quarter for a loan loss. We continue to look through our portfolio and work with Fannie to identify if there are any other areas of potential fraud in the portfolio. We have not identified specific areas, but we continue to monitor very closely, as we always do, and we'll, of course, keep you all apprised if we identify additional areas.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Great. Thanks. And then maybe just one quick last one. I think in Real Estate Management, Kelly, I think you – I think I heard something about the potential for elevated contract churn as you focus on contract economics. So can you just maybe give a little more context there and kind of what that could mean?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. I think that was specific to our Property Management business, where as we have noted a couple of quarters ago, we have shifted our Property Management business from over to our Real Estate Management Services segment. As part of that transition we have been focused very much on realigning that business around a growth strategy and a profitability strategy and taking a very hard look at some of our contracts within our Property Management portfolio. And so you will see that we are looking through those contracts and that some contracts, we will be turning over as we do that review. We expect that to be a relatively smooth process as we go through that portfolio.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Makes sense. Great. Thank you.

Operator: Your next question comes from the line of Jade Rahmani with KBW. Please go ahead.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. Just wanted to ask about the comment that margin expansion, you do not expect to be linear. Do you expect margin expansion for the next two quarters? And just some additional color around that comment would be helpful.

Q

Christian Ulbrich

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

Jade, you mean margin expansion with regards to the overall company or with regard to a specific business line?

A

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Overall company, I guess when you say you don't expect margin expansion to be linear, it prompts a few questions in my mind because the business has a strong seasonal component and margins due typically increase throughout the year, which I think your EBITDA guidance implies. So just some color on that would be helpful.

Q

Christian Ulbrich

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

Yeah. And that is what we would expect for this year as well. So the question would you define as linear. We don't have the same every quarter at the – in the third and the fourth quarter, margin expansion should be significantly stronger than in the first two quarters.

A

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Regarding capital markets, I was wondering if you could talk about your expectations for growth between the US and International. What comes to mind is that interest rates in Europe have fallen? And I'm wondering if that's spurring increased activity? And also if you could quantify any split between how much of the business is US versus International, that would be helpful? Thank you.

Q

Christian Ulbrich

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

Sure. Well, first and foremost, the outlook for the business, as I said, is pretty robust. And with regards to the split between the US and Europe and Asia Pacific. We have two components which are driving capital markets revenues. Interest rates is one, but that will be priced in relatively swiftly. So as long as you have a stable rate environment that will be priced in.

A

And the other component is rental growth and rental growth is very much impacted by the economic development and obviously also by the availability of new product. And so where Europe is still lagging is clearly on the economic development. We have a very slow growth environment in Europe and some of the major countries, especially Germany, they are still kind of flat to declining. And that has an impact on that business there.

Now, we saw in the second quarter a very strong performance in the UK, much better than on the continent, where on the continent volumes in France and Germany went backwards. That may shift over the coming quarters that they come up again on the continent, but it will not be a massive driver of global volumes. The US is absolutely dominant there and will continue to be dominant and they are also very dominant with regards to our own revenues.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

And maybe just to add, I think you asked a question about geographic split. About 60% of our business is in the Americas and about 40% is in rest of world.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. And is that for both the Debt business and the Investment Sales business?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

That's for overall capital markets, including both.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. All right. Thanks a lot.

Operator: Your next question comes from the line of Julien Blouin with Goldman Sachs. Please go ahead.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Thank you for the question. I just wanted to touch on capital allocation for a moment as we head into the back half of the year where cash flow generation will ramp up here. How should we think about maybe the mix of share repurchases versus M&A in the back half?

Christian Ulbrich

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

A

You will see an increase in our share purchases in the third quarter and also in the fourth quarter. Our capital allocation priorities haven't changed. As you know, we are prioritizing investing into our platform to drive further organic growth. And then we do share buybacks and then lastly, we are also looking at selective M&A that we have there, a very, very high bar and in light of valuation of our shares, the bar is really high. And so we are increasing our share buybacks for the third and the fourth quarter.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Got it. And when you talk about sort of potential selective M&A, what specific sort of capabilities would you like to add or increase your exposure to? We've seen some of your peers go sort of into the engineering and the infrastructure Project Management businesses. Are you interested at all in those segments?

Christian Ulbrich

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

A

Well, we are, first and foremost, interested in growing our recurring revenue streams. And what we are looking at with regards to M&A is mostly infill. So smaller acquisitions where we are adding a new capability or adding to an existing capability but with a slightly different geographic lens. But generally speaking, we are very comfortable

with our platform. And as long as we can deliver high single-digit organic growth by investing into our platform, we prefer that over M&A.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Okay. Great. Thank you.

Q

Operator: Your next question comes from the line of Seth Bergey with Citi. Please go ahead.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Thanks. Good morning. Thanks for taking the question. I guess my first one, just a follow-up on kind of the M&A comment. Just kind of as we get more clarity around the macro environment or perhaps more comfort with just the level of uncertainty being more constant, are you seeing more opportunities out sort of looking for those kind of infill acquisition opportunities that you just touched on?

Q

Christian Ulbrich

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

There has been quite a lot of opportunity over the last couple of years and also this year, we looked at a couple of them. And we also looked at one slightly deeper. But when we then compare the risk and return profile of those potential acquisitions with investing into our own platform and the opportunities we see there, it always leads to the point that it makes much more sense to drive our organic growth and invest into our own platform. And therefore, we haven't pursued much over the last couple of quarters. And I don't expect that to materially change.

