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# Jones Lang LaSalle, Inc. (JLL)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

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*Head-Investor Relations, Jones Lang LaSalle, Inc.*

### Christian Ulbrich

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

### Kelly Howe

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

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### Anthony Paolone

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### Stephen Sheldon

*Analyst, William Blair & Co. LLC*

### Jade J. Rahmani

*Analyst, Keefe, Bruyette & Woods, Inc.*

### Julien Blouin

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### Seth Bergey

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### Brendan James Lynch

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Thank you for standing by and welcome to Jones Lang LaSalle Incorporated Q1 2026 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 Instruction]

Thank you. I'd now like to turn the conference over to Sean Coghlan, Head of Investor Relations. You may begin.

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### Sean Coghlan

*Head-Investor Relations, Jones Lang LaSalle, Inc.*

Thank you and good morning. Welcome to the first quarter 2026 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](http://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 advisory revenues, previously referred to as 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.

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## Christian Ulbrich

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

Thank you, Sean. Hello and welcome to our first quarter 2026 earnings call. This morning, I'm pleased to report a very strong quarter for JLL to start 2026. The combination of our market-leading advisory businesses and resilient revenue base drove record levels of first quarter revenue and earnings. Robust growth across our core advisory businesses was broad base, led by momentum in the office and industrial sectors in leasing advisory, as well as growth across nearly all sectors and geographies in capital market services.

Our data and AI advantage is driving productivity gains, increased market share, and strong financial results across these businesses. Increased revenue and our disciplined operating rigor are unlocking strong profit growth and margin expansion. Adjusted EBITDA increased 24% and adjusted EPS was up 56%.

Tailwinds for outsourcing and strong demand for project management supported the continued organic growth streak of our resilient revenues, which were collectively up high-single digits during the quarter. The transformation of our property management business is also progressing, and we have now strategically exited or repositioned nearly 60% of the targeted contracts in Asia-Pacific.

Overall, we are building scalable, tech-enabled businesses with an advisory-led approach. We expect the revenue and profit of our resilient businesses to steadily grow over time, strengthening the through cycle performance of the overall company.

At our Investor Briefing in March, we introduced our Accelerate 2030 strategy, long-term financial targets and approach to advance value creation. This strategy is underpinned by decade of progress, which has resulted in a resilient foundation, strong financial profile, and a unique structural advantages.

We have established scale in large, growing and complex end markets through our integrated global service offering. We have the balance sheet, strong cash generation, and capital strength, and agility to execute targeted capital deployment with a focus on ROIC. And our investments in proprietary data and AI capabilities over the past decade are expanding JLL's competitive advantage. These are strategically critical and differentiating levels that uniquely position us to build on our strong market position. With this as a backdrop, we have high conviction that we have the strategy, talent, data-led approach and culture to drive synergistic scale, further increase our resiliency and deliver compelling value creation through the six imperatives of our Accelerate 2030 strategy.

During the Investor Briefing, we highlighted the revamped strategy of our investment management business, LaSalle. LaSalle's strategy is focused on achieving two primary objectives. Investment outperformance for our clients as well as profitable growth and margin expansion for shareholders. We have been in the investment management business for over 45 years, operating various fund strategies globally with an attractive performance

track record. We're strategically investing in LaSalle to accelerate growth of a resilient revenue base, while also generating synergies with a broader JLL portfolio.

LaSalle is uniquely positioned to differentiate and innovate with new products through the collective relationships, expertise, platform, and technology from across JLL. In many ways, the strategy is embodied by the first close of our Global Decarbonization Fund, L3pF (sic) [Lp3F] (00:06:16), during the first quarter. In partnership with JLL's business lines, the fund will execute a retrofit-led approach spanning deep retrofits of vacant buildings, light retrofits, and ground-up developments to address the growing scarcity of high-quality, energy-efficient properties.

We have the expertise and capabilities to execute this strategy globally, including across energy, sustainability, project management, and property management. Last year, we invested \$100 million of incremental [ph] gross capital (00:06:53) into one of LaSalle's flagship US fund, JLL Income Property Trust, as we saw an opportunity to leverage our competitive advantage and potential to scale.

Today, we are announcing the commitment of an incremental €100 million investment in the LaSalle Encore+ fund, one of our flagship European products, to support its next phase of growth. This is a compelling organic investment opportunity for JLL, with attractive risk-adjusted returns aligned with the strategic and financial objectives of our capital allocation framework. We continued to assess a pipeline of innovative investment opportunities with considerations for LaSalle's strategic growth plan, as well as other capital allocation priorities across JLL.

