

JONES LANG LASALLE INC

Form 10-K

February 26, 2019

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934

For the fiscal year ended December 31, 2018 Commission File Number 1-13145

Jones Lang LaSalle Incorporated

(Exact name of registrant as specified in its charter)

Maryland

36-4150422

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

200 East Randolph Drive, Chicago, IL

60601

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 312-782-5800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock (\$0.01 par value)

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth corporation (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting stock (common stock) held by non-affiliates of the registrant as of the close of business on June 30, 2018 was \$7,470,521,871.

The number of shares outstanding of the registrant's common stock (par value \$0.01) as of the close of business on February 18, 2019 was 45,621,647.

Portions of the Registrant's Proxy Statement for its 2019 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

JONES LANG LASALLE INCORPORATED
ANNUAL REPORT ON FORM 10-K
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PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

Jones Lang LaSalle Incorporated is a Maryland corporation that was incorporated in 1997. References to “JLL,” “the Company,” “we,” “us” and “our” refer to Jones Lang LaSalle Incorporated and include all of its consolidated subsidiaries, unless otherwise indicated or the context requires otherwise. Our common stock is listed on The New York Stock Exchange under the symbol “JLL.”

We are a leading professional services firm that specializes in real estate and investment management. Our vision is to reimagine the world of real estate, creating rewarding opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$16.3 billion, operations in over 80 countries and a global workforce of over 90,000 as of December 31, 2018. We provide services for a broad range of clients who represent a wide variety of industries and are based in markets throughout the world. Our clients vary greatly in size and include for-profit and not-for-profit entities, public-private partnerships and governmental (“public sector”) entities looking to outsource real estate services. Through LaSalle, we invest for clients on a global basis in both private assets and publicly traded real estate securities.

Our issuer and senior unsecured ratings are investment grade as of December 31, 2018: Baa1 (stable outlook) from Moody’s Investors Service, Inc. (“Moody’s”) and BBB+ (stable outlook) from Standard & Poor’s Ratings Services (“S&P”).

We use JLL as our principal trading name. Jones Lang LaSalle Incorporated remains our legal name. JLL is a registered trademark in the countries in which we do business, as is our logo:

LaSalle Investment Management, which uses LaSalle as its principal trading name, is a wholly-owned member of the Jones Lang LaSalle Incorporated group. LaSalle is one of the world's largest and most diversified real estate investment management companies. As of December 31, 2018, LaSalle's assets under management were \$60.5 billion. LaSalle is a registered trademark in the countries in which we conduct business, as is the logo:

We deliver an array of services across four business segments. We manage our Real Estate Services (“RES”) offerings across three geographic business segments: (i) the Americas, (ii) Europe, Middle East and Africa (“EMEA”), and (iii) Asia Pacific, and we manage our investment management business globally as (iv) LaSalle Investment Management. In our Americas, EMEA and Asia Pacific operating segments, we provide a full range of leasing, capital markets, integrated property and facility management, project management, advisory, consulting, valuations and digital solutions services locally, regionally and globally.

In 2018, we generated 13% annual growth in both consolidated revenue and fee revenue. Our global platform and diverse service and product offerings position us to take advantage of the opportunities in a consolidating industry and to successfully navigate the dynamic and challenging markets in which we compete worldwide.

For a detailed discussion of our segment results, please see “Results of Operations” and “Market Risks” in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, as well as Note 3, Business Segments, in the Notes to Consolidated Financial Statements.

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OUR HISTORY

We began to establish our network of services across the globe through the 1999 merger of the Jones Lang Wootton companies ("JLW", founded in England in 1783) with LaSalle Partners Incorporated ("LaSalle Partners", founded in the United States in 1968 and incorporated in 1997). We have grown our business by expanding our client base and the range of our services and products, both organically and through a series of mergers and acquisitions. Our extensive global platform and in-depth knowledge of local real estate markets enable us to serve as a single-source provider of solutions for the full spectrum of our clients' real estate needs.

