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Jones Lang LaSalle, Inc. (JLL)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Jones Lang LaSalle Third 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]

I'd now like to turn the conference over to Sean Coghlan, Head of Investor Relations. Please go ahead.

Sean Coghlan

Head-Investor Relations, Jones Lang LaSalle, Inc.

Thank you, and good morning. Welcome to the third 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 reference 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 third quarter 2025 earnings call. This morning, we reported strong results for our sixth consecutive quarter of double-digit revenue gain and eighth consecutive quarter of double-digit adjusted EPS growth, reflecting the strength and resilience of JLL's diversified platform. At the consolidated level, revenue grew 10%, adjusted EBITDA increased 16%, and adjusted EPS was up 29%.

Top and bottom line growth was led by a reacceleration in our Transactional businesses as the market recovery, which began building momentum late last year, further progressed. Transactional revenue grew 13% in the quarter, led by 26% growth in investment sales, debt, and equity advisory. Though the macro environment remains dynamic, the economic outlook and forward indicators for Transactional markets have stabilized and improved during the quarter. Both occupier and investor clients are motivated to transact.

Looking at our largest market, the US, this was reflected in broad-based activity across capital markets, office, and industrial leasing, as well as an improvement in large deal activity. Investors, in particular, are increasingly shifting to risk-on mode, supported by healthy and robust debt market.

We continue to invest in the people and platform to drive long-term revenue and margin growth across our Resilient business lines, positioning each of them for sustainable, profitable growth. The result of our investments was evident in the seventh consecutive quarter of double-digit revenue gain in Real Estate Management Services.

Data technology and AI are central to JLL's overall strategy, differentiated platform, and financial performance. We continue to create a suite of impactful and transformative technology products that drive revenue growth and increase the profitability of JLL, anchored in both an AI forward approach and one that enables us to deliver the most valuable outcomes for our clients.

Over the past six years, we have accelerated the pace of innovation at JLL. Today, our platform is driving significant value by enabling the core businesses. Our people and clients are leveraging our data technology and AI to derive unique insights, informed decision-making, and drive productivity. We were an early adopter of generative AI in our industry and are now building agentic AI capabilities into our products to address complex problems and needs.

We are scaling rapidly across both adoption and frequency of use. More than 41% of our addressable population are now using our proprietary AI tools daily, up from 35% weekly adoption earlier this year. We would not have been able to achieve these milestones if not for the combination of our people, global footprint, and culture.

Of our broader technology suite, the direct revenue-generating software product, and our Technology Solutions business comprise the Software and Technology Solutions segment. The segment allowed JLL to incubate a portfolio of revenue-generating products, including Corrigo and Building Engines, primarily serving clients in our Real Estate Management Services business.

Since being formalized as a segment in 2022, Software and Technology Solutions have matured strategically and operationally, and the segment has meaningfully progressed in its path to be profitable in full-year 2026.

Given its maturity and focus on serving clients in our Real Estate Management Services businesses, effective January 1, Software and Technology Solutions will run as a fifth business line within the Real Estate Management Services segment, alongside Workplace Management, Project Management, Property Management, and Portfolio Services.

Going forward, this new structure will allow us to further scale the business, align on the most effective and client-centric go-to market approach, and fully realize top and bottom line synergies.

With that, I will now turn the call over to Kelly Howe, our 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 pleased with our third quarter results overall, highlighted by an acceleration in top line growth, robust profit and margin increases, and strong free cash flow generation. The revenue growth, which came on the back of a tougher comparison, reflects the strength of our platform and people, as well as the continuation of our strong momentum in driving client success across multiple services.

Growth was led by our Transactional businesses, which outpaced a slight deceleration in Resilient revenue growth that was in part the result of our active decision to exit certain contracts that didn't align with our desired long-term margin profile.

