

Jones Lang LaSalle Inc

Moderator: Colin Dyer
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Operator: Good day and welcome to the second quarter 2010 earnings release conference call for Jones Lang LaSalle Incorporated. Today's call is being recorded. Any statements made about future results and performance or about trends, expectations and objectives are forward looking statements.

Actual results and performance may differ from those included in the forward-looking statements as a result of factors discussed in the company's annual reports on form 10K for the year ended December 31, 2009, and in our other reports filed with the SEC. The company disclaims any other taking to update or revise any forward-looking statements.

A transcript of this call will be posted and available on the company's Web site. A Web audio replay will also be available for download. Information and the link can be found on the company's Web site. At this time, I would like to turn the call over to Mr. Colin Dyer, Chief Executive Officer for opening remarks. Please go ahead sir.

Colin Dyer: Thank you hello everybody and thank you all for joining us for this review of our results for the second quarter and first half of 2010. With me on today's call, here in Chicago is Lauralee Martin, our Chief Operating and Financial Officer. And Lauralee will review our performance in detail in a few minutes.

To sum up we are encouraged by our strong results and by the momentum which we've developed during the quarter. We reported net income of \$32 million or 72 cents per share for the quarter compared with a net loss of \$14

million for the second quarter of 2009. First half net income was \$32 million or 73 cents a share compared with a net loss of \$76 million one year ago.

Revenue totaled \$680 million for the quarter and that's up 18 percent in U.S. dollar and local currency terms. First half revenue was \$1.3 billion, an increase of 18 percent or 15 percent in local currency over the first half of 2009. I'll start off this morning with some comments on global real estate market conditions and Lauralee will then follow to cover our performance in these markets.

Earlier this month the IMF raised its forecast for global growth from 4.2 to 4.6 percent indicating that the global recovery remains on track. Economic policy is still promoting growth in most major economies and corporate cash flows are strong. Although there are differences in real estate markets from region to region, we do see the same general trends in our business. We've posted slides in the investor relations section of our Web site, that's joneslanglasalle.com for your reference.

Slide three shows the Jones Lang LaSalle investment sales clock, which as you know we update each quarter. It's a snapshot of conditions in major markets around the world, which are at different stages of the real estate cycle. As you can see, in the second quarter of 2009, capital values were falling uniformly in almost all major real estate markets.

A year later, we see values increasing in many major markets and bottoming out in others. This trend has also progressed in quarter two as compared to quarter one continuing the steady worldwide cyclical recovery in real estate capital markets.

Direct commercial real estate investment volumes stood at \$66 billion globally in the second quarter, nearly double the volume of the market bottom one year ago. In the Americas, transaction volumes increased 54 percent over first quarter totals and were four times higher than in the second quarter of 2009.

European market volumes increased 15 percent over the first quarter, up 80 percent on a year ago. The rate of growth did slow in Asia Pacific during Q2

as volumes declined by about 1/3 as compared to the first quarter but the total was nevertheless still up 21 percent over a year ago. With a number of large transactions pending and market fundamentals improving, we anticipate a renewed uptick in Asian volumes in the second half.

Large amounts of equity continue to target the stabilized real estate investment in many parts of the world with the supply of equity exceeding the supply of assets coming to market. This has continued the downward pressure on yields across many major markets, which we track. Open-ended funds in the UK and Germany have attracted significant amounts of equity for real estate investment and in Asia Pacific the largest investors have been domestic but foreign capital is also flowing into the region. In the U.S. and Canada, institutional investors are again investing equity targeting safe core properties.

Slide four tells a similar story about conditions in leasing markets worldwide although the progress continues to trail the recovery in global investment sales.

While fundamentals remain weak in Canada and the U.S., we do see indications of improving demand. In fact, for the first time in 10 quarters, the U.S. office market posted its first quarter of positive net absorption, a modest 3.2 million square feet. But across most of Europe, office vacancy rates are stabilizing or, in some markets they're declining -London and Paris for example.

Net absorption was positive for the fourth consecutive quarter increasing by nearly 28 million square feet. We're seeing a significant increase in the number of large tenants looking to lock in long-term leases at greatly reduced rents. Leasing markets in Asia developing economies have seen a strong recovery since mid 2009 as rising corporate profits have increased demand for space in the region.

Net absorption across Asia Pacific's main office markets increased by about 10 percent in the second quarter and Singapore has joined the list of markets where rental growth has turned positive. In our other major market segments, corporate outsourcing volumes continue to grow and inflows of institutional

capital into real estate funds have continued to grow from very low levels of half one 2009.

So we're seeing a long awaited picture of leasing demand fundamentals turning positive underpinning the yield cap rate compression that we've been seeing in investment sales markets worldwide for the past year. So against that generally positive cyclical recovery as a background, I'll now turn the call over to Lauralee.

Lauralee Martin: Thank you Colin and good morning to everyone on the call. We've expanded the details of our results in both our press release and supplemental slides. As such, I will not repeat those results in my comments but instead will focus on the progress we continue to make against our 2010 priorities.

Our progress is summarized on slide five. We demonstrated our increasing market place competitive strength by our double-digit revenue growth across all our geographic segments. These results come from the successful integration of the mergers and acquisitions of the past few years, as well as continued key new hires and expanded product line capabilities.