Over the last ten years, we completed nearly 90 strategic acquisitions as part of our global growth strategy. These acquisitions have given us additional share in key geographical markets, expanded our capabilities in certain service offerings and further broadened the global platform we make available to our clients.

For information on recent acquisitions, refer to Note 4, Business Combinations, Goodwill and Other Intangibles, of the Notes to the Consolidated Financial Statements, included in Item 8.

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OUR SERVICES AND BUSINESS SEGMENTS

To address the needs of real estate owners, occupiers, and investors, we leverage our deep real estate expertise and experience to provide clients with a full range of the following services on a local, regional, and global scale.

The following reflects our revenue and fee revenue by service line:

To calculate fee revenue, we deduct directly reimbursed expenses from revenue and then exclude (i) net non-cash mortgage servicing rights and mortgage banking derivative activity and (ii) gross contract costs associated with client-dedicated labor, and third-party vendors and subcontractors. Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion of fee revenue, a non-GAAP measure, and reconciliation from the most comparable U.S. GAAP measure.

The broad range of services we offer includes (in alphabetical order):

Agency Leasing	Logistics and Supply-Chain Management
Corporate Finance	Mortgage Origination and Servicing
Debt Placement	Project and Development Management / Design
Digital Solutions	Property Management
Energy and Sustainability Services	Real Estate Investment Banking
Integrated Facilities Management	Research
Investment Management & Advisory	Strategic Consulting and Advisory Services
Investment Sales	Tenant Representation
Lease Administration	Valuations

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We offer these services locally, regionally and globally to real estate owners, occupiers, investors and developers for a variety of property types, including:

Critical Environments and Data Centers	Hotels and Hospitality Facilities	Residential (Individual and Multifamily)
Cultural Facilities	Industrial and Warehouse	Retail and Shopping Malls
Educational Facilities	Infrastructure Projects	Sort & Fulfillment Centers
Government Facilities	Military Housing	Sports Facilities
Healthcare and Laboratory Facilities	Office (including flex space)	Transportation Centers

Individual segments and markets may focus on different property types to a greater or lesser extent depending on local requirements, market conditions, and client needs.

We are committed to transforming our company and our clients through technology. Across our service lines, we offer and will continue to develop and invest in unique digital solutions and products that help us and our clients strategize, build data, offer workplace technology and visualize real estate innovations. Refer to the Digital portion of our Strategic Framework section below for additional information about our digital agenda.

We believe our market reach and depth of service offerings strengthen the long-term value of the enterprise in a number of ways, including: (i) reducing the potential impact of episodic volatility or disruption in any specific region; (ii) enhancing the expertise of our people through knowledge sharing among colleagues across the globe; and (iii) allowing us to identify and quickly react to emerging trends, risks and opportunities.

Real Estate Services: Americas, EMEA, and Asia Pacific

We organize our RES offerings into five major product service lines: (1) Leasing; (2) Capital Markets; (3) Property & Facility Management; (4) Project & Development Services; and (5) Advisory, Consulting and Other Services.

For the year ended December 31, 2018, our RES revenue and fee revenue was generated as follows:

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In the Americas, our RES revenue for 2018 was \$9.0 billion, earned geographically as follows:

In EMEA, our RES revenue for 2018 was \$3.5 billion, earned geographically as follows:

In Asia Pacific, our RES revenue for 2018 was \$3.2 billion, earned geographically as follows:

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Our service lines, and the services we provide within them, include:

1. Leasing

Agency Leasing executes leasing programs, including marketing, on behalf of investors, developers, property companies and public entities to secure tenants and negotiate leases with terms that reflect our clients' best interests. In 2018, we completed approximately 16,100 agency leasing transactions representing 250 million square feet of space. Our agency leasing fees are typically based on a percentage of the value of the lease revenue commitment for executed leases, although in some cases they are based on a dollar amount per square foot leased.

Tenant Representation establishes strategic alliances with clients which may include helping them: defining space requirements; identifying suitable alternatives; recommending appropriate occupancy solutions; negotiating lease and ownership terms with landlords; and reducing real estate costs by analyzing, structuring, and negotiating business and economic incentives. We employ a multi-disciplinary approach to develop occupancy strategies linked to our clients' core business objectives.