Our profit growth materially outpaced the increase in revenue, despite headwinds from a few discrete items. We continue to invest to drive long-term growth in the context of the ongoing market recovery and long-term secular tailwinds for our industry. At the same time, we remain very focused on enhancing our platform leverage and see ample opportunity ahead to drive further margin expansion.

Now, a review of our operating performance by segment. Beginning with Real Estate Management Services, client wins and mandate expansions continue to drive strong performance in Workplace Management, as incremental pass-through costs augmented mid-single-digit management fee growth.

On a two-year stack basis, Workplace Management revenue increased nearly 30% for the quarter, consistent with the prior four quarters and reflective of both the value we bring to clients and the significant market opportunity. New and expanded contracts, largely in the US, Australia, and India, drove double-digit Project Management revenue growth with low double-digit management fee growth, supplemented by higher pass-through costs.

Within Property Management, revenue growth was tempered by the anticipated elevated contract turnover we mentioned last quarter. The overall segment revenue growth, along with a notably lower gross receipts tax expense, more than offset headwinds from the favorable prior-year impact of incentive compensation accruals timing and certain discrete items, 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. Given the time to onboard new business wins, and as we lap tough comparisons, the near-term growth is likely to moderate.

Within Project Management, client activity remains healthy, positioning us for continued momentum into the fourth quarter. In Property Management, we anticipate the elevated contract turnover we are actioning to continue to dampen revenue growth through the middle of next year, offset by an improved margin outlook.

From the segment overall, we continue to target healthy annual margin expansion, though the quarterly progression is not likely to be linear as we balance investing to drive long-term growth and profitability with near-term business performance.

Moving next to Leasing Advisory, revenue growth accelerated despite a tougher comparison. On a two-year stack basis, leasing revenue grew nearly 30%. Growth was broad-based across major asset classes, led by office, with continued momentum in the US.

Globally, Office Leasing revenue growth accelerated to 14% and notably outpaced the 2% increase in market volume, according to JLL Research, highlighted by US outperformance from both higher volume and deal size.

Industrial leasing revenue grew 6% globally, driven by continued strength in the US. The increase in Leasing Advisory adjusted EBITDA was primarily driven by leasing revenue growth, mostly offset by the year-over-year impact from the timing of incentive compensation accrual. Absent this phasing impact, the incremental margin would have been much closer to our historical norm, which we continue to target on a full-year basis.

Looking ahead, we entered the fourth quarter with a healthy leasing pipeline as client demand for high-quality assets continued. Business confidence, as measured by the OECD, has been resilient over the past year in the face of a dynamic macro backdrop, providing reason for cautious optimism for continued growth in the near term.

Shifting to our Capital Markets Services segment, growth trends accelerated across each business line, most notably within debt advisory, investment sales, and equity advisory. Strength in debt markets and an improvement in bidder dynamics drove a 47% increase in debt advisory and 22% growth in investment sales on the back of more challenging comparisons. On a two-year stack basis, debt advisory revenue grew 68%, and investment sales increased 37%.

The increase in Capital Markets Services adjusted EBITDA and margin was largely attributable to the higher Transactional revenues, partly offset by the \$7.2 million of incremental expenses associated with loan-related losses. The majority of these expenses were related to the closing of the loan where fraud was associated with the borrower that we discussed in prior earnings calls.

Looking ahead, our global investments sales, debt, and equity advisory pipeline remains strong, and we are encouraged by the highly liquid capital markets, increased fundraising activity, and improving bidder momentum. The strength of our differentiated data-driven global platform positions us to continue to gain market share globally.

Turning to Investment Management, revenue growth was driven by higher incentive fees. Strong growth in our US core open-end funds mostly offset the impact of the large client asset dispositions in fourth quarter 2024, resulting in largely unchanged advisory fees from a year ago. We've raised \$3.4 billion of private equity capital year-to-date compared with \$2.7 billion for the full-year 2024, reflecting continued strong demand for credit and core strategies.

Capital raising and valuation increases led the sequential quarter increase in assets under management. As it takes several quarters to deploy new capital, we expect a gradual recovery in advisory fee growth over the coming year.