Throughout the economic downturn, we cut non-revenue costs aggressively and focused on protecting our market position and our key transactor staffing. We've been able to reverse loss-making positions from a year ago, most significantly in EMEA. For example, Russia has turned from a loss to a profit in the second quarter and is strongly positioned competitively in this key recovering market.

We're pleased to report significant increases in leasing up 30 percent in local currency as we help clients consolidate and reposition their portfolios, lower their costs or upgrade their space. These activities to date have seen minimal benefits from client space expansions due to lack of job creation, demonstrating we also have a key role to play in the real estate market correction and recovery.

Capital Markets and Hotels revenue up 65 percent in local currency, was driven principally by local market investors and demand for core products

with troubled assets from the bank still slow to come to market. As a reminder, we had much lower levels of activity in the first half of 2009 compared with the second half, which will make for more challenging comparables in the second half of this year, but momentum is clearly established.

A key priority has been to improve our operating margins by maintaining cost discipline as markets recover. We are now benefiting from increased productivity of our professionals as transaction activities increase.

Adjusting for restructuring charges, second quarter firm operating margin was nine percent compared with 5.7 percent last year. On a year-to-date basis, adjusted operating income margin was 6.4 percent compared with 2.1 percent last year. Our cost increases in the quarter came principally from increased variable compensation, which we are delighted to see as it rewards our people for their hard work and directly reflects our improved performance.

Year-to-date, our compensation to revenue ratio improved from 67.6 percent a year ago to 65.5 percent this year. We are also very pleased to report that we will be making the first deferred earn out payment related to the Staubach merger for \$78 million in the third quarter.

Reaching this hurdle confirms the success of this merger and we continue to be impressed with how well the teams work together and with the market share we are taking with our combined performance.

Cost control also remains the key focus of our clients and our ability to add value and support to their goals is validated as we continue to expand our leadership position in the property and facility management outsourcing space. During the second quarter, property and facility management revenue grew 15 percent on a local currency basis over last year. There are increases across all geographies but particularly positive growth in EMEA, which increased 27 percent in local currency.

Revenues from these services reached 26 percent of our total global revenue this quarter, providing a strong annuity revenue base to our performance.

We've added both new wins in the quarter and expanded our existing client relationships, which Colin will talk about shortly.

Furthermore, we're successfully leveraging our connections strategy to drive wins with new and existing clients in the project and development services market space, which we call PDS. We saw growth for this service in EMEA driven by investors seeking to upgrade properties for tenant demand and in Asia, particularly in India driven by our technology clients expanding their back office and call center support facilities.

Although PDS revenue was down in the Americas, our pipeline is picking up and we're seeing corporates beginning to reopen their CapEx budgets. Our priority for LaSalle Investment Management is to leverage our global scale. In the second quarter, assets under management, which is reported on a one quarter lag, declined due to both currency translation and asset sales. These reductions were partially offset by improved valuations particularly in our securities business.

Looking forward, we expect a number of factors to impact both advisory fees and assets under management. On a positive side, our people in LaSalle have moved to the front foot and we continue to win takeover assignments for new and existing clients including 700 million this quarter of a new separate account takeover. These successes are driven by our strong investment performance and reputation.

As a result, LaSalle reported incentive fees of \$1.7 million in the quarter, bringing the year-to-date total to \$7.5 million. Against these positive trends, fee reductions, asset dispositions and a challenging environment for completing acquisitions will have an adverse impact on both advisory fees and assets under management.

As a result of these mixed dynamics, LaSalle is aggressively managing costs to protect their margins and operating income. We expect advisory fees and assets under management to remain relatively flat for the year, but then have a solid foundation for 2011 growth.

Finally, our balance sheet position is strong, compared with a year ago, we've reduced our debt by \$134 million. Cash interest in the quarter was approximately \$5 million, a 28 percent decrease from a year ago. And our leverage ratio of 1.9 times is down from the first quarter ratio of 2.26 times.

This concludes my comments, let me now turn the call back to Colin.

Colin Dyer: Thank you, Lauralee. To give you a sense of how we generated those second quarter results, here are just a few examples of our recent business wins. In our corporate solutions business during the quarter, we won 12 new assignments, retained all nine contracts that came up for renewal and expanded our relationships with another three clients.

Our pipeline for additional new business remains strong and consistent with last quarter's levels. Our new assignments include providing transaction management and lease administration services globally for a European multinational electronics company with an 80 million square foot portfolio.

Slide six shows a few examples of additional outsourcing wins. In the Americas, Citi retained us in July to provide facilities management services for its 28 million square foot North American portfolio. In EMEA, Shell appointed us primary provider of real estate advice and services across all the European region, adding the region to the work which we do for them already in Asia. In Asia Pacific, we were appointed by Royal Bank of Scotland as an exclusive provider of services for its 2.5 million square foot portfolio in the region.

Turning to investment sales on the same slide six, you can see examples from all regions, including the \$180 million sale of the iconic Evening Star Building in Washington D.C., the 212 million euro sale of the Internationales Zentrum Donaustadt Tower in Vienna, its largest office building and the \$140 million sale of UT Starcom's 2.4 million square foot business park in Hangzhou, China.