Tenant Representation realizes revenue on a negotiated fee basis which, in many cases, landlords are responsible for paying. Fees sometimes reflect performance measures related to targets that we and our clients establish prior to engagement or, in the case of strategic alliances, at future annual intervals. We use quantitative and qualitative measurements to assess performance relative to these goals, and we may be awarded incentive fees for superior performance. In 2018, we completed approximately 21,400 tenant representation transactions representing 821 million square feet of space.

2. Capital Markets

Capital Markets includes property sales and acquisitions, real estate financings, private equity placements, portfolio advisory activities, and corporate finance advice and execution. We provide these services for substantially all types of properties, including hotel and hospitality assets. In the U.S., we are an approved HUD/Ginnie Mae, Fannie Mae and Freddie Mac commercial multifamily lender and loan servicer. Real Estate Investment Banking includes sourcing capital, both equity and debt, derivatives structuring, and other traditional investment banking services designed to assist investor and corporate clients in maximizing the value of their real estate. To meet client demands for marketing real estate assets internationally and investing outside of their home markets, our Capital Markets teams combine local market knowledge with our access to global capital sources to provide superior execution in raising capital for real estate transactions. By researching, developing and introducing innovative new financial products and strategies, Capital Markets is also integral to the business development efforts of our other businesses.

Clients typically compensate Capital Markets units on the basis of the value of transactions we complete or securities we place. In certain circumstances, we receive retainer fees for portfolio advisory services. Real Estate Investment Banking fees are generally transaction-specific and conditioned upon the successful completion of the transaction. During 2018, we provided capital markets services for approximately \$179 billion of client transactions.

3. Property & Facility Management

Property Management provides on-site management services to real estate owners for office, industrial, retail, multifamily residential and specialty properties. We seek to leverage our market share and buying power to deliver superior service and value to our clients. We provide services through our own employees or through contracts with third-party providers, striving to maintain high levels of occupancy and tenant satisfaction while lowering clients' property operating costs. As of December 31, 2018, we provided on-site property management services for properties totaling approximately 3.2 billion square feet.

We typically provide property management services through an on-site general manager and staff. Our general managers are responsible for day-to-day property management activities, client satisfaction and financial results. We support them with regional supervisory teams and central resources in such areas as training, technical and environmental services, accounting, marketing, and human resources. We are generally compensated based upon a percentage of cash collections on behalf of our clients or square footage managed; however, in some cases, management agreements provide for incentive compensation relating to operating expense reductions, gross revenue or occupancy objectives, or tenant satisfaction levels. Consistent with industry custom, management contract terms typically range from one to three years, although some contracts can be terminated at will at any time following a short notice period, usually 30 to 120 days, as is typical in the industry.

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Integrated Facilities Management ("IFM") provides comprehensive portfolio and facility management services to corporations and institutions that outsource the management of the real estate they occupy. Through digital investments, procurement and supply chain management expertise, as well as process discipline across a globally integrated platform, we provide services at a lower cost than our clients could otherwise achieve themselves while also enhancing the human experience of their employees and other end-users of their space. Technology is the backbone of our IFM delivery, leveraging advanced products such as cloud-based work order management and advanced business intelligence tools that empower clients in their space optimization assessments. Our IFM services focus on the day-to-day management of client locations and include, but are not limited to, repairs and maintenance, call center operations, security and landscaping delivered through an integrated model. Our extended delivery team includes our own personnel as well as third-party vendors and subcontractors. Facilities under management cover all real estate asset classes, including corporate headquarters, distribution facilities, hospitals, research & development facilities, data centers and industrial complexes. As of December 31, 2018, IFM managed approximately 1.4 billion square feet of real estate for our clients.