Moving to Software and Technology Solutions, double-digit growth in software revenue was mostly offset by reduced discretionary Technology Solutions spend from certain large existing clients. We remain focused on attaining sustained profitability of our direct revenue-generating technology businesses, and as an extension of Christian's earlier remarks, thriving closer alignment as well as top and bottom line synergies between our technology products and core businesses. Of note, we no longer include carried interest in the segment performance and have recast historical financials accordingly.

Shifting to free cash flow, balance sheet, and capital allocation. The higher free cash flow in the quarter was largely due to improved collections and earnings growth. Year-to-date, free cash flow achieved its highest level since 2021 and in part, reflects our ongoing efforts to drive working capital efficiency and improve upon our long-term average free cash flow conversion ratio of 80%.

Our free cash flow generation contributed to a reduction in net debt, which, along with higher adjusted EBITDA over the trailing 12 months, led to the improvement in reported net leverage to 0.8 times. We continue to manage to a full-year average leverage ratio of 1.0 times, the midpoint of our 0 to 2 times target range.

Capital deployment priorities remain focused first on driving organic growth and productivity across business lines. Our acquisition pursuits remain focused on augmenting organic initiatives that enhance our capabilities and deepen our client relationships across multiple business lines, particularly within our Resilient businesses.

Returning capital to shareholders remains a high priority. In the quarter, share repurchases totaled \$70 million, bringing the year-to-date total to \$131 million, notably above expected full-year stock compensation dilution, and full-year 2024 repurchases of \$80 million.

Looking ahead, we intend to continue to at least offset annual stock compensation dilution with the total repurchase amount, depending on the broader operating environment, other M&A or investment opportunities, valuation, and leverage outlook.

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, pipeline, and underlying business trends, we increased the low end of our full-year adjusted EBITDA target range by \$75 million, resulting in a new range of \$1.375 billion to \$1.45 billion.

Additionally, our consistent progress in margin expansion and focus on operating efficiency has put us on track to achieve, this year, the low end of our midterm adjusted EBITDA margin target range. This is in line with our original timeline provided in November 2022 and consistent with our expectation of achieving the margin ahead of the top line target, reflecting our continuous commitment to drive stakeholder value.

Christian, back to you.

Christian Ulbrich

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

Thank you, Kelly. Back in 2017, we communicated our Beyond strategy, backed up with a financial target for 2025. Since then, we have demonstrated a consistent ability to both raise and achieve our margin targets as a company.

As we near the end of 2025 and approach our midterm target margin range, we are actively developing the next evolution of JLL's strategy, charting the path to top and bottom line growth to 2030, and refreshing our financial targets, which we will share with you all during the first quarter of 2026.

We are encouraged by improving tailwinds for our industry as well as the opportunity to fortify and scale the contributions of our Resilient and Transactional businesses. There is significant runway ahead for our company to continue to drive-long term value creation.

I would like to once again thank all of our colleagues around the world for their resilience and collective focus on delivering for our clients and shareholders. We're excited to continue building an even stronger leading business with you all in the years to come.

Operator, please explain the Q&A process.

QUESTION AND ANSWER SECTION

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

Anthony Paolone

Analyst, JPMorgan Securities LLC

Yeah. Thank you. My first question revolves around Property Management and REM, just more broadly. You talked about moderating growth there. And I just want to make sure I understand, was that for the broader business segment? And can you put some brackets around what that means? And also, like, what is the reason for the churn on Property Management and what's kind of the drag there?

Christian Ulbrich

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

Good morning, Anthony. It's Christian. As we explained, we have taken our Property Management business into a global business line last year, and we are evaluating now all the different country businesses, the profitability of those businesses, and we are really focused on driving margin in that business. And so, we are getting out of some of those contracts, most notably in Asia Pacific. And so when you look at the overall growth ratio, it is muted, but there are still areas, especially here in the US, where we still show nice single-digit growth in that business.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

So, I guess, if we move away from Property Management and just think more broadly around traditional outsourcing and facilities, is there any real change in what's happening with the growth rate there?