In Egypt, in a fast business return for our new Cairo office, we were appointed to sell the 125,000 square foot Tower 47 building in the new Cairo business

district. And as you can see from the slide, our global hotel transaction business continues to gain momentum during the quarter.

Finally in the U.S., we worked with our partner, REDC, to complete the successful auction sale of \$225 million of notes and bank-owned real estate. Examples of leasing and tenant representation transactions which we completed during the quarter, include a 226,000 square foot lease for Walmart.com in San Bruno, California and the lease of a 186,000 square feet to Shell in London on behalf of the Canary Wharf Group. And in Indonesia, we represented Permata Bank to lease 194,000 square feet in the largest leasing transaction in that country in several years.

Finally, the U.S. General Service Administration awarded us a renewal of our national broker contract which enables us to continue executing tenant representation services for the GSA's 184 million square foot portfolio across the U.S.

In all of these examples, we're illustrating the growing health of markets around the world, and the growing market share of our service business in those markets.

LaSalle Investment Management has continued to take advantage of recovering investment markets. During the quarter, LaSalle raised \$900 million of net new capital commitments from institutional investors around the world for those public and private equity investments. This brings our year to date net capital raise to \$4.3 billion.

In addition to the takeover of 1.7 billion pound Royal Mail pension fund separate account in the UK, which we completed at the start of the quarter and noted in our last call, we also secured, as Lauralee mentioned, the takeover of a \$700 million portfolio for a major U.S. public pension plan.

LaSalle continues to focus on delivering optimal performance for its clients as indicated by its outperformance against many of the benchmarks against which they're measured.

Let's now turn to talk about forward market prospects. In the global capital markets, where direct investment volumes totaled \$130 billion for the first half, we anticipate full year volumes to be near \$300 billion, 40 to 50 percent above last year's levels. We expect total transaction volumes in the Americas to increase by at least 80 percent over depressed 2009 levels to reach \$80 to \$85 billion for the full year. We anticipate European volumes to be up 35 percent on last year reaching the 100 billion euro mark, and in Asia Pacific, aggregate volumes could be around 30 percent higher this year.

Financing rates for commercial real estate are likely to remain low for the rest of the year in the U.S., UK and Eurozone where monetary tightening seems unlikely. The debt markets have reopened in these countries and borrower's terms are steadily improving.

In Asia, lending has continued to improve in most major markets. The banking system in Asia Pacific is well capitalized, interest rates are rising, and the risks related to European debt have not curtailed lending in the region.

Recovery in leasing market fundamentals will continue as corporate confidence continues its improvement. More markets will be seeing higher demand and positive rental rate growth led by Asia and South America and moving across Europe and the U.S. As we noted earlier, this will in turn underpin confidence in world investment sales markets. Within the broad demand envelope, client space consolidations and upgrading to better space at reduced rents will create solid market activity for our firm through the second half.

In institutional funds management, clients at LaSalle Investment Management -continue to maintain their long term allocations to real estate. Funds are beginning to flow more strongly again after the recession, and we expect this trend to continue. We expect to benefit disproportionately in this environment, having come through the recession with strong performance, leaving the LaSalle brand in excellent shape. The immediate challenges for LaSalle will be in asset acquisition where markets are extremely competitive.

We like to close these calls by mentioning some of the awards and other forms of recognition that we've received from third parties during the quarter, and which underscore our position as the leading real estate services and investment management firm.

In the U.S., we were honored on both the East and West coasts, winning a "Best Place to Work" award in Washington, D.C. and also being named one of the "Best Places to Work" in Los Angeles. In Germany, for the second year in a row, we were named "Top employer in the real estate business" by the industry publication Immobilien Zeitung. These "Best places" awards reflect our ability to attract and maintain the best talent in the industry.

Our investment in energy efficiency and sustainability was acknowledged in London, where our Upstream team led the submission that earned a Gold Award in the Mayor of London's Green 500 Awards.

Australia's Royal Institute of Chartered Surveyors honored our retail team with its Oceania Property Award. And also in Asia we won recognition from Proctor and Gamble in the regions two largest economies.

In Greater China our IFM team won P&G's Crystal Trophy of Appreciation, and in Japan just last week, we were awarded Proctor and Gamble's Best Partnership Award for the second straight year.

So, to sum up we're very pleased with our performance this quarter and indeed the half year and we're looking ahead with confidence and optimism. We anticipate trading and investment markets broadly continuing to firm around the world and we continue to pick up market share. As our revenues increase and we continue to control our costs, we're generating profitable growth and improved margins.

Finally in closing, Lauralee and I want to thank our colleagues around the world, many who've listened in to this call, for the great job that they continued to do in the second quarter. The momentum which they've created positions us very well for the rest of the year.

So, with that, let's move to questions. Natwinda, would you please explain the Q&A process?

Operator: Yes sir. At this time ladies and gentlemen if you would like to ask a question you may do so by pressing star then the number one on your telephone key pad. Again, that's star one on your telephone key pad.

And your first question is from the line of Sloan Bohlen from Goldman Sachs.

Sloan Bohlen: Hi, good morning guys. The first question is just on the profitability or better margins in the quarter. As we see revenues start to pick up or activity levels start to pick up, how should we be thinking about whether it's late half of this year, or looking into the future how some of those costs that were cut out of the business maybe come back?