Our target clients typically have large portfolios (usually over one million square feet) that offer significant opportunities to reduce costs and improve service delivery. The competitive trends of globalization, outsourcing and off-shoring have prompted many of these clients to demand consistent service delivery worldwide and a single point of contact from their real estate service providers. We tailor our service delivery to individual client needs by combining our large global platform with substantial local expertise. Depending on client needs, our IFM personnel, either alone or as partners with other business units or third-party providers, frequently also provide services beyond core IFM including portfolio planning, agency leasing, tenant representation, acquisition, finance, disposition, development management, energy and sustainability services, digital solutions and land advisory services.

IFM contracts are typically structured to include reimbursement for costs of client-dedicated personnel and third-party vendors and subcontractors in addition to a base fee and a performance bonus. Performance bonus compensation results from achievement of quantitative performance measures and regularly scheduled client satisfaction surveys. IFM agreements are typically three to seven years in duration, although most contracts can be terminated at will by the client upon a short notice period, usually 30 to 60 days, as is typical in the industry.

In the U.S., the UK and selected other countries, we provide Mobile Engineering services to clients with large portfolios of sites or where we have multiple clients in proximity to each other. Rather than using multiple vendors to perform facility services, clients hire us to provide HVAC, electrical and plumbing services, and general interior repair and maintenance. Our multi-disciplined mobile engineers serve numerous clients in a specified geographic area, performing multiple tasks in a single visit and are responsible for the operational success of the sites they service. This service delivery model reduces clients' operating costs by bundling on-site services, leveraging resources across multiple accounts, and reducing travel time between sites.

4. Project & Development Services

Project & Development Services provides consulting, design, management and build services to tenants of leased space, owners in self-occupied buildings and owners of real estate investments, leveraging technology to drive outstanding service delivery. In addition to strategic occupancy planning services, we bring a life-cycle perspective to our clients, from consulting and capital management through design, construction and move in. Project & Development Services also manages all aspects of development and renovation of commercial projects for our clients, in some cases serving as a general contractor. In addition, we provide these services to public-sector clients, particularly to military and government entities, as well as educational institutions, primarily in the U.S. and to a growing extent in other countries. Predominantly in Europe, we provide design, fit-out and refurbishment services on a principal basis under the Tétris brand.

Our Project & Development Services business is generally compensated on the basis of negotiated fees and reimbursement of costs when we are principal to a contract (or client). Individual projects are generally completed in less than one year, but client contracts may extend multiple years in duration and govern a number of discrete projects.

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5. Advisory, Consulting and Other

Advisory and Consulting delivers innovative, results-driven real estate solutions that align with client business objectives. We provide clients with specialized, value-added real estate consulting services in such areas as technology implementation and optimization, mergers and acquisitions, asset management, occupier portfolio strategy, workplace solutions, location advisory, industry research, financial optimization strategies, organizational strategy and Six Sigma process solutions. Our professionals focus on translating global best practices into local real estate solutions, creating optimal financial and operational results for our clients across asset classes.

We typically negotiate compensation for Advisory and Consulting based on developed work plans that vary based on the scope and complexity of projects.

Valuation helps clients determine market values for office, retail, industrial, mixed-use and other types of properties. These services may involve valuing a single property or a global portfolio of multiple property types. We conduct valuations, which typically involve commercial property, for a variety of purposes supporting our clients, including acquisitions, dispositions, debt and equity financings, mergers and acquisitions, securities offerings (including initial public offerings) and privatization initiatives. Clients include occupiers, investors and financing sources from the public and private sectors. We usually negotiate compensation for valuation services based on the scale and complexity of each assignment, and our fees typically relate in part to the value of the underlying assets.

We provide Energy and Sustainability Services to occupiers and investors to help them develop and enhance corporate sustainability strategies, address climate risk, green their real estate portfolios, reduce their energy consumption and carbon footprint, upgrade building performance by managing Leadership in Energy and Environmental Design ("LEED") construction or retrofits, provide sustainable building operations management, and prepare corporate social responsibility and sustainability reports. We have energy and sustainability accredited professionals worldwide. Our teams can benefit a wide range of clients, including Leasing clients who commission green leases, green interior design and green assessments of prospective buildings; Capital Markets and Investment Management clients who want green building valuation assessments; and Project & Development Services clients who request green retrofits to existing buildings. Refer to our latest Global Sustainability Report, available on jll.com, for metrics on documented energy savings, reduction in greenhouse gas emissions and the work of our sustainability teams.

