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EDITED TRANSCRIPT

JLL - Q2 2019 Jones Lang LaSalle Inc Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Jones Lang LaSalle Incorporated's Second Quarter 2019 Earnings Conference Call. For your information, this conference call is being recorded.

I would now like to turn the conference over to Karen Samhat, Senior Vice President of Investor Relations. Please go ahead.

Karen Samhat - *Jones Lang LaSalle Incorporated - SVP of IR*

Thank you, operator. Good morning and welcome to our second quarter 2019 conference call for Jones Lang LaSalle Incorporated. Earlier this morning, we issued our earnings release, which is available on the Investor Relations section of our website along with the slide presentation intended to supplement our prepared remarks. Please visit ir.jll.com.

During the call, we will 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 supplemental slides.

As a reminder, today's call is being webcast live and recorded. A transcript of this conference call will also be posted on 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 the annual report on Form 10-K of the fiscal year ended December 31, 2018, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statements.

And with that, I would like to turn the call over to Christian Ulbrich, our Chief Executive Officer, for opening remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Karen, and welcome, everyone, to this review of our results for the second quarter and first half of 2019. Stephanie Plaines, our CFO, joins the call, and she will comment on our performance following my opening remarks.

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To summarize, we had a very strong and encouraging second quarter and first half. Second quarter revenue and fee revenue both increased by double digits in local currency. Adjusted diluted earnings per share totaled $2.94 for the quarter, up 30% compared with Q2 2018 and up 19% for the first half.

Growth was primarily organic as our Americas Leasing business continued to deliver excellent performance. Our annuity revenue base was strengthened by growth in Corporate Solutions and superior performance at LaSalle. LaSalle recorded a very strong capital raise in the quarter, which, along with contributions from recent acquisitions, brought assets under management to record $68.4 billion.

On July 1, we completed our acquisition of HFF. The acquisition marks a major move forward on our Beyond strategy, combining the talent, market knowledge and experience of JLL and HFF to accelerate our journey to be the world's most strategic, creative and connected real estate capital advisor. Aided by the strong cultural alignment of the 2 organizations, we are hard at work and already making real progress integrating the two. We will share combined results and progress on integration during our third quarter call.

Also in July, we announced 2 additions to our Board of Directors. Debbie McAneny brings a deep knowledge of the real estate industry to JLL. She served as an HFF Board member until the acquisition and currently sits on the Boards of KKR Real Estate Finance Trust, THL Credit Advisors, RREEF Property Trust and RREEF America REIT II. Bobby Mehta has extended experience with financial services firm and their use of technology. He was President and CEO of TransUnion from 2007 to 2012. Prior to that, he held senior positions at HSBC, including CEO of HSBC North America Holdings and CEO of HSBC Finance Corporation. He currently serves on the boards of the Allstate Corporation, Northern Trust and TransUnion, amongst others. We welcome Bobby and Debbie to JLL and look to them to contribute to JLL's continued growth and superior client service. They further strengthen our distinguished Board of Directors.

Finally, in the second quarter, we published our 10th annual Global Sustainability Report, which records wide-ranging progress toward our ambition to build a better tomorrow. We will highlight sustainability-related achievements on our upcoming ESG-focused webinar. You will find additional information on our Investor Relations website.

Now let's turn to the global economic outlook. GDP momentum slowed in the second quarter with annual 2019 GDP growth now predicted to be 3%. Political and trade issues contributed to the slower pace but most observers continue to believe that the risk of recession remains low. For details, refer to Slide 2 in the supplemental information document posted in the Investor Relations section of jll.com.

Slide 3 summarizes recent activity in the investment sales and leasing markets globally. The second quarter saw global investment volumes continuing to decline, with first half activity totaling $341 billion, 9% below the same period last year but well in line with expectations for the full year. At the same time, real estate investors continue to maintain or increase their allocations to real estate. Prime office capital values across 30 major office markets accelerated slightly during the second quarter to 6.4% compared with 5.4% for the full year 2018. The unanticipated sharp decline in interest rates provided an added boost to real estate capital values, and within JLL, contributed to LaSalle's strong incentive fees in the first half.