Christian Ulbrich

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

A

No, not at all. That business is still striving ahead very strongly. As you saw, we had really strong growth in the quarter. And our Project Management business was plus 24%, and our Workplace Management business was plus 8%. And we see that continue going forward. As we have said multiple times, this is a long-term trend, and we don't see any kind of barriers to that trend.

So, what you see within the Property Management business, it's still a result of us taking a very localized business within JLL now into run as a global segment, and we have seen just contracts, which we don't want to pursue longer term, but these are all pretty much exclusively down in Asia Pacific.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. Thanks, Christian.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Maybe I'll just layer a couple of thoughts on top of that. For our facilities management business, as Christian noted, we do expect continued growth over the medium and long term. That's, of course, not linear. And just given timing of some contract rampings and things like that, we do expect a little bit of moderation on top of some particularly strong comps in prior year as well over the next couple of quarters.

On the Property Management side, as Christian noted, we are taking a hard look at a set of contracts and intentionally making choices in order to drive margin. We expect that process to continue through the first two quarters of next year as well, at which point we expect to kind of turn the corner on that and be looking at, on a more global basis, a positive growth outlook.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Got it. Thanks for that. And then just my follow up is, just as it relates to free cash flow, it seems like the conversion there is tracking, and you're just inside your leverage target. So, just trying to bridge, the buyback and whether or not that ramps up more dramatically in the next couple of quarters or not.

Christian Ulbrich

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

A

Well, as you have seen, we have ramped it up already in the third quarter, and you can probably assume that this is describing a bit of a trend. Leverage ratio is now very low. And as long as we don't identify any really strong

M&A opportunities, which will add immediately value to our shareholders, we will continue to see the repurchasing of our shares as a very attractive use of our cash.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Thank you.

Q

Operator: Our next question will come from the line of Stephen Sheldon with William Blair. Please go ahead.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Hey. Thanks. Christian, on the agentic AI solutions, I guess as we think about that from an investor standpoint, where could we start to see some of these solutions impacting financials? Is it a combo of both producer productivity gains that could help top line growth along with efficiency gains and the cost structure? And then is there any detail you can share on where you've seen the biggest benefit so far as you look across the organization?

Q

Christian Ulbrich

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

Yes. For the time being, the main benefit is around efficiency gains. You know, what we are doing is we are going thoroughly through all our processes within the organization and define those processes, if possible, move those processes in one of our shared service centers, and then within the shared service centers within a couple of months, they are trying to replace some of that by using AI tools in order to take those efficiencies up. And that goes across the board. That is within our support services, but it is also within our business lines.

A

So, we see productivity, for example, going significantly up in our Capital Markets business where the revenue per head is going up very significantly, and it's not only because the market is more supportive, but we have a whole load of tools, which are supporting our brokers to drive their efficiency.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Got it. Very helpful. Maybe then on capital markets, I guess, how are you thinking about trends there heading into, I guess, for more than a month through the seasonally important fourth quarter?

Q

I know deal closings can always shift the timing of revenue recognition outcome, but we think you have decent visibility given the time it takes for deals to close. So, just how are you thinking about it? What have you roughly factored into the guide for the year? And what does the pipeline look like as we think about heading into 2026?

Christian Ulbrich

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

Well, as you have seen, the pace of growth accelerated in the third quarter quite significantly. And there is good momentum while we moved into the fourth quarter. And frankly, we don't see that changing. The healthy bit about that is we don't see a hockey stick recovery. We see a very steady recovery of the capital markets transaction volumes in the US, but also around the globe. And so, overall, our outlook for that business is very positive.

A

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Got it. Good to hear. And maybe can I sneak one more in just in IM? I might be wrong on this, but I think this is the first time in a long time where AUM was supported by modest valuation increases. So, does it seem like we've maybe started to bottom out for CRE valuations, just I thought that was really interesting to see.

