

JONES LANG LASALLE INC

Moderator: Colin Dyer
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6:00 p.m. ET

Operator: Good day and welcome to the fourth quarter 2011 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 plans, 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 report on Form 10-K for the year ended December 31, 2010 and in our other reports filed with the SEC. The Company disclaims any undertaking 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 a link can be found in 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, operator. And hello to everybody joining our call today. I'm in Singapore, where it's 7 AM. This is one stop on a five-week trip that will take me around eight of our Asian markets. With me this morning is the CEO of our Asia-Pacific business, Alastair Hughes, who will comment on market conditions and our successful achievements in this key strategic region where we were doing so well and I'm sure he would be happy to take questions from you later on. Lauralee Martin, our Chief Financial and Operating Officer, also joins us. She's in Chicago and she'll be discussing our financial results in greater detail in a few minutes.

So first, to put our remarks into context, here are the headlines on our performance and some comments on the market environment in which we achieved them. We're pleased with our 2011 results. Revenue totaled a record \$3.6 billion for the year, up 23 percent from 2010, and the product of double-digit year-on-year growth in all of our operating segments. Full-year net income was \$164 million, or \$3.70 a share. Adjusting for certain charges, net income was \$215 million, or \$4.83 a share, a 29 percent increase from \$166 million in 2010. Performance in the Americas was led by our Leasing and Capital Markets businesses, improved results in Europe benefited from integration of our King Sturge merger and from our strong capital market results overall. Asia-Pacific delivered record revenue and profits, helped by continued growth in our market-leading businesses in India and China. LaSalle Investment Management delivered strong investment performance to its clients, earning increased incentive fees. So all in all, we completed 2011 in very good shape, and we're well-positioned to generate continued growth this year.

Turning to current economic market conditions, IHS Global Insight forecast 2012 global GDP growth at 2.7 percent, down marginally from the 3 percent in 2011. The world's three largest economies, U.S., Japan, and China, are all expected to grow. With relatively favorable economic news coming out of the U.S. recently, various projections of 2 percent a year. Given lingering Euro zone debt issues, it's not surprising that economic risks are still skewed to the downside in Europe. Asia-Pacific is expected to grow as a region at 5 percent in 2012, with China leading the way and solid growth also predicted for Japan, continuing its recovery from the earthquake and tsunami. Despite lingering economic uncertainties, key real estate indicators for Q4 2011 showed that most major markets continue to progress steadily through the recovery cycle. Investment volumes have generally held firm, although there is evidence of continued flight to quality assets to protect against downside risks. Most markets are seeing positive net absorption, declining vacancy rates, and modest prime rental growth. To summarize the current market conditions, we have posted slides on the investor relations page of our public Web site, www.joneslanglasalle.com.

Slide 3 shows the general investment sales clock, which presents capital values in world markets at the differing stages in the cycle. You can see that compared to a year ago, growth in capital values continues to accelerate in most major markets, however, growth has begun to slow in others. Capital values have started to fall in Hong Kong and we anticipate Singapore will also move through the top of the cycle this year. We also believe that this is a temporary correction, however, with value growth probably returning to both markets in 2013. Direct real estate investment into commercial real estate globally totaled \$411 billion in 2011, a 28 percent increase on 2010. Investment markets are proving to be resilient, as real estate continues to attract capital from domestic and increasingly cross-border investors.

Volumes were up nearly 60 percent in the Americas in 2011 to \$155 billion, up 20 percent in Europe to \$165 billion, and Asia-Pacific investment volumes increased by 6 percent to \$91 billion. However, these increases were made in the first three quarters, and in the fourth quarter investment volumes showed single digit decreases over 2010 in all regions. Call that Euro hesitancy. Prime office yields held steady in most major markets during the fourth quarter, rates were maintained on the back of two ongoing trends: attractive spreads on the one hand, and continued investor demand for high quality core assets.

Turning to slide 4, we see a similar story in major office leasing markets, which remained resilient in the fourth quarter. The U.S. net absorption totaled 10.6 square feet in Q4, up 10 percent on Q3. For the full year across 15 major U.S. office markets, gross absorption increased to more than 150 million square feet, up 7 percent from the prior year. Gross take-up in Europe during the fourth quarter totaled 31 million square feet, nearly unchanged from quarter three. For the full year, gross take-up was 5 percent above 2010 levels. In Asia-Pacific there were higher volumes of gross letting activity in India and still steady levels in greater China and Australasia, and lower activity volumes in Tokyo, Singapore, and the emerging Southeast Asian markets.