In the office leasing markets, gross leasing activity remained healthy in the second quarter at 112 million square feet, although this shows leasing running somewhat below the record-breaking levels of 2018. Year-to-date, leasing volumes were down 5% on the first half of 2018, and we expect that rate to be maintained through the rest of the year. In this environment, however, our Americas Leasing business continues to record excellent performance.

The global office vacancy rate fell to a cyclical low of 10.8% in Q2, the first time the rate has fallen below 11% since 2009. Rental growth for prime office space has remained consistent for the past 2 years, trending at an annualized average of 3.5% to 4% across 30 cities globally, with Boston, Berlin, Singapore notably at double-digit annual growth.

All-in-all, been a continued good environment for commercial real estate, which contributed to a strong second quarter and a first half result at JLL.

Now, we will turn to Stephanie for detailed comments on our performance.

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Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Thank you, Christian, and welcome, everyone, to our call. We are very pleased with our continued strong momentum through the second quarter. We had another record performance while heading into the second half of 2019 with robust pipelines.

Before we start, as a reminder, we report percentage changes in local currency, unless otherwise noted.

As Christian outlined, fee revenue increased 12% compared with second quarter 2018 and increased 9% for the first half. For the quarter, the growth was nearly all organic, led by strong LaSalle and leasing performance as well as solid growth in our annuity businesses.

Our Capital Markets business performed well against market investment volumes moderating from near-record levels. In addition, LaSalle continued to see elevated levels of capital raising, which will drive future growth in assets under management.

Real Estate Services fee revenue growth grew 10% for the quarter and 9% for the first half compared with last year. Growth was broad-based with all service lines contributing to strong organic growth. Most notable was our Leasing business where we achieved impressive fee revenue growth of 14% for the quarter and 17% for the first half. Leasing has been the most significant driver of Real Estate Services growth for the fifth consecutive quarter.

Our annuity fee revenue base was strengthened by Corporate Solutions growth across all geographies and excellent LaSalle advisory fee performance. Corporate Solutions grew 9% for the quarter and 11% for the first half, and our advisory fees reached a new record this quarter.

Adjusted EBITDA margin calculated on a fee revenue basis was 13.9% for the quarter. Margin expanded 90 basis points compared with second quarter 2018 driven by solid performance at LaSalle across all revenue streams. In addition, our Real Estate Services margin continued to expand, inclusive of continued investments. For more detailed information, please see Slide 5 of the supplemental materials.

Turning now to debt management. Total net debt was $937 million at quarter end, reflecting a slight decrease from first quarter 2019 and from the second quarter 2018. Consistent with the strong balance sheet, net debt to trailing 12 months' adjusted EBITDA was 1x for the quarter, a decrease from 1.2x 1 year ago.

Our operating cash flow for the second quarter of 2019 included the expected improvement in trade payables following the prior quarter's payment accelerations related EMEA's financial ERP implementation in April.

Moving to segment results. Second quarter fee revenue in the Americas increased 13% over the prior year and 14% for the first half. Growth was broad-based across all service lines, with continued exceptional performance in Leasing. Americas Leasing fee revenue grew 16% for the quarter and 22% for the first half. For the quarter, growth was driven by the Southeast and Mid-Atlantic markets and seen across all major asset classes. The technology sector and flex space trends continue to make their mark on footprint expansions.

Capital Markets fee revenue grew 8% for the quarter with growth in both investment sales and debt placements. We saw strong performance in the industrial and hotel sectors as well as larger deals in the Northwest, South Central and New England markets.

For the quarter, growth in the Americas was further fueled by solid performance in our annuity businesses. Property & Facility Management fee revenue grew 8% for the quarter, Project & Development Services grew 11% and Advisory and Consulting grew 9%.