Our capital deployment decisions during the quarter reflect our capital allocation principles, balance sheet agility and through-cycle lens on leverage. We are committed to executing our Accelerate 2030 strategy with discipline and rigor aligned to our capital allocation framework. We repurchased \$300 million of shares at an average price of approximately \$301 during the first quarter, inclusive of the \$200 million accelerated share repurchase plan. This reflects our stated commitment to be active on share repurchases, with \$2.7 billion remaining in our expanded authorization.

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.

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## Kelly Howe

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

Thank you, Christian. The robust first quarter growth on the top and bottom line is a product of our competitive position focused on enhancing operating rigor and positive business momentum. Revenue increased 11%, inclusive of a 200 basis point foreign currency benefit, and was almost entirely organic. We also generated healthy margin expansion over prior year.

Commentary to follow is in local currency to articulate underlying operating performance.

Our financial strength coming into the year allowed us to return meaningful capital to shareholders during the quarter as Christian just described. This reduced our share count by nearly 2%. Looking ahead, we maintain considerable financial flexibility and are well-positioned to drive significant stakeholder value as we fully activate our Accelerate 2030 strategy.

Now, a review of our operating performance by segment. Beginning with Real Estate Management Services. The revenue increase was led by workplace management and project management. Within workplace management, mandate expansions and, to a lesser extent, new client wins drove high-single digit growth. Higher volumes in the

US, including some new data center wins, delivered double-digit project management revenue growth inclusive of a high-single digit management fee increase. Healthy underlying core business growth within property management was tempered by the elevated contract turnover we continue to action and discussed in prior quarters, with management fees declining mid-single digits.

As Christian mentioned, we have now strategically exited or repositioned nearly 60% of the targeted property management contracts in Asia-Pacific. A portion of the contracts have been successfully renegotiated, partially limiting the revenue headwind but also lengthening the timeline of negotiations with clients. For full year, we expect the financial impact of contract turn to be largely offset by tailwinds from healthy core business growth and new wins in the Americas. Within software and technology solutions, high-single-digit software revenue growth mostly offset the continued pullback of discretionary technology solutions spend from certain large existing client.

For the segment, we are targeting mid- to high-single digit revenue growth for the full year, with variances by business line and weighted to the second half. Workplace management contract renewal rates are stable and our pipeline is strong, albeit second half weighted. Client activity within project management remains healthy, particularly in the US, positioning us for continued momentum over the near term. We continue to balance investing to drive long-term profitable growth, with near-term business performance and sustained annual margin expansion.

Moving next to Leasing Advisory. Revenue growth was led by continued momentum in the office sector, an acceleration in industrial, and a meaningful contribution from data centers. The office leasing revenue growth notably outpaced the 1% decline in market volume. On a two-year stacked basis, global leasing advisory revenue growth was 29%, reflective of strong ongoing and broadening demand. The Leasing Advisory adjusted EBITDA and margin expansion was primarily driven by revenue growth, partially tempered by the impact of higher commission tiers being achieved earlier this year and business mix. We expect a commission tier headwind to moderate over the course of the year.

Looking ahead, our leasing pipeline remains healthy. GDP growth outlook continues to be constructive, and business confidence, as measured by the OECD has improved even despite the fluidity of the macro environment, thereby providing optimism for continued growth in the near term. For the full year, we are targeting high-single digit revenue growth. We continue to invest in our talent and to augment our proprietary data advantage to drive long-term profitable growth.

Shifting to our Capital Market Services segment, investor-bidding activity remained resilient, underpinned by robust liquidity and debt markets, a continued uptick in transactions of scale and stable pricing. Investment sales revenue grew 27%, debt advisory revenue increased 30%, and equity advisory revenue increased 75%. The continuation of the business momentum in quarter is reflected in the two-year stacked growth rates for investment sales and debt advisory of 42% and 81%, respectively. Our investment sales revenue growth in the quarter notably outpaced global market volumes, which is consistent with recent history and in part attributable to the strength of our people, global platform, and proprietary data.