Office vacancy rates continue to reach downward in all regions. In the U.S. at year-end total vacancy rates dipped to 17.6 percent, that's 20 basis points

below the third quarter and a whole 90 basis points below the prior year picture. Europe's vacancy rates fell 30 basis points to 9.9 percent, and Asia Pacific's vacancy rates were 10.4 percent at year end, down 1 percent from the prior year number. Prime rental growth slowed in the fourth quarter, growing by less than 1 percent across 24 major world markets. Beijing with more than 9 percent rental growth and Sydney at plus 6 percent were the quarter's strongest performers. However, Singapore, Hong Kong, Chicago and Washington DC moved negative, in our view, a temporary supply demand imbalance and we expect to see a return to positive rental growth 2012.

So if you summarize all those trends, what you see globally is a continued cyclical recovery in demand for both rental space and investment sales properties. We're seeing a slight hesitancy in Q4, but a good demand based progress in 2012. With that, to discuss our own results in more detail, I'll pass the call to Lauralee.

Lauralee Martin: Thank you, Colin. Before I begin my prepared remarks, I want to note that a portion of our earnings information was somehow accessed and posted publicly about an hour prior to our intended release time. As soon as we learned of the situation, we immediately contacted the New York Stock Exchange, which briefly halted trading in our stock until we were able to fully disseminate our full earnings release through all public channels. We are investigating how it happened to ensure that it does not happen again. Now back to my formal comments.

Echoing Colin's comments, particularly given the global economic challenges we faced during 2011, we're very pleased to have finished the year with strong performance across the major majority of our service lines and geographies, which resulted in 23 percent revenue growth and 29 percent adjusted net income growth for the consolidated company. In the Americas region, annual revenue increased 21 percent to \$1.5 billion. This growth was delivered across all service lines, led by our transactional businesses. Our Leasing businesses delivered double-digit revenue growth in each of the four quarters of the year, and Capital Markets and Hotels revenue increases of 38 percent for the fourth quarter and 62 percent for the year reflect the continued successful expansions of our capital markets platform in the U.S., as well as in

Brazil and Hotels. With our strong fourth quarter performance, we improved our full year operating income margin, as we said, to with 1 percent of the prior year. Heading into 2012, our transaction pipelines for both leasing and capital markets look solid, and we are well-positioned to continue to improve on our margins in the Americas.

Turning to EMEA, the positive impact across the region of our King Sturge acquisition becomes more apparent with each successive quarter. We moved quickly to integrate our businesses and consolidate our platforms, and the effectiveness of the integration is evident by both the top-line and the bottom-line results that the region delivered in the fourth quarter. As we noted on our last call, our presence is largest in those countries that are best positioned to manage through the Euro market challenges - that being the UK, France, and Germany. And our revenue in each of those countries, as well as in Belgium, Russia, and in Central Eastern Europe, were all up significantly in the fourth quarter against the prior year. For the year, EMEA revenue increased 34 percent to \$974 million, and operating income adjusted for King Sturge amortization approximately doubled to \$39 million.

Regarding the King Sturge integration, we recognized charges in the fourth quarter of approximately \$21 million and \$43 million in the year for staff retention, lease exits, severance and other transaction costs related to the acquisition. Of those totals, \$8 million in the quarter and \$16 million in the year was part of the purchase price that the King Sturge partners paid as retention to their non-equity partners, although we account for those amounts on our books as part of the transaction costs. Apart from the King Sturge integration, we also took actions and incurred additional restructuring charges in the fourth quarter to respond to uncertainties in the economic environment across Europe, taking costs out of the business in places where market recoveries remain challenged.

Our Asia Pacific region completed a year of strong performance despite the impact on its Capital Markets and Hotels revenue of decreasing investment volumes in the broader market in the fourth quarter, with particularly low hotels volume in the quarter. Revenue across the region was up 20 percent for the full year to \$816 million, while operating income increased 34 percent, to

\$66 million. Revenue growth was balanced across service lines, including increases in Leasing, and also annuity revenue streams from Property and Facility Management. Our improved full-year results benefited from continued strength in operating performance led by our teams across greater China, India, and Australia.

Turning to LaSalle Investment Management, we completed a second year in a row with approximately \$5 billion of net capital raised. Both our private equity and our public securities businesses benefited from the capital raise activity, which was spread across geographic regions of the globe. We put over \$4 billion of capital to work during 2011, in new investments for funds and separate accounts, also across all geographic segments. Furthermore, we completed sales activity in excess of \$2 billion worldwide, generating positive returns for clients and incentive fees and equity earnings for the Firm. And last but not least, our investment performance for clients was at or above benchmarks during the year for all business segments. While some shakeout in the industry continues, LaSalle Investment Management consistently proves its competitive strength through its leading investment performance, its capital rate ability, and the resulting steady base of advisory fees.