Adjusted EBITDA margin was 16.4% for the quarter and 14.6% for the first half. The 50 basis points of margin expansion in the first half was primarily the result of strong Leasing growth while continuing to invest in platform and client-facing technology.

Turning now to EMEA. Total fee revenue increased 3% from second quarter 2018 and was flat from the first half. The region was impacted by sluggish performance in investment sales, primarily the result of Brexit and slower economic growth in Germany. For the quarter, strong Leasing growth in France was more than offset by lower activity in the U.K. and Germany.

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From an office market perspective year-on-year, London saw a slight contraction in take-up in the quarter but continued to perform well against Brexit-related headwinds.

Capital Markets fee revenue declined 8% for the quarter and 16% for the first half, a direct result of continued softer market Conditions.

Our annuity businesses performed well and are growing at a healthy pace. Property & Facility Management fee revenue grew 7% for the quarter, Project & Development Services grew 12% and Advisory and Consulting grew 9%.

For the quarter, adjusted EBITDA margin was 2.4%, a decrease of 50 basis points year-on-year, primarily the result of a shift in service line mix towards annuity revenues.

Moving to Asia Pacific where performance continued to be strong. Fee revenue increased 9% over 2018 both for the quarter and the first half. In Q2, growth was broad-based across all service lines, most notably in Leasing and Property & Facility Management. Geographically, Australia led fee revenue growth.

Leasing fee revenue increased 17% for the quarter and 11% for the first half despite market softness. For the quarter, growth was driven by our Hong Kong, India and Japan markets.

Property & Facility Management fee revenue increased 12% for the quarter and 14% for the first half driven by organic expansion from existing integrated Facility Management clients plus new client wins.

Adjusted EBITDA margin was 12.9% for the quarter, a 90 basis points improvement year-on-year. The expansion reflects the growth in our transactional revenue, together with continued cost discipline.

Turning now to our Investment Management business. LaSalle fee revenue increased a strong 47% for the quarter and 12% for the first half. Our advisory fees reached a record level, growing 26% for the quarter and 22% year-to-date. More than half of the advisory fee growth was from strong private equity capital raised and deployed, with the balance related to recent M&A.

For the quarter, incentive fees were $34 million, bringing the total for the first half to $41 million. Equity earnings for the quarter were $11 million predominantly driven by net valuation increases in Asia Pacific.

LaSalle's adjusted EBITDA margin was 33.7% for the quarter compared with 28.5% last year. The increase was primarily the result of incremental incentive fees and improved profitability and advisory fees as well as accretive M&A contributions from latitude and Aviva Investors.

LaSalle's private equity deployment and recent acquisitions drove assets under management to a record $68.4 billion. Our ability to continue to grow AUM organically remains strong in concentrated and scalable higher-margin products. For the quarter, LaSalle raised $2.7 billion in private equity capital, bringing the total for the first half to $4.5 billion, which positions us well at more than double last year's capital raise.

For equity earnings, we continue to have modest expectations, reflecting a moderation in valuation increases as well as potential volatility from market exposure for publicly traded REITs.

To summarize, we had a very strong and encouraging quarter and first half. We are well positioned to deliver our 2019 targets of 6% to 8% organic fee revenue growth in our Real Estate Services business and a consolidated adjusted EBITDA margin profile of 12.5% to 14.5%.

I will now turn the call back to Christian for final remarks. Christian?

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Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Thank you, Stephanie. To illustrate how we achieved these results, Slide 18 shows recent wins across service lines and geographies. In our Corporate Solutions business, we won 43 new assignments in the first half, expanded existing relationships with another 30 clients and renewed 16 contracts. In a very notable win, we extended our long-term relationship with Procter & Gamble, one of our largest global full service clients and early outsourcing partner. Over the years, our collaborative relationship has led to the creation of numerous innovative client service offerings, including the development of a data and analytics capability that eventually became our RED platform.

We were retained by Diageo to provide a range of services in EMEA, and Caterpillar selected us to provide facilities management services for all its sites in Singapore, 1.1 million square feet of manufacturing and office properties.