Lauralee Martin: Well we've been very selective about the costs we've been putting back in. The cost we cut hard were our variable costs. And we also cut people cost where we did not see markets recovering for an extended period of time. Such as what we saw in Russia such that we can already turn the corner, but do that with the leading market position there. So, we will be careful on that but I think there's still a great deal of productivity in our people that is not yet coming through, particularly in our capital markets business all around the world where the level of transactions that actually get done versus what you know is chased is still way below historic levels. We've laid out a long term target for the firm of an operating income margin of 12 percent which will be different around the globe. But clearly we still have a way to go to get that. It's not our view that we will probably get there this year but later next year or beyond.

Sloan Bohlen: OK, that's helpful. And then Lauralee kind of maybe just reconcile the comments on I guess assets under management in IM being I guess relatively flat for the year. I guess maybe reconcile that with the amount of capital that was raised in the second quarter. I didn't quite understand.

Lauralee Martin: Well there's two pieces. One is there's been a significant change in asset values because of currency impact. We'll be putting out our new investor

deck here shortly which we provided in that appendix the value of the different assets under management.

But if you look at our separate accounts for example at the end of the first quarter we were at \$17.2 billion. We'll end up the second quarter on a lag of \$16.8 billion. And a great deal of that is because of currency decline similar things in our funds business.

So, we are selling some assets which will take that down where we can take advantage of where markets have recovered for our clients and give them some performance and some cash back. And we are significantly below the acquisition level that we would have anticipated at this period of time. But again, we're being very careful with our clients' money.

Colin Dyer: Just mechanically, that \$4.3 billion is not included in the assets under management until we actually invest it often with debt added, it has a leverage effect, but only as the asset evaluations lagged as Lauralee said, this hasn't come anywhere near our calculations yet.

Sloan Bohlen: OK, I see. And then last question...

Lauralee Martin: (Inaudible) through the year and next year is when you'll really start to see the base level out.

Sloan Bohlen: OK, great. And then this last question for Colin. You know as economic growth prospects maybe kind of tailed off in the second quarter relative to the first quarter, have you seen that impact any of the activity levels you know I guess on the leasing side a little bit more is where we're concerned relative to asset sales?

Colin Dyer: No. You could fine tune and I think get all concerned about quarterly growth rates and the economies as a whole. Our basic premise is that the trends wreaking on the activity is still positive growth in all economies worldwide.

The rate of growth may go up to 13 percent in China, back to 10 next quarter. It may be at 3-1/2 percent in the U.S. one quarter, 2-1/2 next. But it's still the

same directionally. And it's that direction which is the more powerful impact on this recovery process that we've been describing.

So we can't fine tune exact rates by quarter but we're just looking forward to seeing the same, anticipating the same trends as we see them. The only area where we saw any reduction in market activity was the investment sales in Asia Pacific.

That is the one – it's the most volatile region of the world and the most volatile market. And what you saw there was after a very strong Q3 last year, Q4, Q1 this year. Investor's kind of just paused. They saw China as taking liquidity out of the economy. They saw China trying to pause growth. They saw interest rates across the region rising and they're just taking stock. But our sense is the sentiment there is still good. And they'll be off again in the second half of the year as we said.

Sloan Bohlen: Great. Appreciate it, thank you guys.

Operator: Your next question is from the line of David Gold with Sidoti.

David Gold: Hi, good morning.

Colin Dyer: Good morning.

David Gold: I just wanted to follow up for a little bit more color on LaSalle Investment Management and I guess a couple things. One, the comment in the release about the lack of attractive assets at this moment, versus the strengths that we're seeing out there, or that you're seeing in your business on the transactional side.

Is it more market specific? You know in other words are the funds targeted to markets where the values just aren't attractive or you know what sort of disconnect there with the pickup in volume but you guys aren't seeing enough to do?

Colin Dyer: It's a question of the transaction advisory side businesses that you saw growing strongly. On the investment management side we are acting as

fiduciary for clients and what we are doing as a firm – what LaSalle is doing as a firm is being very careful and selective about investing in markets which are – whether the availability of product is thin comparative to their weight and money trying to buy or when prices are being bid up exceptionally quickly.

So it's a question of being judicious in the investment choices they're making on behalf of their clients. They are certainly not – we're not encouraging to chase up assets under management just for the sake of increasing that AUM number.

So, it's about due cautious fiduciary behavior and I think that is indicated – the success of that policy is indicated with the references we made to the performance against benchmarks.

Lauralee Martin: And, David, of the new mandates that we've been winning – there's a large focus on core and, as Colin's comments you know early through the discussion, there's a lot of money chasing core assets. And core is good if you get the right cash flows and the right valuation increases. But, if you overpay, there's not an ability to correct that appropriately for clients and therefore the fiduciary concern.

David Gold: Sure. So what has to change or what do you see changing there for – let's say for dollars to be able to be put to work, presumably and, if we're assuming that business is getting better and the values are coming back – and maybe running away from us. You know what does it take I guess for your folks to feel more comfortable putting that money to work?

Colin Dyer: Well, the first thing is that they're actually picking up and some of these mandates we're taking over hold sways of funds that have already been invested. So, there's a little acquisition driven increase which will come through over the quarters in the AUM number.