Regarding our overall financial position, we continue to maintain our investment-grade balance sheet and benefit from low interest expense. We reduced our full-year interest expense to \$36 million from \$46 million a year ago, of which our cash interest in the fourth quarter was only \$3 million. In the fourth quarter we completed acquisitions in Singapore, Indonesia, and the Pacific Northwest of the United States, while also reducing net debt by \$184 million during that period. Our balance sheet remains a differentiator with our clients and an important priority in positioning ourselves to be able to respond to market opportunities in a consolidating industry.

In summary, we are very proud of the performance our people delivered in 2011. We've completed the year in a stronger operating and financial position than where we began. We continue to take market share, and we're well-positioned to continue increasing the strength of our business in 2012. I'll now turn the call back to Colin.

Colin Dyer: Thank you, Lauralee. Let's look now at the business which drove those results. If you turn to slide 5, you'll see a few examples of recent significant business wins. Starting with our corporate outsourcing business, in 2011 we won 62 new assignments, started our relationships with 38 clients, and renewed 41 contracts. Our local market level Corporate Solutions business, which serves mid-market corporate clients, won another 51 assignments in 2011, up from 35 in the prior year, in a rapidly growing area of our business.

In terms of specific corporate wins, GlaxoSmithKline selected us as their single real estate provider for its 80 million square foot global portfolio. We've supported GSK since 2001, working alongside other service providers, and we will now be the lead provider for this top pharmaceutical and healthcare company. In the Americas, AMC Theaters retained us to deliver project management services for 4 million square feet of remodeling projects, and UBS reappointed us real estate advisor in 27 countries across Europe.

Turning to investment sales activity, in Seattle, we completed the \$77 million sale of 1800 9th Avenue. The transaction marks the first closing of the investment sales professionals who joined us in our October merger with Pacific Real Estate Partners, to which Lauralee referred a moment ago. In the UK, we advised Legal and General, Hermes, and LaSalle Investment Management in the 312 million pound sale of a UK logistics portfolio. Major hotels transactions completed during the quarter include the \$295 million sale of the W Hotel in London. Leasing and Tenant Representation transactions and management assignments completed during the quarter included representing DirecTV to lease 630,000 square feet of space in El Segundo, California which was the largest office transaction in Los Angeles in the last 10 years. And in Slovakia, we negotiated two leases with 460,000 square feet of logistics base of Tesco International Clothing. Alastair, shall we move on to Asia-Pacific?

Alastair Hughes: Fonterra Cooperative Group, the world's leading exporter of data products, which is based in New Zealand, retained us to provide project management services in China for a production facility with total land area of over 4.4 million square feet. In Singapore, we sold the Commerce Point office building for \$161 million and in the year's largest office leading transaction

and in Seoul we represented MAPS to lease the entire 700,000 square feet Mirae Tower to SK Engineering.

Colin Dyer: And finally in the funds management area, where industry changes continue, successful businesses like LaSalle Investment Management continue to do well. In the fourth quarter, LaSalle raised \$750 million of separate account capital commitments and at year-end LaSalle's performance exceeded benchmarks for all of its business segments. Assets under management totaled \$48 billion at the year-end. Finally, investors, advisors and financial institutions continue to confirm LaSalle's position as an industry leader with the honors that included, Euro Money's '2011 Best Global Investment Manager.' It was the third consecutive year in which LaSalle has won this prestigious award.

So, let's turn to consider the all-important near-term prospects for real estate markets worldwide. Our current projections call for 2012 direct real estate investment volumes to match 2011 levels at around \$411 billion, with upside potential in the Americas. If you look at slide 6, you'll see that we expect dollar volumes in the Americas to increase by 10 to 15 percent this year, hold steady in Asia-Pacific and soften by 5 percent to 10 percent in Europe. Higher quality, well-leased commercial buildings in major city centers around the world will remain an attractive asset class for long-term investors and at Jones Lang LaSalle we expect to continue to take market share in this environment.