Revenue growth as well as lower loan-related expenses versus prior year drove the increase in the adjusted EBITDA and margin expansion in the quarter. Looking ahead, our global investment sales, debt and equity advisory pipeline remain strong and underlying market fundamentals remain healthy. For the full year, we are targeting low-double digit top line growth and see meaningful runway for continued growth over the long term.

Turning to Investment Management. Growth in advisory fees, largely attributable to our capital raise activity prior 12 months, was offset in part by the effects of meaningful disposition activity in Asia-Pacific. As it takes several

quarters to deploy new capital raise, we expect advisory fee growth to gradually pick up as the year progresses, driving low-single-digit growth for the year. Additionally, we anticipate full year incentive and transaction fees to be towards the lower end of historical range and weighted to the fourth quarter.

Shifting to free cash flow, balance sheet and capital allocation. Higher cash earnings were largely offset by growth-related working capital headwinds, particularly within net reimbursables. An increase in CapEx, in part due to timing more than offset the improvement in operating cash flow, leading the seasonal outflow of free cash flow to be largely in line with a year ago. For the full year, we are targeting a free cash flow conversion ratio consistent with our long-term target of over 80%. Our cash generation over the trailing 12 months contributed to a reduction in net debt, which, along with higher adjusted EBITDA, led to an improvement versus a year ago in reported net leverage to 1.0 times at the end of the first quarter, typically, our seasonal peak period.

Capital deployment priorities remain focused first on driving organic growth and productivity across business lines, weighted to areas of highest return on capital and long-term growth potential within our core services. Organically, we are continuously and diligently enhancing our platform and service differentiation, as well as investing in our people strategy. Our acquisition pursuits remain focused on augmenting organic initiatives that enrich our capabilities, as well as deepen our client relationships across multiple business lines, provide synergistic scale, and enhance our enterprise resiliency.

Returning capital to shareholders remains a top priority. As Christian described the 275% increase in our share repurchase authorization to \$3 billion, along with the \$300 million of share repurchases during the quarter, reflects our commitment to returning capital to shareholders, as well as the value we see in our shares. The majority of the shares associated with the \$200 million accelerated share repurchase were delivered during the quarter at an average price of approximately \$290. The remaining shares under the program will be delivered in the second quarter. Looking ahead, we intend to be programmatically active on our repurchase authorization. The total annual amount of repurchases in a given year will depend on the broader operating environment, our leverage outlook, and valuation, as well as relative returns to other investment opportunities inclusive of M&A.

Regarding our 2026 full year financial outlook, we are encouraged by the continued strength in our pipelines and underlying business fundamentals. Considering our ongoing focus on driving operating leverage and the segment top line growth targets I mentioned earlier, we are targeting an adjusted EPS range of \$21.80 to \$23.50 for the year, reflecting 20% growth at the midpoint. This aligns with the adjusted EBITDA range we provided last quarter.

The strong first quarter results put us on a trend towards the upper end of the range, though the current fluidity of the macro environment limits late year visibility into our more economically sensitive businesses. Going forward, we intend to provide segment revenue and adjusted EPS as our primary annual targets as they better encapsulate how we holistically measure our business performance.

Christian, back to you.

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## Christian Ulbrich

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

Thank you, Kelly. Before closing, I would like to address the ongoing conflict in the Middle East. We have been growing our business in the Middle East for [ph] over 20 (00:17:39) years, with operations anchored in Saudi Arabia and the UAE. Today, the business represents a low-single digit percentage of revenue with strong growth potential. Since the onset of the conflict, our top priority has been the safety of our people and supporting our clients with operations in the region.

From a commercial perspective, there has been no material impact on our consolidated results to-date, and our pipelines have continued to build throughout and following the first quarter. That said, we have intentionally taken a conservative approach to leverage and are prepared for a wide range of outcomes. We are focused on first and second order risks to our businesses globally, across a variety of scenarios, to the extent tensions persist and become a meaningful headwind to the global economy.

I would like to take this opportunity to thank all of our colleagues around the world for their perseverance and focus. On the heels of the launch of our Accelerate 2030 strategy, we are excited by the significant runway for JLL to deliver long-term growth and value creation for stakeholders.

Operator, please explain the Q&A process.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. And ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Anthony Paolone with JPMorgan. Please go ahead.