In our Capital Markets business, we assisted GLP in the $18.7 billion sale of a 179 million square foot U.S. logistics portfolio, the largest ever private real estate transaction globally. And in Australia, we advised the Queensland Investment Corporation on the AUD 1.5 billion sale of the 80 Collins Street in Melbourne. It was Melbourne's largest ever property sale.

Turning to leasing and management activity in the U.S. We were retained to lead the leasing of a 250,000 square foot spec office building in Denver's River North neighborhood. The building has been designed with amenities and outdoor spaces to attract tech and accretive tenants from Denver and comparable cities.

In Russia, JLL was appointed as exclusive sales and leasing agent by AFI Development for 2 office building projects. And in China, Porsche appointed its exclusive leasing agent for Greater China. The appointment follows our successful relocation of Porsche's 140,000 square foot headquarters in Shanghai.

LaSalle Property Fund raised a record $497 million of capital in the first half with large capital commitments from a diverse group of global investors in Switzerland, Japan, the U.S. and other markets. Inflows have been driven by the fund's strong out performance on a 1-year, 3-year, 5- and 7-year basis.

Now let's focus on the future and return to Slide 3, which summarizes JLL's research market outlook for the full year. While there are certainly risks for global commercial estate markets, potential benefits are also emerging. Risk-free rates continue to fall, reducing financing cost and widening spreads for property at a time when investors are hungrier than ever for yield. While prices are elevated in many markets, fundamentals remain sound, underwriting is disciplined and debt levels are generally modest. Investors remain cautious and selective in this environment. As a result, we anticipate global investment in real estate to soften by 5% to 10% this year to roughly USD 730 billion.

In global leasing markets, we see volumes continue to decrease by about 5% for the full year, consistent with what we have seen in the first half. With global completions increasing throughout the year, we anticipate that the global vacancy rate will start to move up in the second half, finishing the year at around 11.3%.

Going forward, we expect to be able to reduce investments into our ERP implementation and pivot towards client-facing technology. In the second quarter, for example, we launched JiLL, an AI-based smart enterprise assistant that improves the daily work experience for employees by simplifying common workplace tasks and making smart building infrastructure more accessible to them. We also continue to make progress on our commitment to JLL Spark through the $100 million fund we have previously announced. At the end of June, we had committed $20 million to 13 investments.

We remain confident about our ability to keep advancing our business in this environment. We see leasing continuing to lead revenue growth in our real estate Services lines along with Project & Development Services and Property & Facility Management.

Our Capital Markets teams have strong pipelines even as overall investment market volumes are slowing. While it's still early days in the integration of JLL and HFF Capital Markets teams, initial signs from both organizations are very positive. And LaSalle continues to perform well, the increased assets under management will drive higher incentives and advisory fees.

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To close our prepared remarks on these earnings calls, I like to recognize a few of the many awards and honors our people have earned for JLL and our clients. Once again, we have been named in the Fortune 500, rising 167 places to the 189 position in the listings this year. Forbes called us as one of America's best employers. Fast Company named as Best Workplace for Innovators. JLL was recognized with 17 awards at the 2019 International Property Awards Asia Pacific. For the second consecutive year, we won Office Agency Team of the Year at the 2019 Property Awards in the U.K. LaSalle received the 2019 ENERGY STAR Partner of the Year Award from the U.S. EPA and Department of Energy, while JLL won ENERGY STAR's Sustained Excellence Award.

Congratulations to all our colleagues who made these and so many other awards possible, and thanks as well to our people around the world for continuing to serve clients, shareholders and JLL so well.