If you turn to slide seven, you'll see our projections for changes in rental and capital values in the prime office sector for this year. In total, we expect increases in capital values to slow in 2012, but nevertheless remain positive overall with an average increase of about 5 percent. We see a large range of growth prospects on a market by market basis however, from 20 percent or more in Beijing and minus 5 to 10 percent in Singapore and Hong Kong. Property yields will remain generally unchanged in most markets this year, with current levels supported by continued investor demand for core assets. One exception to the flattening trend is the U.S. prime office market, where we expect yields or cap rates, the top core product to continue to see downward pressure boosting capital appreciation. Global leasing volumes in

2012 will be similar to last year's levels, corporate balance sheets are strong and confidence is growing, sustaining corporate occupier activity. The rental value outlook for 2012 shows most major markets expecting to see positive growth, with Beijing, Toronto, and San Francisco emerging as the strongest performers. And Alastair, some comments on Asia-Pacific?

Alastair Hughes: Thanks, Colin. As you said, the economies of Asia Pacific are forecast to grow again this year and with the exception of the big international banks, we are seeing this reflected in the real estate growth plans over multi-national and domestic Asian clients. We have deeper levels of demand for space and there is a healthy level of supply in most markets, and these two factors will support good levels of leasing activity. There's not a lot of Western money coming into the Asian investment market right now, but there are a lot of Asian buyers and we expect investment volumes to be about the same as last year. Geographically, the fastest growing markets will be China, India and Indonesia. We have leading positions in each of these markets and our teams will be very busy helping our clients to grow.

Colin Dyer: Great. While broadly we see three trends playing out this year. Firstly, the corporate outsourcing world is going to continue to grow and particularly in Europe, as companies search further efficiencies to deal with the local issues that they're facing. Second, and as I've already said, we expect the US markets to see solid, cyclical growth and Asia-Pacific to see both cyclical and fundamental growth in real estate activity. In Europe, market growth will be generally flat. And thirdly, institutional money and emerging market high net worth money will continue flowing steadily into real estate globally, as property continues to be viewed as a safe haven against long-term inflation and possible short-term dislocation in Europe.

In our own business we're feeling positive about our prospects for the year across all markets. In terms of actions for headlines, we'll continue to focus on our clients' success in markets around the world, we will maintain our financial strength and flexibility so that we can continue to respond to opportunities, and also to handle any unexpected challenges. We'll continue to manage our costs aggressively, working to our long-term margin targets,

and we will also continue to invest selectively and strategically in future growth and profitable market share.

We are always proud to close these remarks by talking about some of the awards which we've received, honors which we believe reflect our commitment to superior client service and which underscore our leading position in real estate services and investment management. In Europe, we swept the highly regarded and Eurobuild Property Awards for Central and Eastern Europe, winning all four of the main agency categories. In the UK, we won three awards at the Hermes Responsible Property Investment Awards 2011. In the U.S. we won Best Places to Work awards in seven major markets, and we also won the Australian Facilities Management Association's Service Provider Excellence Award.

Alastair Hughes: And if I may, Colin, given the conditions which our people in Thailand contended so diligently last year, from floods to political unrest, I'd like to highlight two honors we received there. First, we were named Best Property Management Company in the Thailand Property Awards 2011 and Suphin Mechuchep, who leads our business in Thailand, was awarded the country's Quality Business Person of the Year Award, which recognizes individuals who have made outstanding achievements in both their working and private lives.

Colin Dyer: And to finish, certainly a fitting recipient for that honor. Thank you, as well to all of our staff in Thailand for seeing our clients through the recent flooding and thanks to all of our people around the world for their continued commitment to our clients and the dedication to Jones Lang LaSalle. So with that, we'll move on to questions. Operator, could you explain the process, please?

Operator: Yes. At this time if you would like to ask a question please press star then the number one on your telephone keypad. Again that is star one if you have a question. And your first question comes from the line of Brandon Dobell of William Blair.

Brandon Dobell: Wanted to focus a little bit on how we should think about the cost structure for 2012 and I guess maybe a two level question. One, it felt like some of the charges came a little faster than we had thought this quarter, so A, how should we think about how those flow through the P&L during 2012 related to the King Sturge acquisition and retention efforts? And then how do I think about savings or cost containment efforts in the different regions relative to where you finished off the year? Thanks.

Lauralee Martin: Let me take that in pieces, Brandon.

Brandon Dobell: OK.

Lauralee Martin: First of all, we've taken – of the \$56 million of restructuring charges we've taken, \$13 million of that was for non-King Sturge. We've taken actions in order to position ourselves in markets for whatever the economic environment is. So, the balance of that was King Sturge. And the principal piece of that was to consolidate offices and to do some backroom activity. So, between all of those, that sort of a run rate savings payback of about \$12 million a year, with \$6 million of it coming from King Sturge, synergies and the balance of it from right sizing.

Brandon Dobell: OK.