Christian Ulbrich

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

A

Yeah, indeed. What we have seen is that we have had a small increase in underlying values, so we should read that as that the values have bottomed out, and we are now going on a slight increase again going forward.

Overall, the outlook for that business is healthy. Specifically within our own organization, we had a strong equity raise in the third quarter. And as you know, that will then translate over the coming quarters into more assets under management. And so, it's a very predictable and, therefore, nice income stream for us.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Great. Thank you.

Operator: Our next question comes from the line of Alex Kramm with UBS. Please go ahead.

Alex Kramm

Analyst, UBS Securities LLC

Q

Yes. Hi. Good morning, everyone. Just maybe coming back to the first questions on the Property Management and the exiting. If I heard you correctly, Christian, you said that this is primarily in APAC and the US still grew 2%. So, if I heard the 2% correctly, without being disrespectful, that still sounds like a pretty soft number. So just wondering if some of the kind of changes are also weighing on that business or if there's anything else going on? And what do you think the growth of that business, once you get through all this, could ultimately be again?

Christian Ulbrich

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

A

I don't think, I said 2%, if I'm not mistaken. I said mid-single-digit growth in the US. So, not that that is super exciting mid-single digit, but it's at least more than 2%. So, the decline is coming from – the overall decline is coming from APAC only.

Alex Kramm

Analyst, UBS Securities LLC

Q

Okay. And in terms of whether this business could ultimately be in terms of growth, again, sorry if I misheard you, but mid-single digit, like you said, is still probably upside to that over time.

Christian Ulbrich

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

A

Yeah. I mean, we have higher ambitions than that, but just, you know, when you bring a business like this together, there's a lot of structural work to be done. And we don't want to get ahead of ourselves. We want to deliver exceptional services to our clients. And so, you have to be mindful how much new business you are taking

on in a period like that, and we are very focused that we are getting to the right clients and delivering that outstanding service, what they would expect from JLL, while we do that restructuring within that business.

Alex Kramm

Analyst, UBS Securities LLC

Okay. Fair enough. And then, secondarily, just quickly on industrial leasing. It sounds like good increase, but if I look at that slide that you have on, it's still fairly much below where we were in the last few years. So, anything that you're observing to get kind of back to normal in that business? Yeah, any trends you can share?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Yeah. I can take that one. Industrial leasing actually performed better than we would have expected. Our leasing revenue globally in industrial was up 6%, up 9% in the US. The US number comes on the back of very strong growth in the first half, so I wouldn't read too much into kind of a quarter-by-quarter change. We feel really good about the pipeline.

The other thing that I would just note is that if you look at our industrial leasing growth on a two-year stack basis, we feel really good about that performance relative to the overall market performance.

Alex Kramm

Analyst, UBS Securities LLC

Fair enough. Thank you very much.

Operator: Our 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. Capital Markets, historically, is the industry's highest margin business. I remember HFF's margins were always in the 25% range. So, how much upside in margin do you expect that business to have? And if you could put any parameters around it and say the near to medium term, that would be great. I see a lot of opportunity to further scale that business.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

Thanks, Jade. I'll take that one. We don't provide, as a reminder, kind of segment specific margin outlooks. That said, given your question, we see a lot of upside in that business as well.

As a reminder, as we went through kind of the downturn of the last couple of years, we really did not let go of our producers, and so we maintained that very strong cohort of producers, and there is more productivity within that cohort that we believe we could achieve. And then, to your point, there is a lot of leverage on the platform in that business, and so we see plenty of runway for margin expansion in our Capital Markets business.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. On the multifamily loss, we've now seen multiple real estate services companies take fraud charges and increase their reserves. Greystone, which is owned in joint venture by Cushman & Wakefield, had large charges.