**Anthony Paolone**

*Analyst, JPMorgan Securities LLC*

Q

Yeah. Thank you. My first question relates to the guidance. If I kind of back into what growth might look like for areas like leasing and capital markets later this year. It seems like it would be either consistent or maybe even a little bit inside of what you guys outlined at Investor Day for the next five years. So I guess, one, is that right? But then two, should we take that as just being conservative given the uncertainty and the environment? Or do you think that capital markets and leasing has basically recovered back to a normalized level here at this point?

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Thanks for the question. I'm happy to address that. Our guidance obviously reflects a range of scenarios. As I noted, we are, at this point, trending towards the high end of our guidance. As it relates to leasing and capital markets, our outlook is roughly in line with where we would expect growth rates to be over a longer-term period, in line with what we articulated at Investor Day.

That said, as we look at the back half of the year, two things. One, we've got very strong comparables because we had very strong quarters for leasing in the fourth quarter, and we had very strong quarters last year for capital markets in the third and the fourth quarter. And so, our guidance for this year reflects some proportion of lapping those very tough comps. And then, if you look at the two-year stacked basis for those businesses, actually the growth rate is very strong, including our guidance.

And then, I do think from a macroeconomic perspective, as Christian noted, we're seeing very little impact in our business today, but we are monitoring the situation very carefully. And if there was to be impact, it would come in the back half of the year. And that is reflected in the range of the guidance that we have provided you.

**Anthony Paolone**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Thank you. And then my follow-up is on Encore+. You noted the €100 million investment there, but maybe can you step back and just give us a sense, like, how much capital has been raised there? What are you looking

to raise there? Just trying to understand how important that is and sort of jumpstarting AUM and LaSalle, and also, the order of magnitude of maybe further co-invests to kind of get capital raising going across that?

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

Yeah.

A

**Christian Ulbrich**

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

The overall capital-raising environment has been relatively muted in the first quarter. The specific capital for Encore+, what we're expecting there, the team will provide you in a moment. What I would say is that there has been an ongoing trend, which has developed over several years now, that when you as a fund manager kick start those funds with your own investment, that drives a lot of confidence into the product and that usually then brings a couple of other investors coming alongside, and you have this jumpstart that you want to see to get to considerable kind of momentum in your capital raising. Team, do you have the numbers specifically for Encore+?

A

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

Yeah. So, we're investing €100 million. This is a core European fund. It's an open ended fund. And so, we do expect meaningful third-party capital raise. I don't have a specific number to provide you at this moment.

A

**Anthony Paolone**

*Analyst, JPMorgan Securities LLC*

Okay. Thank you.

Q

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

**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Hey. Good morning. Thanks for taking my questions. First, just wanted to see if you could talk more about what you're seeing in capital markets. And specifically, have you seen any push out in deals or delays given rate volatility and sort of continued geopolitical and macro concerns? So, just curious the momentum there? It's kind of continued early into the second quarter. Sounds like it has, based upon some of your comments, Christian, but just thought it was worth asking.

Q

**Christian Ulbrich**

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

Well. Capital markets started the year with really very significant momentum across the globe and which is reflected in our first quarter numbers. And this momentum also has continued in the second quarter. The US market is pretty much unimpressed by the geopolitical environment so far. The European market, we have seen some deals being cancelled. We have seen some deals being delayed, but the overall momentum was still so strong that that is just taking away an additional outperformance, which we would see otherwise. And that is also pretty much the case in Asia-Pacific.

A

You may recall that Asia-Pacific was relatively weak in 2025. They have very strong momentum. There are a lot of large transactions going on. We haven't seen those pausing, but you probably wouldn't see it in our numbers

anyway. It's just what this conflict does. It takes away additional outperformance, which we would have seen otherwise without that conflict.

**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

Very helpful. Makes sense. And then as a follow-up in leasing, yeah, how should we be thinking about the potential range of incremental margins over the rest of the year? It sounds like the first quarter was bogged down by producers hitting in higher commission tiers as you expected. So, should we be expecting kind of better incremental margins there looking forward [ph] as kind of tiers were set (00:25:18)? I know it can be volatile quarter-to-quarter, but generally, how are you thinking about it over the rest of the year?

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Yeah. Thank you for the question. My first advice is not to look at incremental margins on a quarterly basis, but really on a kind of 12-month trailing basis. That said, in the first quarter of this year, as you noted, our producers have hit higher commission tiers earlier in the year than we expected. That is due to the strong performance of the business and also kind of the geo mix of where the business is coming from. We expect the commission headwind to moderate through the year. That said, we continued to make investments in that business around talent and technology and data, and we expect for this year, 2026, our overall margin rate for the business to be relatively flat versus prior year.