Lauralee Martin: And then relative to the balance of we have left, we spent about two thirds of our retention that we talked about, so there'll still be more retention. The amortization, again, we pretty much are through the backlog, so we will have two quarters where the amortization runs about \$2 million a quarter and then it drops down to where it's a little bit less than \$600,000 a quarter, so that amortization will run off here fairly quickly going into the new year. We do believe we have about \$5 million plus, it's less than \$10 million but more than \$5 million, of further consolidation for King Sturge that principally runs around backroom and technology, so there'll still be some one-time charges potentially, mostly done in the first quarter that will get us through that.

Brandon Dobell: OK.

Colin Dyer: Broad picture, Brandon, this year as we said, we'll be very cautious on adding new hires. We pretty much got a hiring pause on until we at least get through quarter one and we can see what's happening around the Euro issue. The exception of that is global, some of the more obvious momentum areas like China, parts of India. We are adding people because the market demand continues to be very robust. We will not be adding new offices this year with the exception of our usual approach to China, where we're moving across at a rate of two or three offices a year.

Brandon Dobell: Great. And maybe a follow-on to that, you briefly mentioned the longer-term margin targets, maybe narrow that down to what your definition of long-term would be or if there's any change in terms of what you think those margin targets should look like now that you are past the King Sturge acquisition?

Lauralee Martin: We haven't backed off of our margin commitments, which breaking them down, the Americas is 12 to 14 percent, EMEA, 8 to 10 percent, Asia Pacific 10 to 12 percent and then LaSalle runs about 20 percent with an upside on that for incentive and transaction fees. We'll continue to move towards those goals through this year in the Americas and Asia Pacific, so our goal is to get there in sort of the next 18 to 24 months. EMEA is dependent upon the Euro situation.

Brandon Dobell: OK.

Colin Dyer: We're making fairly good progress towards those numbers in Q1. Q2, we've already got harder and then after that you'll see the way the Euro kicked in last year really had a significant effect.

Brandon Dobell: OK. Thanks a lot. Appreciate it.

Operator: Your next question comes from the line of David Ridley-Lane of Bank of America, Merrill Lynch.

David Ridley-Lane: When I think of the U.S. leasing volumes, and I look at the slide that has the projected change in 2012 rentals, what kind of difference or – it looks like most of the cities in the US are between 0 and 10 percent. How does that

compare to 2011 rental volumes? What I'm trying to get at is how much will rent increases benefit your leasing volumes in 2012 versus 2011?

Colin Dyer: We think the overwhelming impact will be on leasing volumes, rather than the rental levels, David. Overall, broadly we think the market activity levels will be flat. That's our planning assumption for this year. What we are seeing, you'll see in last year's numbers, even in relatively flat markets, across the U.S., and I'll claim it internationally as well, even in relatively flat markets, we're able to pick up market share very helpfully. So for us, flat markets are just fine. We'll continue to grow off the back of the available business.

Just very general, our sense of business confidence in the U.S. is really quite good, almost as though it's ahead of what you're reading in the press. Quarter four GDP numbers in the US were around 3 percent, 3.5 percent growth and that was happening against all of the misery that was going on in Europe, so despite the unsettling economic news, the U.S. grew quite robustly in Q4 and you see it come through in some of the employment numbers as well. Our sense is there is actually a bit more underlying momentum in the U.S. than perhaps forecasters and even our own forecast give us credit for.

David Ridley-Lane: OK. And just maybe one follow-up, in this quarter, we saw operating expense growth slightly below revenue growth. Can the Company continue to grow costs more slowly than revenue if we see revenue growth decelerate through 2012? Thanks.

Colin Dyer: Well, that's the aim. As you heard, we are pausing hiring in Q1, we are very focused on the margin issue. If for no other reason than the uncertainty around where the Euro ends up, certainly affects Europe and has a knock on effect, secondary effect, in the other major regions at LaSalle, so we're being very cautious on the cost base, we're focusing strongly on that particularly in the first quarter and half of this year. We're expecting to see good results from that.

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

David Gold: Hi, good afternoon. Couple of follow-up questions. First, I guess the two sort of go hand-in-hand. One was curious, if you can comment a little bit more on

debt targets. I know first quarter typically has some stuff up as presumably we have some catch-up for payouts and bonuses. But where you think debt will be maybe on average for the year. And then part two, feeling at this stage on acquisition landscape and are eyes still open, would you be comfortable still doing something that or do you pause on that as well as you pause on hiring?

Colin Dyer: Let's let Lauralee talk to debt and I'll pick up the acquisition point.

David Gold: Great. Thanks.