Now let's take your questions. Operator, would you please explain the Q&A process?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from Anthony Paolone with JPMorgan.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

My first question is maybe for Christian and Stephanie. I'm trying to synthesize comments around the leasing environment being basically down in terms of activity for the full year and trying to understand what second half of the year, perhaps, revenue growth might look like for you all specifically, and just trying to understand if it's -- if growth is going to be really hinged on market share gains or otherwise.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, I mean, as you have seen, our leasing performance has been very strong in the U.S. in particular, which was driven by a broad-based kind of performance of our businesses. And there's specific growth coming from all these flex space co-working companies, financial services and the tech companies where we tend to have a very high market share. So yes, if those type of companies have a particular growth in their occupancy needs, that means we will win market share. We tend to believe that the market, for us, continues to be pretty strong. We would call our work in hand is very, very strong. The pipeline is strong going into the third and then fourth quarter. So we have all reason to be very confident around our Leasing business going forward.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. And then on outsourcing, can you talk about the backlog there and what you are seeing that helps give comfort that revenue should continue to grow in the high single digits or low double-digit range?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, the overall outsourcing business continues to be very strong, and this is something, which is -- which will continue, and I could almost say, which will especially continue if the overall economic outlook becomes a little bit more blurred or even tougher. Because then, especially those companies who have been hesitant to outsource those services will have another sharp look at their cost base and see the potential to not only increase quality and productivity but to reduce cost. So what we have seen so far this year that the momentum is really, really strong. And that is a business which is pretty long term. The business we win today will kind of translate into revenues next year. And just to give you 1 small metric,

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at the end of Q2, we have pretty much exactly twice as much new business in our hand than we had a year ago. So we see continuous momentum and growth in that business. And that is a pretty stable longer-term trend. I wouldn't expect anything to change around that trend in 2020.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. And last question...

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

And Tony, I would add a little bit -- I would add to Christian's comments that we've seen that growth in our Corporate Solutions business for the second quarter this year across all our segments. So we are pretty confident that they're performing strong with that pipeline that Christian mentioned, more than double. We have good momentum going into the second half of the year as well as we're very focused on the profitability and expanding that. So we're seeing very good results, and they're in line with our expectations.

Anthony Paolone - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. And then just last question. If we do see global economic growth step down appreciably, what changes would you make to the business overall?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, we have been operating in a pretty interesting environment now for several quarters. There's a lot going on in the world. It hasn't filtered through to our performance. We continue to grow very strongly. And frankly, despite all those difficulties we see in the world, we don't have any reason to believe that our momentum will slow down. When you go to very specific situations, as we have currently in the U.K., we have adapted our cost base early on, and we are -- despite that volumes are significantly down in the U.K. and -- we are still pretty happy with our business because we reduced the cost base early on. As you know, our business has the ability to deal with volatility quite nicely because the transactional business, which is first impacted by volatility in the market, has pretty fluid compensation plans and they adapt accordingly. And so that's why it is probably in our industry slightly easier to ride the waves of the economy than it is in other industries.

Operator

Your next question comes from Stephen Sheldon with William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

First, great trends in the Americas Capital Markets with what appears to be market share gains. Can you talk specifically about the pipeline you're seeing there, including any visibility you have to this point, including HFF? And then also, any chance that -- with the first quarter of ownership that there's a little bit of distraction from integration as we think about forecasting for the third quarter?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, first and foremost, I'm very, very proud of what our Capital Markets business has delivered across the globe but also very specifically in the U.S. because, frankly speaking, if there's any distraction, the distraction is probably the biggest in the period between signing and closing a deal because you can't do really a lot, but everybody is concerned what's happening. And so they were able to outperform the market in that quarter is really brilliant. Now the pipeline, again, is very strong in the U.S., and we are talking here our original JLL pipeline that doesn't include HFF. We can talk about HFF separately. So the pipeline of JLL is, without HFF, already very strong. And so there's good momentum in that business.

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If you move over to EMEA, which has always been for us, a very, very important part of our Capital Markets business, they have a much, much stronger pipeline now for the third and the fourth quarter than we had in the first 2 quarters. So we expect quite a nice pickup in that business going forward for the remainder of the year. And then our APAC business is also looking very encouraging for the third and the fourth quarter.