**Stephen Sheldon**

*Analyst, William Blair & Co. LLC*

Q

All right. Thank you.

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

**Jade J. Rahmani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Thank you. Just to confirm your last comment, the relatively flat margin rate that's on capital markets, is that right?

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

That's on leasing to be clear. On leasing.

**Jade J. Rahmani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Sorry, leasing.

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Yes. In capital markets, we, as Christian noted, have a strong pipeline. The momentum is good in capital markets, and we expect a strong incremental margin for capital markets this year for the full year.

**Jade J. Rahmani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Okay. Still in the 35% to 40% range.

Q

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

Yeah, I'd say mid-30s is generally where we expect to be for an incremental margin for capital markets.

A

**Jade J. Rahmani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Okay. Thanks. I wanted to ask about AI and how you're managing the rollout because there's some concerns about potential disintermediation in this space down the road. And then I know that keeping data in a closed loop system is centrally important. So, could you give any color on how you're approaching it with respect to what percentage of the sales teams are currently using AI, and how you expect to manage that going forward?

Q

**Christian Ulbrich**

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

Sure. Well, as you know, we have been investing into technology and especially into our data platform now for over a decade. And we believe that we have by far the best data platform within our industry. All our products are tied into that data platform. So, every data goes into that platform, and we can bring all the data back to whatever type of product or agent we have created.

A

The adoption rate within our organization is incredibly high. There's a lot of excitement amongst our colleagues to really use these new large language models. And so, on that end, we feel real momentum. There are several agents becoming live per week on the citizens development side. And then we are working from a corporate central perspective on some very interesting approaches to really drive additional productivity, but also to change how we are getting to market and how we are solving a topic.

To your second part of your question, point about disintermediation, I mean, we spoke about that at length during our Investor Day. For now, we are not concerned about any potential disintermediation. In fact, for now, we are very clear that AI is a tailwind for our organization. First and foremost, because we have this very, very rich data platform, which allows us to provide a lot of proprietary data to the benefit of our clients. And that data platform is growing with every transaction we are doing, with every service we are providing to our corporate clients.

And then, over and above that, even in those areas where people are speculating that there could be potential disintermediation. And what has been mentioned the most is the value and risk advisory business. At the end of the day, there's also a very important aspect, who is confirming the potential valuation, where the brand aspect is absolutely significant, and we believe that the JLL brand will go a very long way on that end as well. So in summary, for now, we don't see any risk of disintermediation.

**Jade J. Rahmani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Thanks for that.

Q

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

And maybe just to follow-up with a couple of data points for the first part of the question that Christian addressed. We spoke about this a bit at Investor Day, but we see 75% adoption across JLL, across our core enablement products. And we've got – we monitor this closely. We've got 25,000 employees, who are working on our enterprise AI applications every day. We've seen a 60% year-over-year increase. We expect that to continue to grow.

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

Q

Thanks for that. Lastly, on the capital management side, what are your expectations for full year share repurchase given the accelerated repurchase late in the quarter?

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**Kelly Howe***Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Yeah, thanks for the question. As I think both Christian and I noted around our capital allocation strategy and priorities, organic investment, return of capital to shareholders, and strategic M&A are the three things that we're constantly balancing. We're very committed to returning capital to shareholders. As you noted, we did a \$300 million capital return in the first quarter. \$100 million of that is what we would consider to be programmatic. And we look to continue our programmatic share repurchases throughout the year and into the coming quarters beyond that as well.

The \$200 million was more opportunistic relative to market conditions. The exact amount of the programmatic repurchase in any given quarter or any given year is going to vary a bit depending on the operating environment, the external market, what other opportunities that we're looking at and returns on those opportunities. But we do intend to have a fairly programmatic approach to share repurchases as we go forward.

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

Q

Thank you.

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**Operator:** Thank you. The next question comes from the line of Julien Blouin with Goldman Sachs. Please go ahead.

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**Julien Blouin***Analyst, Goldman Sachs & Co. LLC*

Q

Yeah, thank you for the question. I appreciate the comments on the fluid macro, but I just want to understand your comments. I think if I understood correctly, you think the impacts of the conflict, if they were to come, would likely be felt in the back half of the year? I guess, why is that the case? I would think that the impact would come quicker than that. And just comparing it to Liberation Day last year, which was similar in timing though, obviously, a completely different issue, the impact was felt in 2Q and then by the time we got to the second half of the year, sort of, capital markets were back off to the races.