Lauralee Martin: Our priority at the moment, as we think about cash, is things that grow the business. So, that would be if there are acquisition opportunities, which Colin can address. Our CapEx, we ended up a little bit less than \$90 million, and so a touch more than the \$85 million that we told you, but we think we'll be down in the \$85 million or less next year, and co-investment at about a \$45 million level. So, we had a very strong year end. You can see the receivables on the balance sheet, which we aggressively go after collecting.

We do pay our bonuses in the first quarter, but we feel very good about this powerful cash flow that we have for this year. We also have very little in the way of deferred payments for our acquisitions this year. The bigger payment comes next year. So, there's a modest call on that. So, we'll be weighing all of that. But at the moment, it's a progressive down on the debt level.

Colin Dyer: As a bridge from that to your second point, David. We are expecting the Euro situation to kind of be managed through this year, and there to be no major further disruptions. Nevertheless, we do have our contingency plan, and in doing that, are doing stress testing on our own forward projections which are more stringent, even than our usual ones, we're holding more cash against any liquidity issues resulting from Euro disruption. So, we are being very cautious.

That then means that in the acquisition area, we'll continue to maintain an even higher level of prudence around our balance sheet, we've got to keep that investment grade rating preciously intact through the year. And within that context, our approach to acquisitions is going to be very, very cautious, if we

do anything, it'll be relatively small-scale. If it gets funded, it will be strategic, it will be targeted. But we are looking at opportunities, looking out for opportunities across the regions and in LaSalle Investment Management. Again, all of that against the backdrop of extreme caution around our financial structure.

David Gold: Got you. One other. Lauralee, would you be able to give us a sense for how much the acquisitions done through the year contributed to the fourth quarter?

Lauralee Martin: Even with King Sturge, we no longer have that as a separate operating entity because as soon as we can consolidate, we do that. What we do know is you can see the market share gains as we performed above market levels, in Europe, in the U.S., and all of those are part of those acquisitions. So no, I can't give it to you explicitly, but I think the momentum clearly is there.

David Gold: Got you. Perfect. Thank you both.

Operator: Your next question comes from the line of Sloan Bohlen of Goldman Sachs.

Sloan Bohlen: Just a question, maybe we can follow on that for Lauralee. The out-performance on the Capital Markets side in the U.S. and Europe, would it be possible to try and break out what the King Sturge impact was in Europe and then what the acquisition impact would be in the U.S.?

Lauralee Martin: Again, we don't have that. King Sturge brought us a very robust capital markets capability, so the fact that we've had the performance that we had broadly, they obviously integrated well with our teams and were big contributors. In the U.S., where we added early to staffing, not just in 2011 but back in 2010 to be well positioned, clearly you can see that in our results, we had also very strong performance in Brazil. As you know, in the first quarter of 2011, we talked about a Hotels acquisition that we had to run through comp, and clearly had very strong Hotels activity in the Americas in the fourth quarter, so we feel good about those decisions.

Then what we've also done is picked up the capability and a lot more product types where we had historically been, primarily if not solely office-focused where today we have retail, industrial, multi-family, as well as our debt and

investment banking capabilities, so all of that is either acquisitions or acquisitions of teams and new people joining us. So, it's a robust decision on our part to have gotten in early in that cycle, and I think you're now seeing the payback.

Sloan Bohlen: OK. And then somebody had asked this question earlier, but at least in the U.S. can we expect that the early expenditure on acquiring talent, that maybe the margin impact is now done and the potential we could see some margin step-up for the Capital Markets business in the U.S.?

Colin Dyer: Both the Capital Markets business, where we have indeed this year tracked the margin and seen it move very helpfully forward, and we are expecting further progress in the course of 2012, but also more broadly across the U.S. business, as we move to improve margins through cost control and just building the business volume off of a relatively fixed-cost base. We did add a large number of brokers early in the cycle. We continue to do that, but in a very much more restrained way as the cycle proceeds. It becomes harder as the cycle goes on to pull people out of competitors. Simply because they are locked into business flow, it just becomes hard for them to leave it behind.

Sloan Bohlen: OK. And I know, Colin, you mentioned that no new offices outside of maybe China and India, but is there a broker focus that you're looking to hire? Is it still in the US? Are there any markets or segments that you're looking to expand in?

Colin Dyer: Yes. The broker focus in the U.S., clearly we've said we are building our Capital Markets business strongly. That's a strategic priority for us, as we've said showing good results. Our brokerage business continues to add selectively, where we find really good people, and generally we'll add the best and remove the less good. So, our net is less than our gross hiring. And that process is largely focused on the cities where we're currently present. So, we're not looking to expand hugely short-term in terms of the number of cities in which we are operating in the U.S., it's more adding people to existing bases, which is, of course in terms of margin accretion, an efficient process.