With regards to HFF, we will obviously start reporting on HFF after the third quarter. But so far, we are very happy how the integration is running. This is a super, super professional team, and we are coming together very nicely, and clients are highly appreciative of the combination. So the first couple of weeks together have been really great and exciting weeks for us.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

That's great. And then apologies if I missed this, but just an update on the expected cost and revenue synergies with the deal closing. Are there any changes to the expectations you've laid out? And also maybe just your updated level of confidence about hitting those targets, if they are still the same?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Stephen, we are still very, very confident on the synergies that we outlined back in March when we talked to you about the acquisition. So just to kind of recall where we were, we said $60 million in run rate synergies, about 2/3 of those coming from the cost base and 1/3 coming from our revenue expected synergies. And of the $60 million, we said $28 million will come in those first 12 months. So we're excited about that. As Christian said, it's early days, but we are committed to those figures, and we definitely have good visibility to those right now. So...

Operator

Your next question comes from Jade Rahmani with KBW.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

On the Leasing side, is there any indication that the technology appetite or large space is waning somewhat, slowing somewhat?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Not really. I mean they continue to be very strong employers. And the question on what kind of environment you provide for your employees in order to be very attractive is something which is also applicable for tech companies. They also have to fight hard for their talent, and so they're all interested in upgrading their space, diversifying from a geographic location their space, and that drives the demand. And so this is a trend which will probably continue to be the case.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Turning to the EMEA business. What impact are you seeing from Brexit? And has the amount of uncertainty that's increased recently begun to impact the business more -- in a more pronounced way? You said that the Capital Markets pipelines have picked up there, so that's somewhat surprising.

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Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Yes. I mean, as you know, Brexit has been now around as kind of an overarching threat to the market for more than 2 years. And there's certain amount of time you can push out decisions, and then you have to just -- you have to make your decision. And so it's not surprising that there's still quite a lot of activity, especially on the leasing market, which continues to be relatively, relatively strong.

On the Capital Markets side, it depends a little bit where you go to. France is very, very strong, but when you go over to the U.K., you have markets like the city of London where Capital Markets volume has decreased by 70%.

Now what's happening and why our numbers are still pretty strong is there is a general trend, when the environment gets more uncertain, when the going gets tough, you turn to the advisors where you feel kind of the biggest comfort, and that's why we tend to pick up more market share in those type of more difficult environments than in an environment where people would expect many advisors to perform greatly. And so if you are surprised that we have that strong book of business, frankly, we are not that surprised. We saw a similar situation in 2008, 2009, where the market volumes overall came down quite significantly, but within that market, our share has risen very significantly. I don't know -- I don't want to compare the current situation with 2008, 2009, but for the U.K. in specific, we have a pretty tough environment, and that's why we are able to pick up market share.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

On the HFF transaction, in terms of transaction expenses, I think the S-4 laid out $52 million in transaction costs and $22 million in retention bonuses. Should we expect those to be amortized over a period or expensed in the third quarter?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Jade, on the numbers you quoted, on the $21.6 million, yes, we expect that to be amortized. And on the $52 million, we expect that to be expensed.

Jade Joseph Rahmani - *Keefe, Bruyette, & Woods, Inc., Research Division - Director*

Okay. And can you give an update as to where leverage is currently, post the deal close?

Stephanie Plaines - *Jones Lang LaSalle Incorporated - Global CFO & Member of Global Executive Board*

Yes. So we -- when we published the information in March on the HFF transaction, we gave some guidance there on where we thought our leverage would get to. If you recall that, we said it would be adding about $900 million of debt, and that, that would bring us up above a 1.5x but below, obviously, our 2x level Now there's some moving parts in there, obviously. When we get to Q3, we'll have cash generation from HFF, et cetera, but we'll -- we're restarting out the acquisition a little elevated, closer to about 1.3x, 1.4x.

Operator

You're next question comes from Mitch Germain with JMP Group.

Mitchell Bradley Germain - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Just on the Americas region, obviously, not a lot of operating leverage. Is there anything specific that you can point out this quarter that might've been a bit of an anomaly when you look at some historical quarters?