We have stepped up our focus in our teams – I mean obviously the teams for the last year and a half have been heavily focused on what we call defense making sure that assets are being properly managed, that value is being added

to existing investments. And, indeed, the financing around investments was in good shape as values and financing levels shifted.

We're through that phase now – we're refocusing the teams into a stronger acquisition mode and, as a result, we're seeing more deal flow just by paying more attention to available product in the markets. But it's our expectation, too, as markets return to sort of more normal transaction levels from the constricted levels we've seen that the availability of product would improve and that LaSalle will see good opportunities in its markets for putting client's money to work.

David Gold: Got you, that's helpful. Appreciate it. Two other quick ones – can you comment a little bit on what you're seeing by way of liquidity? I mean it sounds like at least on the CMBS side things are easing out, but still you know, obviously, nowhere near where they were in '07. But the business that you're doing, can you speak to you know sort of financing trends and what you're seeing there?

Colin Dyer: You're right. The CMBS markets very cautiously in transit – apparently are coming back in Europe and the U.S. – very small volumes – that's another trend that will continue because it's clearly a demand by institutional investors for stable cash-flow-backed securities – transparency is the watchword. In general, what we're seeing across Asia, Europe and now the U.S., too, is financing is coming back.

We're seeing sort of multiple offers on behalf of clients and we're looking to finance for them. Broad generalization, the loan to value ratios are creeping up through the 50s and 60s and so 60-65 percent is available across Europe and the U.S. for good stable assets.

Spreads are coming in from sort of 300-400 basis points back to 200-300 basis points – so the markets are slowly normalizing. The providers have changed a little bit in Europe. Obviously, the banks that have suffered most severely in particularly Britain and Germany are very reluctant, but you're seeing the emergence of other German providers, French and other continental banks moving into the markets.

Lauralee Martin: The other thing we might add, David, is you know the transactions that are getting done are sort of the best properties, which means they're the most attractive to the lenders. I think the test will be as the market place moves into a wider range of property choices, will the lenders move with them into that not-as-attractive space? And I think that's what everybody's watching for is will the money be able to move with the markets?

David Gold: Perfect. And then just one last quick one, Lauralee. This Staubach payment was not an earn-out right, it's actually just a deferred – a deferred payment?

Lauralee Martin: It's a contractual payment that could have been deferred if they didn't hit the performance hurdles but they healthily met them.

David Gold: Perfect. Perfect. Thank you both.

Colin Dyer: Thank you, David.

Operator: Your next question is from the line of David Ridley-Lane, BOA.

David Ridley-Lane: Yes, Hi. What portion of your comp and benefits would you estimate are fixed at this time?

Colin Dyer: Gosh, we don't really think in those terms – probably two-thirds.

David Ridley-Lane: Two-thirds? And how would that compare sort of in a normalized time, back in 2006, say?

Lauralee Martin: Well, the more robust the markets, the more variable pay we pay. So, if we look at last year, it was a high proportionate piece of fixed versus variable. We're now seeing a more healthy trend come back. We hope to see that trend continue.

But we have moved to more and more variable pay and we think that's great for our people, because they can make more money as the markets recover. But, again, that will show up as a good thing in all of our ratios because it will be productivity relative to revenue, but good results for them.

David Ridley-Lane: OK. And then I'm interested in leasing trends in London and Singapore – markets where the rents have gone on the property clock from bottoming out in the first quarter to rising in the second quarter – if you could just give us some color around the leasing results in those couple of markets – just as a preview for what other markets will do perhaps when they shift as well.

Colin Dyer: Well, Hong Kong, for example, which turned positive in rental rate growth before Singapore – it was positive in Q1. We had the strongest quarter ever in Quarter one this year in our Hong Kong business.

So, when you see those markets turn, what happens is the dynamic changes from a sort of stand-off between tenants and loaners to tenants realizing they have to move quickly to get back into markets and they do the things we've described.

They consolidate, they take the larger floor plate they think they'll need for the next cycle and they go for expansion in space, particularly in Asia Pacific. It's that same phenomenon in Singapore – it's just driven our business levels and activity levels up.

David Ridley-Lane): And then – maybe if I could ask one last one – the market has certainly pushed out the time before interest rates are expected to rise in the last couple of months – for both the Fed and the ECB and with the banks not really facing increases in funding cost until perhaps late 2011. What is going to trigger or could potentially trigger the sale of or restructuring of troubled assets from the banks into the markets?

Lauralee Martin: I think that the biggest factor will be that the reserve levels will move to matching the values of those properties in the market at which point in time the banks will be encouraged to have their assets be the most productive assets. I think most of the banks have moved to that you actually saw with earnings this particular quarter, banks lowering their reserve levels again which is the first indication that they feel they are getting close to appropriate marks and therefore there is a reason to them to clean up their balance sheets as well.

Colin Dyer: They've played it very smartly by waiting a blank time, they've seen markets come back from this liquidity driven trough so you know with that process that Lauralee described they see themselves coming out whole they'll push, they'll either push these assets into market or they will be encouraged to do a refinance with the existing ownership.

David Ridley-Lane: OK thank you very much.

Colin Dyer: OK and just to confirm that question you asked early on David, it's roughly at this stage of the cycle one third variable of the commissions and bonus, two-thirds fixed, as it gets to the cycle of Lauralee said that'll shift towards variable.