So, I think that in your comments, you alluded to one instance of fraud, which was a legacy issue. It didn't sound like the charge was related to newly uncovered issues. So, could you provide any commentary around the credit trends in multifamily and the context for that charge?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Sure. So, we actually had two loans with confirmed fraud. So, one of those loans, we completely closed out this quarter, the loan with the enhanced loss sharing that we've spoken about in prior quarters completely closed out in the third quarter. A very, very small portion of the charge was associated with closing that out.

There was a second loan with confirmed fraud as well that, as you will recall, we repurchased from Fannie. The underlying property and loan was sold in October 2025. We believe that's in very good standing at this point. We did take a portion of the charge to cover the sale of that property and loan.

And then we just have a normal course of business. We're constantly evaluating the portfolio of loans, and so we adjust our CECL reserves quarter-over-quarter. There can be volatility in those CECL reserves quarter-over-quarter, just depending on what we're seeing in the macro environment and with specific loans. And so, a portion of the charge was associated with the CECL reserve change.

If you look at our CECL reserve, again, like I said, that can be volatile quarter-to-quarter. We took a bit of a charge this quarter, but if you look at it on a trailing 12-month basis, we're up \$700,000 in net CECL reserves.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. So, that sounds fairly modest to me and not indicative of broader deterioration. So, is it safe to assume most of these charges are related to the fraud instances?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

I'm sorry. Could you repeat the last part of your question?

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Is it fair to assume that the predominance of the charge is related to the fraud issues rather than the general CECL reserve?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

Yeah. It's about a little more than half is associated with the two loans that we previously discussed.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much.

Operator: Our next question will come from the line of Mitch Germain with Citizens Bank. Please go ahead.

Mitchell Germain

Analyst, Citizens JMP Securities LLC

Thank you. The low-margin contracts that you're exiting, is this happening as the contract concludes? So, is it safe to assume that we've got a couple more quarters and then that they all burn off? Is that the way we should think about it?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

That's exactly right. So, as we've gone through and done a pretty intensive portfolio review in our Property Management business, as we noted, we've identified some contracts that just don't make sense for us over the medium and long term. It takes a bit of time to exit those contracts. There are a lot of people associated with them. As you know, we want to make sure that there is a smooth exit from any situation where we've been actively serving a client. And so, I would expect continued contract churn. Again, very intentional in the Property Management business, probably through about the first half of next year.

Mitchell Germain

Analyst, Citizens JMP Securities LLC

Got you. That's helpful. And then, Christian, maybe broadly speaking, I know that there is some really good momentum across fundraising and also your investment sales business, but we're hearing about some pullback from institutions in terms of their real estate allocations. Are you seeing any of that with regards to your discussions across the board with either your customers or your talent?

Christian Ulbrich

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

Not really, to be honest. As we spoke about earlier in the second quarter, we saw a little bit of hesitation from overseas investors with regards to the US, but that has smoothened and we are now back into the longer-term allocations of their investments to the different geographies. We see pretty healthy interest from Asian and Middle Eastern investors to increase their real estate allocations.

And so, overall, I don't think that there's anything material changing to the long-term trend there that we have roughly 12% being allocated to real estate. The challenge, which may be there, is that there is just too much product coming to market. I mean, the new build is at a very low level. And so, the scarceness of institutional graded product is just becoming more notable, and that is one of the reasons why for the best products, prices continue to rise.

Mitchell Germain

Analyst, Citizens JMP Securities LLC

Just as a follow up, is that a suggestion that you think the cross-border capital allocation is going to start to improve?

Christian Ulbrich

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

Directly, yes. Especially when you look at relative attractiveness, there were some hopes that Europe would come out of the woods faster, which hasn't materialized so far, and therefore, the relative attractiveness of the US has increased over the last couple of months, and we can immediately see that by the interest from overseas investors to invest into the US.

Mitchell Germain

Analyst, Citizens JMP Securities LLC

Thank you.