We generally negotiate compensation for Energy and Sustainability Services for each assignment based on shared savings or the scale and complexity of the project.

Corporate Solutions

Rapid and complex change, including digitization, increasing regulation, globalization and evolving workforce demographics, have created a new world of work and, as a result, a new mandate for corporate real estate with significant opportunities for growth. Our global Corporate Solutions business is positioned to capture this growth by partnering with clients across industries to drive strategic value from their corporate real estate portfolios and people. During 2018, our Corporate Solutions business continued to expand its client base as follows:

FY 2018 JLL Client Wins

Total Wins	New Business	Expansions	Renewals
275	145	78	52

While each client is unique, they are consistent in looking for real estate to enable business transformation around three key value levers.

Enabling data-driven decisions

- ▲ Achieving operational excellence through improved productivity and financial performance
- ▲ Attracting and retaining key talent through an enhanced corporate real estate user experience

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Our comprehensive global service delivery platform is designed to achieve these outcomes through a diverse range of strategy, services and digital solutions that address clients' entire real estate life cycle on both a local and global scale. We consider the real estate life cycle to include: portfolio, capital and operations decisions.

Portfolio. Through the nexus of services our Corporate Solutions business provides to clients, we gain unique information about their corporate real estate footprints and the organizational strategies they have developed to succeed. Combining this with the expertise we can draw from our broader integrated global platform, we advise our clients about how to optimize their workplace strategies and occupancy planning efforts. More broadly, this advice may extend to our clients' portfolio strategies. When evolution of strategies dictates change, our Corporate Solutions business partners with other professionals throughout our organization to help clients execute leasing, acquisition and disposition strategies.

Capital. Our Corporate Solutions business advises clients across the world about how and when to make critical capital decisions regarding their workplaces and corporate real estate portfolios to maximize the returns on such investments. In many geographies, our design & build professionals work alongside clients to capture the vision of their organizations through the design of space they occupy. We then manage, and in some cases are responsible for, the successful completion of the fit-out activities to achieve their vision. Helping our clients manage the costs they incur to realize their space and location objectives is essential to that strategy. When capital decisions involve a change in location, our relocation management professionals facilitate smooth transitions.

Operations. IFM is our largest service offering within Corporate Solutions and includes management of integrated services that improve operations and performance of individual facilities, as well as the experience of employees and other end-users of the space. Most frequently, new Corporate Solutions client relationships are formed through IFM business wins, which we accomplish both through transitions from other service providers or conversions from in-sourced real estate management models. In addition to maximizing efficiency and quality of service delivery, our digitally-enabled platform also provides clients with opportunities to tailor the balance of services we provide versus what they self-perform.

In an era of rapid digital evolution, technology is core to the advancement of our Corporate Solutions business in all facets. This is enabled by a best-in-class approach to technology and data management that centers around a structured product management discipline, a holistic build-buy-partner strategy and investments in world-class technology talent. Corporate Solutions brings a unique, comprehensive offering that covers all client technology needs, from consulting and foundational data management and Smart Buildings, to RED(sm) - our proprietary analytics and BI platform - that delivers actionable insights. Through Digital Solutions, which we have grown primarily through strategic acquisitions, our professionals assist clients in their selection and implementation of real estate-related software and applications to better help them understand their portfolios and drive efficiencies. We are committed to innovation to advance our Corporate Solutions business as the digital evolution continues.

LaSalle

Complementing our real estate services capabilities, our global real estate investment management business, LaSalle, has three priorities:

- Deliver superior risk-adjusted investment returns to our clients
- Develop and execute investment strategies that meet the specific investment objectives of our clients
- Deliver uniformly high levels of client service globally

We are one of the world's largest managers of institutional capital invested in real estate assets and securities, providing investment management services to institutional and retail investors, including high-net-worth individuals. We seek to establish and maintain relationships of trust with sophisticated investors who value our global platform and extensive local market knowledge.