Operator: Your next question is from the line of Will Marks with JMP Securities.

Will Marks: Thank you and good morning Colin, good morning Lauralee. First question, is on the incentive fee, Lauralee, I think on the call that you mentioned incentive fees were 1.7 million and then on the press release I thought I saw 3 million.

Colin Dyer: We'll check it, next question.

Will Marks: OK, next question can you just discussed CapEx maybe you could quantify I think I saw a \$14 million number maybe year to date in the cash flow statement. What expectations are for the year?

Lauralee Martin: Yes we've given guidance this year, we think that it will be about 50 million in total. Clearly at this pace we are under that level of CapEx. We've remained very prudent around CapEx and we continue to sort of split that between tenant improvements and technology.

For the question on the incentive fees, Will the number in the press release is transactions and incentive fees, so incentive fees were \$1.7 million and we do get paid for certain of our separate accounts when properties are bought we have a transaction fee. We're hopeful as we can put more money to work that that transaction fee line has significant upside.

Will Marks: OK so in that line that is transaction and incentive fees of \$3.4 million, \$1.7 million which is basically half is incentive the other half is transaction.

Lauralee Martin: Right.

Will Marks: Or maybe there is some other stuff in there too. I am not sure.

Lauralee Martin: Yes roughly, roughly. Did I answer your CapEx completely? Year to date we have spent about \$10 million of our number on IT telecom and the balance of it has been on really leaseholds.

Will Marks: OK yes that answers the question, thank you. A few other items, one, Colin, when you gave the capital markets business overview or expectations for the full year I gather you were talking about the industry and assuming that's the case, do you expect to be roughly in line with the industry or – how should we look at it.

Colin Dyer: The record over the last two or three quarters as markets have recovered, it's we have been either in line or ahead of the overall industry picture.

Will Marks: OK, fair enough. And then a question on two businesses that I feel like we don't spend that much on time on that's – the advisory consulting and project and development. And maybe starting with advisory and consulting.

I think I'm just a little bit naïve here and can you explain maybe that business in a little more detail. And why it appears to be lagging and exactly what you do in that business.

Colin Dyer: Well, it's a mixture of lots of big things. The largest single element is probably our valuations business which is world wide except for the Americas. And the – with that has performed over the) recession, it's really been very satisfactory.

Albeit the margins were under pressure depending on regions, generally they were under pressure and so we're seeing not only in terms of valuations coming back in terms of activity levels but also pricing will begin to recover as well.

There is also advisory work around portfolios so for example REITs, owners of real estate looking for advice on strategically what to do with their portfolios. Some of that work shifted to banks since their holdings became distressed and they were looking for consulting work there.

We advise in other parts of that business for example local governments. One example there currently we're working heavily in London for the Greater London government and the Olympic Development Corporation on the use and post games use of the Olympics site.

The same as we've done in Beijing and the same as we've done in Sydney in previous games. In China and in Beijing we're working advising the Beijing government on what's called Financial Street which is a large financial district development in the heart of Beijing.

The advisory work that on development we do similar work for developers and we do a large amount of strategic consulting work for corporations around their use of space, what's called alternative space usage in developing new methods of working, new space allocations and so on.

So it's a large mixture of businesses. In general what happens in there just broad brush is activity falls during a recession that area slows like our PDS work, it picks up post recession but with something of a lag because capital and spending budgets just pick up more gradually.

Will Marks: And how would you describe the margins of that business. Is it more similar to a management fee margin or more similar to one of transaction leasing and sales margins?

Lauralee Martin: They're probably in the middle. They can vary around the world. But probably as a global blend they're in the middle.

Will Marks: OK, great. And then the last question, I don't need as much detail because I think I understand the business of project and development side but is that – you touched a little bit on this, but is that just mostly tenants that are while there is a pick up in leasing of space, tenants are more hesitant to spend money on greater improvement levels.

Lauralee Martin: Its space build-out is a large part of it. We also do multisite so for example in the United States, when the banks start expanding their branch system, that's a big part of our business. So its clear there has been slowing of some of that activity but it's starting to pick up again.

But we'll do lots of different work around even just project managing certain things that happen. Well the examples I gave is there has been a tremendous pick up in call center activity and things like that in India. Again as companies look at where they're going to see their growth opportunities there is development and build-out and we manage that.

Colin Dyer: We have campus work for corporations where they're putting campuses together and just been awarded a contract for new modern art museum in Mumbai. It's very varied work, generally following as you said the economic cycle.

Will Marks: OK, thank you very much.

Colin Dyer: Thanks, Will.

Operator: Your next question is from the line of Mike Mueller with JP Morgan.

Ralph Davies: Hi good morning. It's Ralph Davies on the line with Mike. Returning to LaSalle I think you guys talked this morning about your advisory fee guidance being pretty much flat for the year. And I was just trying to reconcile that with you know previous announcements about resetting fees and I guess my question would be how much AUM growth are you guys needing to kind of offset the lower fees in the year.

Or are you already kind of comfortable with the bandaids you've already kind of described this morning in terms of meeting that number right now.

Lauralee Martin: Well that – one of the reasons we wanted to give you a look forward is to say if we see all the ins and outs. That's sort of how we see it that it will be flat for the year. We did announce in the first quarter that on a number of our

funds where we were paid on commitment, we had gone back to our clients and said you know we won't be paid unless some money is invested.