Sloan Bohlen: OK. Thank you, guys.

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

Will Marks: I wanted to first focus on investment management and the AUM was down slightly in the quarter, but you continue to raise capital, I assume it's a figure we would expect to grow in 2012?

Lauralee Martin: The answer is yes. We did have a slight decline in our securities business. But we had more than that offset in terms of separate accounts and our funds. We have announced that we will be exiting one of our funds in Asia during 2012. But for the assets going off as that sale occurs, we would be growing our business with new capital raises and investment dollars against that. So, in terms of advisory fees, relatively – I don't want to say flat, but not a high growth year as we replace those assets going forward.

Will Marks: And are there some meaningful incentive fees associated with that?

Lauralee Martin: We are expecting both equity earnings and incentive fees in 2012, incentive fees most likely not until the third quarter. Equity earnings possibly first quarter, maybe second, depending on the timing of everything.

Colin Dyer: While we are out raising new money, we're seeing great success with separate accounts, not only people we are prospecting or answering RFPs but new money continuing to take over selectively from other managers. In the funds world, it's obviously been a very quiet period for the last two years plus. We're out with a couple of funds currently and getting better reception than we expected and certainly a lot better than 12, 18 months ago. So, that market feels as if is beginning to warm up where we have a track record. It's very much around the points we've made about the out-performance which all our businesses are showing against benchmarks, is obviously hugely helpful in going out and talking to limited partners about new fundraising.

Will Marks: Thank you. A few other things. One, in the first question, you were discussing the restructuring charges. Can you just, in total, tell me what is left? It sounds like it's weighted towards first quarter?

Lauralee Martin: We have about \$5 million of restructuring to go. We would have amortization next year of about \$6 million, give or take. We're two thirds through our

retention, so I think the total was about \$26 million and we've taken about \$16 million. And other than that, it's probably nits and nats. If that's helpful.

Will Marks: You've taken \$16 million of \$26 million, so about \$10 million left?

Lauralee Martin: Yes.

Will Marks: OK. On APAC Lauralee, you mentioned that with investment sales or capital markets, one of the reasons for the decline was the Hotel business. It was a pretty meaningful decline. Is that the sole reason or I think Colin had mentioned that single-digit declines for the industry?

Colin Dyer: Yes. Hotels in Asia was a factor, but obviously there were some broader Asia Pacific issues in capital markets.

Alastair Hughes: There were significant market volume declines in Q4. Probably because there's very little distress in the system, so the sellers are holding firm for the prices but buyers are a little bit twitchy because they are getting depressed about the Euro. And that slight standoff meant the volumes decreased in Q4. Our revenue didn't decrease as much as market volumes, because we were picking market share. And we were also involved in a couple big transactions that didn't happen in Q4, but will happen, we think, in Q1. And generally speaking, we expect market volumes in Q1 to be pretty healthy across Asia Pacific, and we've got very strong pipeline as well.

Will Marks: OK. Thank you. If we look at further into 2012, broadly speaking, Colin or Lauralee, is the first half of the year a tougher comp than the second half?

Colin Dyer: It is. For obvious reasons. Q1 last year, generally we're talking a clear global cyclical upswing. That came – sort of hit the flashpoint in media, both in the U.S. and in Europe for sort of domestic fiscal reasons. And then Asia, as Alastair has kind of indicated, got jittery as well. So, the half one in 2011 was relatively stronger than half two. Then when you get into next year, we're coming off of a weaker relatively second half into relatively strong first half comps.

So yes, that's sort of the pattern we would expect relatively second half of the year to be easier just reversing the trends I've described. But that's one way of looking at it. Our perspective is simply that we feel we've got good momentum, we've indicated we are feeling good for the year, as a whole. We're looking to pick up on the business – on business growth quarter-by-quarter throughout the year.

Will Marks: Thank you. One final big picture question, on margins, if we look at the ability to grow the margin in 2012, it seems as if the comp and benefits line has stayed pretty flat the last few years. In terms of margin – or as a percentage of revenues. Should we look at that as not really an area of savings and rather the operating administrative of another line instead?

Lauralee Martin: Yes. I would say that, that's probably a pretty steady number. We will look to leverage our support staff for our business producers as much as possible as our growth comes through. And as we do that, that's a mix of some compensation, though a small part of that total piece. And then also, just the overall spend that goes with that. But generally, that's not going to move that number significantly. So, it's mostly going to be out of G&A.