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

A

Yeah, thanks for that question. I wouldn't necessarily compare the two things. The imposition of tariffs was an immediate kind of load to the economy and an additional cost. Here we have a conflict. If the conflict would have been solved within four to six weeks, I would have said the impact outside of the Middle East would have been

almost unnoticeable. But whatever week this is continuing, we have these higher energy prices and all the other implications around lack of fertilizers, impact on the chemical industry, you name them. And so, what people have stored, which helps them to bridge that impact, is kind of fading away. And at some point they all have to pay for that higher energy.

Look at the airline industry. You have some airlines who have secured the pricing for this aircraft fuel they need and others don't. And those who don't are immediately feeling that impact now. And that will have repercussions on their performance in the broader economy. And so the lengthening out of that conflict will have a heavier load on the global economy. And frankly, especially in those countries where there is a very, very high dependency on purchasing energy and on purchasing fertilizers and other products, which are coming from the Middle East.

It's least felt in the US. You see the pricing also in the US at the gas station, but the US is very independent. That's why we also see very little so far in our business environment in the US. But when you go to Europe, you feel it quite noticeable already. And then, if you talk to our friends in India and in other countries who are heavily impacted, they are seeing great concern if that conflict continues over the summer.

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**Julien Blouin**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. Thank you. No, that's helpful. And then, I guess, on the office leasing front, I mean, results continue to be really strong. But I guess, what are tenants and brokers telling you regarding their future plans for footprints? Are they confidently moving ahead with plans for later this year or next year? Are you seeing any indication that, first, they're trying to solve for sort of AI impacts to their go-forward head counts and sort of office using employee bases before they sort of commit to space.

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**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Thanks for the question. Our leasing pipeline is quite strong. The indication that we get is that organizations are plowing forward with getting their people together, getting people into the office. In some cases, we've even gotten feedback from clients that they overshot on the downsizing through the pandemic and now need to correct for that.

Ironically, I would argue that the AI boom has actually been also a boom for our leasing business, as the ecosystems around all of the AI startups. AI and I would say financial services has really caused an uptick in activity, particularly on the coast, San Francisco, New York. And so, at this point in time, we're really not seeing an impact on our business from kind of what people are thinking about in terms of, AI concerns, head count, employment, et cetera.

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**Julien Blouin**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay, great. Thank you.

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

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**Seth Bergey**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Thanks for taking my question. I just wanted to kind of ask about the commentary on kind of the office revenue outperformance. Is that kind of driven by market share gain or deal size mix? And can you just talk about if that's kind of in any particular geographies?

**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

I assume you're referring to leasing specifically? So, I can go ahead and address that. All right. Yeah, our office demand was very healthy in the first quarter. It is driven both by an increase in transactions and an increase in deal size. So, we've seen both. It is definitely driven by gateway markets. As I noted earlier, in particular, we've seen a lot of strength in places like New York and San Francisco, driven largely by kind of AI and AI organizations looking for space to get their people together, and also financial services.

**Seth Bergey**

*Analyst, Citigroup Global Markets, Inc.*

Q

Great. Thank you.

**Operator:** Thank you. And the next question comes from the line of Brendan Lynch with Barclays. Please go ahead.

**Brendan James Lynch**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks for taking my questions. Can you provide a little bit more detail around the decarbonization fund within LaSalle and examples of similar projects in the past and kind of the size of this current initiative?

**Christian Ulbrich**

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

A

Well, this is a new initiative, and I'm not quite sure whether there are a lot of examples out there from other fund managers. What we are doing there is we are looking for mostly existing buildings, which are not up to the expectations of the higher-end potential tenants in the market, and we want to completely refit those buildings and turn them into a level that they can meet the expectations of the top tenants in the markets. And that includes, obviously, that these buildings have to be very excellent in their energy consumption, ideally net zero or close to that level.

And we are starting with a couple of projects, which have been identified. The initial size in our first outlook is \$300 million, which we want to operate with. And then, obviously, we go into fundraising now and, hopefully, we bring that fund up to a decent level relatively swiftly.