Q

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

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Yeah. Thank you for taking my question. I guess first, just on margins, I mean, we think top line growth was strong, but I guess the incremental margins were relatively subdued. And I think you called out the timing of incentive compensation, accrual timing. You know, I guess just taking a step back, does it feel like the compensation environment for leasing brokers is getting more competitive and making it may be more difficult to realize some of the incremental margins we would otherwise expect?

Q

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

I think that – I'll take that. I think the market for talent is always competitive, to be quite honest. We continue to feel really good about our broker talent. We get a lot of interest, and we have a lot of stickiness around the brokers that we do have because of some of the investments that we've made in the platform that we provide.

A

And I would say the same on the recruitment side, we get a lot of people who are quite interested in coming over to JLL, because of the platform investments that we've made. I don't see retention and recruitment as a significant headwind to profitability in the leasing business or incremental margins.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Got it. Okay. Thank you. And then maybe stepping back, just margins more generally, do you still feel like you're on track to get to your sort of midterm margin target that you've touched on in the past? I think there were sort of 16% to 19%.

Q

And also, is the plan when you sort of come up with these 2030 targets to update those sort of margin targets as well? And more generally, I guess, why sort of persist with giving these longer-term targets when, you know, the longer-term visibility can be challenging in your business?

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

So, on the first part of your question, we do believe that we are on track to achieve the lower end of those margin targets that we had put out in 2022. So, we feel quite good about that. Christian, perhaps I'll turn it over to you to talk about kind of the 2030 targets and longer-term visibility.

A

Christian Ulbrich

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

A

Sure. When we did the work for our strategy up to 2030, we were very encouraged when we went into the detail of the different service lines, how much organic growth opportunity we are able to identify. And you pair that with the opportunity AI is offering to our industry, which will help us to become even more efficient and on a continuous basis going forward. So I think we have good reason to believe that the margin trend, which we have shown over the last couple of years, will continue going forward.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you.

Operator: [Operator Instructions] And our next question comes from the line of Seth Bergey with Citigroup. Please go ahead.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking my question. You know, I kind of want to go back to your comments on AI. You know, how does it change the way you think about kind of your current head count needs and your future head count needs across kind of the business?

Christian Ulbrich

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

A

Well, as you will have observed, our overall head count is still growing, and we expect that to continue to grow. But that is very much driven by onsite colleagues who are working directly on the built environment of our clients.

We also have a very strong growth of head count within our shared service centers, because the more you are able to define processes, you are able to move them into centers of excellence is. Where we see a more flattish development around head count is in our front offices, because the people working in those front offices are so strongly supported by the technology, which we are offering that they are all becoming significantly more productive in what they are doing.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. And then if I could just go back to kind of the comments on the REMS kind of growth business and just a point of clarification. I think kind of on the prior call you had talked about kind of expecting it to grow in the high-single-digit, low-double-digit range kind of – for revenues on an organic basis.

Is the comments on the Asia Pacific, is that, you know, and kind of the growth being kind of high-single digits. Is that specifically for the Project Management revenue? Or is that kind of the overall REMS business as well?

Christian Ulbrich

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

A

That comment was meant to be for what we historically called our work dynamics business, which is growing all in all high-single digits, low-double digit. And then with the impact now of the Property Management coming into the

REMS segment, that brings it then overall more towards the high-single digit, but the impact is not that dramatic, so you take 1%, 1.5% of the overall growth rate while we are restructuring that business.

And as Kelly alluded to, this will go over the next couple of quarters, but then within the second half of next year, we will see growth coming back into that business. And longer term, we don't believe that the Property Management business will be dilutive to the overall growth of the REMS segment.

Kelly Howe

Chief Financial Officer, Jones Lang LaSalle, Inc.

A

And just to clarify, it's our Property Management business, where we are seeing some intentional contract churn, not the Project Management business.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. Thanks for the clarification.

Operator: And that will conclude our question-and-answer session. I'll turn the call back over to Christian Ulbrich for 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 fourth quarter.

Operator: This concludes today's call. Thank you for joining. You may now disconnect.

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