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Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

No. I mean we have had a very strong first half of the year. And what we have always been very transparent about is when we see significant outperformance, we are immediately increasing our investment into technology, and that's exactly what has happened in the second quarter. We saw that very strong book of business, and we increasedly -- we immediately accelerated our investment in technology. And just to be clear on that, we see technology as a clear reason why we are winning that market share. Especially in the Leasing business, we have introduced a couple of different tech tools, Blackbird is one of them, where -- which really helps us to win business and which differentiates our services from our competitors, and that's why we are so keen to accelerate the rollout of those products as quickly as we can.

Mitchell Bradley Germain - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Great. Last one for me. You initially grew outsourcing a couple of years ago, made a big splash, Capital Markets. Is there any other regions or specific segments within the organization that is going to be a focus as you look at executing on the strategy you laid out the Investor Day a couple of years ago?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

I mean we have 3 big buckets. The Capital Markets piece you mentioned, and we are just 5 weeks in of doing the biggest acquisition ever, which will benefit our Capital Markets business very strongly. And we will be very, very focused to leverage that not only for the U.S. but also in the rest of the world because, as you know, HFF brings really skilled debt business, and we will use their debt business to roll that out globally.

On the Corporate Solutions said, we are on a multiyear expansion program, which is not only top line expansion but also very much margin expansion. We have invested heavily in that business over the last couple of years, and we are now coming to a point where we are actually harvesting on those investments. And so that is a continuous focus for us going forward. We still see a lot of potential in EMEA around that Corporate Solutions business, and so we expect actually EMEA to have the strongest top line growth this year of the 3 regions, but also APAC is performing extremely well. As you know, the corporate real estate outsourcing started in the U.S. and the other 2 regions were lagging very significantly. But this is now very much a global trend and you have a lot of clients who are outsourcing all 3 regions at the same time, and so there's more momentum on top line growth now in EMEA and APAC, and we are, obviously, well positioned to take that on.

And then the third big piece is clearly around technology where we have made really strong investments over the last 3, 4 years, and we are seeing now the returns coming in sometimes as part of winning market share but also as direct revenues, which we see now growing quite significantly.

Operator

We have a question from Jade Rahmani with KBW.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

This is actually Ryan Tomasello swapping in for Jade. Just with the acceleration that we're seeing in proptech interest and investment, I was hoping you could provide us with an update on what's going on over at JLL Spark. I mean how does the fund's investment pipeline look, and how have those existing investments performed? And ultimately, do you see JLL Spark's portfolio also serving as a potential M&A pipeline in future years?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, so far, we are very happy with the development of Spark. We have analyzed more than 800 business models which were sent to us, and out of these 800, we have made 13 investments since we started that activity. And as you know, we are only doing investments when we believe that our clients will immediately benefit from those type of offerings those company have. And so there's an immediate connection to our clients

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because what we do is we are trying to scale those companies, which we invest in, within our client base right away. And so that has been very successful so far, and the companies are benefiting immediately from our investment as well as our clients are benefiting because they are first in getting to those technology which these start-ups have created. And so in some cases, we have actually increased our share in the company in the second round already, and so overall, the performance of that fund -- and it's early days. It's only out there now for about 15 months. So far, the performance of that fund is well above the usual performance of these early stage venture capital funds you would see in the market.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

And how much of JLL's own capital do you currently have invested?

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

$27 million.

Operator

And we have no -- there are no further questions. I will now turn the call back over to management for closing remarks.

Christian Ulbrich - *Jones Lang LaSalle Incorporated - Chairman of Global Executive Board, President, CEO & Director*

Well, with no further questions, we will close today's call. Thank you for participating, and Stephanie and I look forward to speaking with you again following the third quarter. And as we said, we are very confident that it will be, again, a very nice quarter. So thank you for that, and have a nice summer.

Operator

This concludes today's conference call. You may now disconnect.

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