**Brendan James Lynch**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks for that color. And maybe for a follow-up on the M&A pipeline. Are you primarily looking at geographic expansion or new capabilities or technology investments, just any additional color that you could provide there around what you're targeting.

**Christian Ulbrich**

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

A

Well, as we stated in our Investor Day, we see very significant growth opportunities in our core activities. And so, we will focus, therefore, very much on those areas, which we already covered today as core services and look, if so, for opportunities to increase our market share in geographies, where our market share may not be where we like it to be. And if there is an opportunity on the M&A side, we will look at it.

But as we have said several times before, we are very confident that our organic growth rate will stay in the high-single digit level. And so, there is no need to do any M&A. The M&A market overall has significantly increased in activity in our space. And we also see what we would call a little bit of nervousness on the seller side with regards to the price levels they can achieve. So, it may become more attractive in the coming six months also depending on how the geopolitical environment will pursue.

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**Brendan James Lynch**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thank you for the color.

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**Operator:** Thank you. [Operator Instructions] The next question comes from the line of Mitch Germain with Citizens Bank. Please go ahead.

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**Mitch Germain**

*Analyst, Citizens JMP Securities LLC*

Q

Thank you. How should we think about how we measure the performance of the investments that you've made within LaSalle? I mean, this is the second, I think [ph] believe, \$100 million (00:41:24) investment. So, how do we think about maybe the economics and how it impacts your earnings and the types of returns that you're targeting?

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**Christian Ulbrich**

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

A

Well, Mitch, as we have said before, and we will be very consistent around that. Every use of capital goes through a very rigorous analysis. And, first of all, the biggest hurdle it has to beat is it has to be better than share repurchases. So, we looked at the proposal, which came from our LaSalle colleagues, the last one and now the one we have spoken about today, and it is well above the returns we expect from share repurchases.

And obviously, there's numerous implications when we expand the footprint of LaSalle. It is not only the opportunity, which is directly within the LaSalle P&L, but there's also notable cross-selling with a broader platform of JLL. So, we are very comfortable when they come with a convincing idea that this is from a shareholder perspective and excellent opportunity to use capital. And, as I said, well above share repurchases.

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**Mitch Germain**

*Analyst, Citizens JMP Securities LLC*

Q

That's super helpful. Thank you. And then the last one, Christian, I appreciate the color you gave on the recycling out of those property management contracts. I think you said 60%. So, I'm assuming [ph] we'll see these contracts (00:43:03) for about a year in term. So, should we think that kind of by midyear or maybe 3Q that you've cycled through what you want to accomplish there?

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**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

Yeah, yeah. So, we started on this initiative to really take a deep dive on the contracts last year and started cycling through second half of last year. We had, as I think noted earlier, expected to have that process wrapped up kind of halfway through this year. One of the things that pleasantly surprised us as we got into that process was that many clients were actually interested in renegotiating terms of those contracts, which we view as a win.

And so the upside is that, obviously, the outcome for us is better, but it's taking a bit longer to cycle through those, and we expect that to go through the end of the year at this point. We do expect the headwind from that to be offset from strength in other parts of our business, namely in the Americas, where we're seeing strong underlying growth in that part of the portfolio.

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**Mitch Germain**

*Analyst, Citizens JMP Securities LLC*

Q

Kelly, if I can just follow up, what sort of – maybe renewal is not the right word, but what sort of stickiness have you gotten from that process?

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**Kelly Howe**

*Chief Financial Officer, Jones Lang LaSalle, Inc.*

A

The specific contracts that we were targeting were in our Asia-Pacific region. Many of them had been structured in a way that, frankly, were just unattractive to us from a financial standpoint, very, very, very high pass-through costs, low portions of actual value-add fee revenue, generating a portion of that. And so, I would say the stickiness has been – it's been about, I would say, a third of those contracts as we've gone through, have been interested in renegotiating to something that is more attractive, I would argue for both sides. More attractive for them, but also more attractive for us from a commercial standpoint.

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**Mitch Germain**

*Analyst, Citizens JMP Securities LLC*

Q

Thank you.

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**Operator:** And I'm showing no further questions at this time. I would like to turn it back to Christian Ulbrich for closing remarks.

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**Christian Ulbrich**

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

Thank you, operator. With no further questions, we will close today's call and we are looking forward to speak to you again next quarter. Thank you.

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**Operator:** Thank you. And ladies and gentlemen, this concludes today's conference call. Thank you for attending. You may now disconnect.

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