So there was a piece of that that we lost on a go forward basis. There is also the fact that a large amount of the mandates that we're winning are core mandates which have lower advisory fees. On the other hand, they don't need to be staffed to the same level of sophistication and costs as that an opportunity fund or some of the more value creation, intensive type assets take.

So, what we're trying to do effectively and I think LaSalle is doing an excellent job, is matching the cost structure against the type of fees that we're earning and there is a repositioning in that portfolio. But our job is to manage that operating income and then ultimately the growth on a go-forward basis.

Ralph Davies: OK, but just – are you comfortable getting to that advisory fee number without further AUM growth or you already – are you kind of factoring in AUM growth...

Lauralee Martin: There is an anticipation that we will put some of the commitment money to work throughout the year which will increase assets under management. We've announced, as Colin said, the winning of those a great deal but we need to do is also put that money to work. So it's a blend of our expectations of putting the money to work.

The separate accounts that we've won that are assets under management immediately, the adjustments in the fees of the portfolios that we have on an existing basis and then just to look at all of those through the end of the year and the blending of that leads us to believe that that will be about flat.

And I know there is a lot of moving parts for you which is what – where – which is why we gave you more guidance than we typically do.

Ralph Davies: OK. All right. Thanks. And then just wanted to touch on your leasing, particularly in the Americas. You know you posted 25 percent growth year-over-year for the quarter. And I'm just trying to reconcile that with the commentary we're getting from a lot of the U.S. REITs just in terms of you

know hesitancy on the part of tenants to expand you know going for more short term leasing.

And I guess my question is did the leasing growth relate primarily to the you know the big wins that you guys talked about today coming off of the lower base or are you benefiting from I guess kind of the higher intensity that's being required right now from a number of your clients.

Colin Dyer:

We did mention a number of large wins and we are seeing kind of counter intuitively almost some big requests for space in the major financial sectors around the world as sort of said banks look through the short term to their needs for the full cycle.

But specifically in the U.S., this year we saw a significant increase in small to medium size transaction volumes as compared to last year. And in the – when you add it all up in the space above 25,000 square feet, 50,000 square feet in particular, we saw fairly flat total volume levels year-on-year.

So a lot of it was about that middle market activity level stepping up and as Lauralee referred to it, you know people consolidating space, moving around taking better space for lower price rather than net-net expansion at this stage.

That will change as confidence recovers further. As we noted corporate earnings are good and corporate confidence is picking up. The net requirement in new space will begin to recover and prove to be more healthy again.

Lauralee Martin:

I think also relative to your REIT kind of reconcile the REIT comment. The REITs have their existing portfolio and how the market place reacts to that. We have growing footprint of new markets, new brokers, expansion of services such as into industrial and retail and other things that are enabling us to get growth across a bigger market share and a bigger capability footprint as well.

So I think there is a little bit of difference in the way we're looking at the two of them.

Ralph Davies: OK. Thanks. And just finally, I know you talked a bit about or excuse me, you've announced some beefing up of your capital markets team in the Americas. I was wondering could you talk about I guess staffing levels there going forward. And what your growth expectations are in terms of market share?

Colin Dyer: I think the easiest way to say we have some internal targets which we are working to. We have an internal plan which we're working to. But from a relatively low levels of activity in U.S. capital market which we as a firm have particularly as compared to our very large shares in Europe and Asia. We are adding people as quickly as we can. We're adding teams as quickly as we can.

But we're doing it in our usual very selective ways ensuring that we've got people who are not only high performance in terms of producing revenue volumes but also people who will fit and adapt to the culture of collaboration and cooperation which we have always promoted.

Ralph Davies: Thank you.

Operator: Your next question is from the line of Brandon Dobell) with William Blair.

Brandon Dobell: Hi, thanks. Lauralee, you're talking earlier about the variable compensation structure and you mentioned the overall cost as it pertains to revenue.

Colin Dyer: Hey Brandon could you speak up a little bit?

Brandon Dobell): Sure that's...

Colin Dyer: That's great. Thank you.

Brandon Dobell: In the context of the compensation comments you were making earlier, I think most of them from Lauralee, I'm trying to get a feel for how we should think about the relevance of the historical compensation percentages to what the business may look like looking out you know this year and next year given the shift in the broker compensation structure.

How good are, let's say the numbers from I don't know '04 and '05 or '05 or '06 relative to what the business may look like looking out a couple of years when things are a little more normal.

Lauralee Martin: Yes, I think it's going to be fairly variable. I think maybe one of the heart of your questions is we went from a base and bonus to a commission in the U.S. which is a large part of at least our you know that dynamic around that.

Brandon Dobell: Right.

Lauralee Martin: And one of the things that we said through that was in a normal marketplace, there was no material difference between the way we paid and the way a broker shop paid on a commission basis.

It was really a question of how and when.

Brandon Dobell: OK.

Lauralee Martin: And I would say that still holds true. We're not anticipating that in totality there is a difference between before and now, other than you know we can have a better handle on how productive our people are.

And have more real time ability to add as we grow and have immediate adjustment in how that growth impacts our compensation lines.