Will Marks: OK. That's all for me. Thank you very much.

Operator: Your next question comes from the line of Michael Mueller of JPMorgan.

Michael Mueller: My question was answered. Thank you.

Colin Dyer: That was quick.

Operator: Your next question comes from the line of Mark Biffert from Bloomberg Research.

Mark Biffert: Colin, I was wondering if you could comment on the CMBS maturities that are expected to mature in Europe, I think the estimate is around \$100 billion? And just in terms of how your capital markets business and your outsourcing business could benefit from a lot of banks trying to push that off of their balance sheets in 2012?

Colin Dyer: CMBS maturities, in the US – so the biggest maturing debt worldwide is U.S. bank debt in 2011 and 2012. And the CMBS peak is 2014 and 2015 from memory, and in all of those next four years, it will be \$300 billion a year to be refinanced. That's going to have significant crowding out effects on new lending in the U.S. markets. That's also going to challenge refinancing capacity as well. That against the background where the U.S. CMBS market last year struggled to get to \$35 billion against hundreds plus five years ago. So, there's quite significant refinancing wave coming through the pipe the next two, three years. That is in turn beginning to drive the reverse effect, although the reverse side of that refinancing which is a level of sales of distressed assets, note sales, banks are selling off debt and dusting purchase by funds which are being formed – have been in place for several years to pick up activity.

What has happened to date has been that in both Europe and the U.S., there's been relatively little pressure to deal with these distress issues or poor financing structures. We see that beginning to change, and it's being changed because banks' regulators are forcing extra activity and indeed, banks' balance sheets have now been rebuilt, particularly in the U.S., to the point where they can take the losses to deal with the issues. Having said that, it's not a tsunami. It's a stream of activity. It sort of supports the numbers which we've described as our total capital markets projections for the year, so overall flat with some slight ups in the U.S. and some slight downs possibly in Europe. So, it will contribute to the activity, but it isn't going to produce any increases above the numbers we have projected for markets as a whole.

Mark Biffert: OK. And then just lastly, I'm just wondering if you could provide some color around what you're hearing from decision-makers for commercial real estate investors in terms of fund flows, making decisions based on any kind of currency movements? I think the Financial Times had an article that talked about how do Japanese were being pulled out of the Brazil market because of the depreciation of the yen and some of the regulator – because the Japanese regulators are looking at those markets more closely. And there's concern given the amount of inflows that we're seeing into the U.S. market, that, that might – last year, that, that might cause some outflows potentially that the Japanese yen has been depreciating against the U.S. dollar. Are you seeing

any of that or hearing anything on those type of decisions from real estate investors globally?

Colin Dyer: Well, overall picture, we're seeing money continue to flow into real estate and core assets in particular, still not a lot of taste for high risk activities. So it's core and core plus that people are looking for. That makes some of the bigger European cities and the big deep liquids U.S. markets obviously attractive because of those characteristics. Same would go for Tokyo.

In terms of where money is coming from, we're seeing a lot of money flowing from Asian and Middle Eastern sources of capital, and that's sovereign wealth, it's high net worth, and some corporate money and it's flowing into the U.S. and Europe. We're seeing money, as Alastair said, within Asia, investing a lot in Asia, so those flows are established and robust. We are not seeing a lot of U.S. money to go outside of the U.S. at this stage of the cycle, it's domestically focused. And as for the currency risk issue, people don't really invest with that front of mind, although in real estate, it tends to be over a sort of five to seven-year plus whole cycle where people really have trouble taking a position on a currency. What we have heard – I have heard just the last two days in Asia-Pacific, is German funds investing in Asia, and saying, please don't worry about hedging the Euro. In other words, they are bearish on the Euro and they're quite happy to see their exposure unhedged and take any appreciation they see through Asian currency exposure against the Euro.

Mark Biffert: Great. Thanks for the color.

Alastair Hughes: I would just add to that, that I totally agree with Colin. It tends to be right – just one other factor. So, if you look at all the Asian money from Malaysia, Indonesia, Singapore, Hong Kong, going into the UK market, the reason they explain their desire to buy there is there are five different reasons, and right at the end it is and Sterling looks like a reasonable value. It's just another reason but it's not the driving reason.

Mark Biffert: OK. Thanks.

Operator: And there are no other questions in queue at this time.

Colin Dyer: Thank you all for that. We'll close today's call. Thanks, all of you, for joining us again today and for your interest in Jones Lang LaSalle. And we look forward to speaking to you again at the end of the first quarter. Have a good day.

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

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