LaSalle provides clients with a broad range of real estate investment products and services in the private and public capital markets. We design these products and services to meet the differing strategic, asset allocation, risk/return and liquidity requirements of clients. The range of investment solutions includes private investments in multiple real estate property types, including office, retail, industrial, health care and multifamily residential, as well as investments in debt. We act either through commingled investment funds or single client account relationships ("separate accounts"). We also offer indirect public investments, primarily in publicly traded real estate investment trusts ("REITs") and

other real estate equities.

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LaSalle's assets under management of \$60.5 billion, as of December 31, 2018, by geographic distribution and fund type were as follows (\$ in billions):

We believe LaSalle's success is the product of our strong investment performance, industry-leading research capabilities, experienced investment professionals, innovative investment strategies, global presence and coordinated platform, local market knowledge and strong client focus. Research and strategy are integrated throughout the investment management process, from portfolio strategy formulation and property acquisition, through ongoing asset management and disposition.

The investment and capital origination activities of our investment management business have become increasingly global. We have invested in direct real estate assets in 20 countries around the globe, as well as in public real estate companies traded on all major stock exchanges.

Where consistent with client requirements and market terms and conditions, LaSalle from time to time retains JLL to provide services to assets in LaSalle funds in the ordinary course of business.

Direct Investments in Real Estate Properties (Separate Accounts and Commingled Funds)

In serving our investment management clients, LaSalle is responsible for the acquisition, financing, leasing, management and divestiture of real estate investments across a broad range of real estate property types. LaSalle launched its first institutional investment fund in 1979 and currently has a series of commingled investment funds, including seven funds that invest in assets in the Americas, seven funds that invest in assets located in Europe, and five funds that invest in assets in Asia Pacific. LaSalle also maintains separate account relationships with investors for whom we manage private real estate investments.

LaSalle is the advisor to Jones Lang LaSalle Income Property Trust, Inc. ("JLL IPT"), a daily valued, non-listed U.S. real estate investment trust launched in 2012 that gives suitable individual investors access to a growing portfolio of diversified commercial real estate investments. As of December 31, 2018, JLL IPT had \$2.6 billion in assets under management.

Some investors prefer to partner with investment managers willing to co-invest their own funds to more closely align the interests of the investor and the investment manager. We believe that our ability to co-invest alongside our clients' funds will continue to be an important factor in maintaining and continually improving our competitive position. We believe our co-investment strategy strengthens our ability to raise capital for new real estate investments and real estate funds. In addition, co-investment may bring the opportunity to provide additional services related to the acquisition, financing, property management, leasing and disposition of such investments. As of December 31, 2018, we had a total of \$306 million of co-investments, alongside our clients, in real estate ventures included in LaSalle's total assets under management.

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LaSalle is generally compensated for investment management services for private equity investments based on capital committed, invested and managed (advisory fees), with additional fees (incentive fees) tied to investment performance above benchmark levels. In some cases, LaSalle also receives fees tied to acquisitions and dispositions. Our investment funds have various life spans, typically ranging between five and nine years, but in some cases they are open-ended. Separate account advisory agreements generally have specific terms with "at will" termination provisions, and include fee arrangements that are linked to the market value of the assets under management, plus incentive fees in some cases.

Investments in Public Securities

LaSalle also offers clients the ability to invest in separate accounts focused on public real estate securities. We invest the capital of these clients principally in publicly traded securities of real estate investment trusts and property companies. As of December 31, 2018, LaSalle had approximately \$6.9 billion of assets under management in these types of investments. LaSalle is typically compensated by securities investment clients on the basis of the market value of assets under management.

INDUSTRY TRENDS

We are focused on four major macroeconomic trends affecting the real estate sector today, each with an estimated multi-year lifespan:

Rising investment allocations and globalization of capital flows to real estate

Once categorized as alternative investments, real estate has emerged over the past decade as a major defined asset class of its own, with a sustained long-term trend of attracting rising investment allocations. Investors continue to allocate significant portions of their investment capital to real estate. Supporting that, we see parallel sustained growth trajectories in transaction volumes and in capital flows across borders and between continents, creating new opportunities for advisors and investment managers equipped to source and facilitate international real estate capital flows and execute cross-border transactions. Our real estate investment expertise, linking seamlessly across the world's major markets, is ideally placed to support our clients' investment ambitions.