Brandon Dobell: OK. And from a different perspective the global outsourcing business or facilities management business, how should we think about the margins there both in terms of kind of where we are right now as well as the opportunity as that business scales. CB has talked about kind of lowish double-digit.

Does that jive with how you think about it or is there structural differences that it would make that you know ...

Colin Dyer: We think...

Brandon Dobell: ... from that kind of range.

Colin Dyer: Yes, we think of that as better than low double-digit margins across our business as a whole in FM. It varies however between very healthy in the U.S. to healthy in Asia to searching for better health in Europe. And so that – you know when you put all that together it's a better than low double-digits margin.

We're very happy with the U.S. and Asia. We're working solidly to improving in Europe. And to your question on volume, the U.S. is pretty mature and there won't be a big effect or operational leverage there as volume grows. It'll be better in Asia and it'll be very good in Europe as we grow that business.

Brandon Dobell: OK, that's helpful. And then you talked about productivity. I would imagine it's mostly on the brokerage side of the business. Any sense for us on kind of some headcount trends comparing this quarter to last or this quarter to last year. Just to get a sense of you know how much the revenue growth is productivity driven versus you know picking up experience brokers in the last 12 months or so.

Lauralee Martin: We can give you the U.S. is probably the easiest to track.

Brandon Dobell: OK.

Lauralee Martin: And we added I think 89 brokers in the U.S. through the first part of the year. Netting down to 51. So we continue to upscale and add to that.

Colin Dyer: The majority of what you've seen in terms of the revenue growth in this quarter or half year is about the productivity point Lauralee referred to in her comments. You know bring in brokers or producers from the outside. It takes them 9 to 18 months depending the sector to cover costs and become net positive contributors.

And by the way, that's something you do on a continuous drip by drip basis rather than spike your hiring just at the beginning of the cycle to catch a wave. It's much better and it's our policy to continue hiring people through the cycle.

So the majority looking back two quarters has been productivity growth. And again to Lauralee's comments if you look forward to the short term, it'll continue to be that with 51 net we just hired in the U.S. will contribute in 2011 onwards.

Brandon Dobell: OK, then a final question from me, as I think about the you know the pricing or commission structures in the brokerage business, I guess I'm focused more on leasing. Has there been any change from your clients either the tenants representing or the corporate owners as to how they think about the right pricing structure, the right commission structure for that part of the business or is it pretty much I guess that business as usual.

Colin Dyer: It's – well, it's really recession. The owners have been more prepared to spend money to get people into their empty space or to keep them for the commissions for the people who are able to produce tenants have been actually quite good.

So generally the overall brokerage fees remain static but some of the margin has shifted toward the tenant rep and side and away from the leasing agency side. And I guess that'll be the case worldwide. As the recession (inaudible) becomes a bit of a memory, markets become more balanced that will shift back too. The overall picture remains pretty static.

Brandon Dobell: OK, great. Thanks a lot.

Operator: There is a follow-up question from the line of Will Marks with JMP Securities.

Will Marks: Yes, on the question and response on net 51 new brokers in the U.S., what is your – the attraction I guess, the opportunity for you to toot your horn but going to work for you in terms of are the – are your offices would you say smaller in number, you're a bigger fish in a smaller pond, or are the splits higher? Any help there.

Colin Dyer: The splits are market competitive so that's not why people come. They come to us because they're attracted by what we call the broad terms - the platform. And that's a mixture of the brand which is outstanding. It's a mixture of the

collegial culture which people particularly if they had experience in other firms, really appreciate and practically everyone who comes, they after a few months just confirms that was a) the reason they came and b) they've found it.

We work in that context as Lauralee said we work heavily on connections and linking our offices and our people up and having them work across regions and across business lines to help each other. So particularly people who come from monoline or a limited line service providers, the ability to offer a broad breadth of services from our platform both nationally and internationally whichever country they're based in is also a very attractive prospect for them in terms of keeping increasingly demanding clients linked into them as their service provider.

It's a combination of all those reasons. I wouldn't say any one of them is compelling. The one we hear most frequently is the issue of collaboration.

Will Marks: OK. Thank you. And then one final question, just on acquisition, I think you may have touched on it briefly but you now have this balance sheet that where you don't really need to take down your debt level. Maybe mention your goals with the balance sheet and then if you are evaluating a lot of different acquisition opportunities right now.

Lauralee Martin: Well, I think the answer is we have not yet seen a lot of out there in the marketplace in terms of acquisitions, that could change. We've been very focused on the cyclical recovery in the markets. The opportunity that is there that is extraordinary. Our ability to grow organically in that which benefits our existing employees as well as just the overall firm.

You're correct. Our balance sheet is now very comfortable and in good order. We will use it appropriately at the right time and the right place but it's our plan to also continue to have a very strong balance sheet because it's highly valued by our clients and our employees.

Will Marks: OK, that's all for me. Thank you.

Colin Dyer: Thank you, Will.

Operator: There are no further questions at this time.

Colin Dyer: Thank you operator. Well with that, we'll draw things to a close. Thank you everybody for listening and for your further continued interest in Jones Lang LaSalle. We look forward to speaking to you again with the third quarter's results later this year.

Have a good day everyone.

Operator: Thank you for joining today's second quarter 2010 earnings release conference call for Jones Lang LaSalle Incorporated. You may now disconnect.

END