A

That doesn't mean that we're not interested in M&A at all. We do here and there, as I said, small infills. We closed one in the second quarter on the Investment Banking side. But generally speaking, the opportunity for us to drive organic growth with our existing platform, it's just very, very advantageous.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Thanks for that. And then just a second one, kind of, I think in the prepared remarks, you kind of noted cautious optimism. How have just as you kind of have conversations with clients, how are they kind of underwriting the current macro environment? And what kind of hiccups, do you kind of foresee? Like, is our Fed interest rates a topic of conversation that are driving decisions? Are tariffs still topical? Are people starting to kind of look through those? Just kind of with your conversations with clients, like what are people kind of thinking about? And what do you think kind of can be [ph] happening (00:37:49), some of the things we need to keep in mind as we think about transaction activity in the back half of the year?

Q

Christian Ulbrich

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

I think there is a growing understanding amongst business leaders that the amount of disruption and noise, which is offered by the world and by political leadership globally will not necessarily get significantly better in the near future. And so we are all very focused and our clients are very focused on their own business and to achieve their ambitions in the given environment.

A

And that's probably also what has driven the overall good performance for our industry in the second quarter that despite all those disruptions and noise and drama, which we are being faced with on a daily basis. The market has continued to perform really well. And so the trading environment for us was actually a good trading environment. And that is pretty much the situation for many, many of our clients. Now that it is true for all sectors, but with regards to the industries we are particularly focused on, they tend to perform reasonably well.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Thanks.

Q

Operator: Your next question comes from the line of Peter Abramowitz with Jefferies. Please go ahead.

Peter Abramowitz

Analyst, Jefferies LLC

Yes. Thank you for taking the questions. Just wanted to follow up on some of your comments around project management. It seems like the revenue growth really stood out in the quarter. But if I heard it correctly, I believe in your comments, you said client CapEx could slow down, and you could see I guess, the growth trajectory is slow in the back half of the year. I guess I'm just curious, how much of that is kind of macro uncertainty related to the tariffs? And should we kind of take that as a sign that maybe it didn't impact the second quarter as much as you were expecting but you're expecting it to have more of a go-forward impact? Or is it just kind of a degree of conservatism you're baking in?

Q

Christian Ulbrich

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

I wouldn't read too much into it. We had in the second quarter, a 22% increase year-over-year in our Project Management revenues. And we don't expect that the coming quarters will deliver equally those type of increases, but we still expect a very healthy performance of our Project Management business. And so I don't want to assign – if it goes from 22% to 15%, we don't want to blame potential tariffs for that. It's just normalizing the growth rate.

A

Peter Abramowitz

Analyst, Jefferies LLC

Okay. Got it. Thank you for clarifying, Christian. And then just a follow-up on the Leasing. I think you called out smaller average deal size on the office side. Any markets in the US that kind of stood out from that perspective? Or sorry, you called out lower volume, larger deal size – so sorry, I got that mixed up, but any markets that stood out in terms of, I think, lower volume of transaction?

Q

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Yeah, I can take that one. Particularly on the office side, we saw our larger gateway markets, definitely posting lower volumes this particular quarter. If you look at the very largest markets in the US as an example, we saw growth absorption down actually versus non-gateway markets. Some of the smaller markets were more flat from a gross absorption perspective. And so from a business mix perspective, we tend to be more heavily weighted towards the gateway markets. And so from a mix standpoint, we definitely felt that mix shift a bit.

A

Peter Abramowitz

Analyst, Jefferies LLC

Q

All right. I appreciate the color. Thanks.

Operator: Your next question comes from the line of Mitch Germain with Citizens Capital Markets. Please go ahead.

Mitch Germain

Analyst, Citizens JMP Securities LLC

Good morning. Christian, I think you talked about some policy interruptions. And if I can understand your comments correctly, is that really centered on more larger transactions? Because it does seem like the smaller mid-sized transactions are driving a lot of the growth in the quarter.

Christian Ulbrich

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

Yes. On the capital markets side, that is true. We had a very robust capital markets environment for the more mid-sized transactions. But what we saw is when the announcement in early April were coming in that people were closing still on some of the deals which were far down the road, but others were interrupted, the large ones and not much very large transactions were then pursued in the second quarter.

And as you know, we are very – we have a very high market share on the very large transactions that has impacted our overall growth in our Investment Sales business. The Debt side, that's usually slightly smaller volumes, and that has gone extremely well in the second quarter, and we expect that to continue but we are feeling a little bit the mix of our business and the usually high market share on the very large transactions that they are missing.

Mitch Germain

Analyst, Citizens JMP Securities LLC

Great. And then on the Leasing side, if some of your customers are now having to shift from Class A to maybe A minus B product, could that impact your forward growth prospects in that revenue line?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

We are really seeing a huge impact from that shift in our pipeline or in our outlook. In fact, we're feeling pretty optimistic about our pipeline and our outlook.

Mitch Germain

Analyst, Citizens JMP Securities LLC

Thank you.

Christian Ulbrich

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

This is something which will – this will develop over a longer period. You don't see that immediately. You will have now a lot of property owners reflecting on the shortage of the top-end space in the market and they look at their portfolios and analyze which buildings can we upgrade so that they come in the quality perception very close to a new build. And I expect increasing investments into those type of buildings.

We already see it in the New York market, which is really sold out on the top end, but it's a global trend. And so – but that is nothing where you would see that in the next couple of quarters in our Leasing business. That is something on a slightly midterm perspective, which we are watching. But as I said earlier, the flip side, the positive flip side of that is that you will see the Project Management business having higher growth rates on the back of that trend.

Operator: And that concludes our question-and-answer session. And I will now turn the conference back over to Christian Ulbrich for closing comments.

Christian Ulbrich

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

Thank you very much for your interest in JLL. This concludes our call. And so we are looking forward to talk to you again at the end of the third quarter. Thank you.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation, and you may now disconnect.

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