As noted above in the LaSalle section, many investors have shown a desire to commit their capital to investment managers willing to co-invest their own capital in specific real estate investments or real estate funds.

Growth in corporate outsourcing

As a proportion of the total commercial-built real estate worldwide, corporate outsourcing of real estate services is still at a relatively early stage, but it is a trend that continues to move steadily upward as more businesses look to drive efficiency and returns by partnering with dedicated real estate service providers. In recent years, outsourcing of professional real estate services has increased substantially, as corporations focus their own resources on core competencies. Although some continue to unbundle and separate the sources of their real estate services, medium-to-large users of commercial real estate services continue to demonstrate an overall preference for working with single-source service providers able to operate seamlessly from a local to global level. The ability to offer a full range of services on this scale requires significant infrastructure investment, including digital applications and personnel training. Smaller regional and local real estate service firms, with limited resources, are less able to make such investments. In addition, public and other non-corporate users of real estate, including government agencies and health and educational institutions, have begun to outsource real estate activities as a means of reducing costs. As a result, we believe there will continue to be significant growth opportunities for companies like ours that can provide integrated real estate services across many geographic markets and types of clients.

Many such clients are striving to control costs by outsourcing or off-shoring non-core business activities. Both trends have increased the demand for global real estate services, including facility management, tenant representation and leasing, and property and energy management services. We believe that these trends will favor real estate service providers with the capability to provide services - and at consistently high service levels - in multiple markets around the world. Our diverse outsourcing services, shown below, address clients' needs across the real estate life cycle.

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Urbanization

Growing urbanization continues to be a powerful global trend. In its May 2018 report, the United Nations Department of Economic & Social Affairs predicted that 68% of the global population will live in urban areas by 2050, up from 55% as of the publication date (with total global population growth of just over 1% per year). More specifically, the international hub cities where we and our clients do a substantial majority of our business are thriving. This is another sustained trend that successfully overrides national and global political changes and uncertainties.

4th Industrial Revolution

The 4th Industrial Revolution technology, data and the rapid rise in applications of artificial intelligence ("AI") is changing everything. However, there is currently no single technology disruptor positioned to dominate the real estate industry. Instead, thousands of start-ups, applications and concepts are vying to transform the marketplace. The challenge to innovate and maximize the potential benefits of new technology, data and AI uses is constant. At the heart of our Beyond strategy (discussed in detail below), supported by major ongoing investments and innovations, we continue to accelerate progress toward our goal of becoming the widely-recognized leading user of technology and data in real estate.

SUSTAINING OUR ENTERPRISE: A BUSINESS MODEL THAT COMBINES DIFFERENT CAPITAL TO CREATE STAKEHOLDER VALUE

Our global sustainability commitment - Building A Better Tomorrow

Our vision is to make JLL a world-leading, sustainable professional services firm by creating spaces, buildings and cities where everyone can thrive. The world's financial, social and environmental challenges demand a bolder response from businesses around the globe. This is why we are committed to new ways of partnering with our stakeholders to achieve shared ambitions for a sustainable future.

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From serving our clients and engaging our people, to respecting natural resources in our workplaces and building community relationships, we are focused on what is good for business and for a sustainable future. This progressive approach increases value for all our stakeholders and leads to responsible investment decisions as well as healthier, safer and more engaged people. We are Building a Better Tomorrow everywhere we can.

Creating sustainable value for all our stakeholders

We have designed our business model to (i) create value for our clients, shareholders and employees, (ii) establish high-quality relationships with the suppliers we engage and the communities in which we operate, and (iii) respond to macroeconomic trends impacting the real estate sector. Based on our intimate knowledge of local real estate and capital markets worldwide, as well as our investments in thought leadership and technology, we create value for clients by addressing their