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JLL - Q2 2017 Jones Lang LaSalle Inc Earnings Call

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OVERVIEW:

Co. reported 1H17 revenues of $3.5b and adjusted net income of $104m or $2.27 per diluted share. 2Q17 revenues were $1.8b and adjusted net income was $83m or $1.82 per diluted share.

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Jones Lang LaSalle Incorporated's Second Quarter 2017 Earnings Conference Call. For your information, this conference call is being recorded. I would now like to turn the conference over to Grace Chang, Managing Director of Investor Relations. Please go ahead.

Grace T. Chang - *Jones Lang LaSalle Incorporated - MD of Corporate Finance and IR*

Thank you, operator. Good morning, and welcome to our second quarter 2017 conference call for Jones Lang LaSalle Incorporated. Earlier this morning, we issued our earnings release, which is available on the Investor Relations section of our website, jll.com, along with the slide presentation intended to supplement our prepared remarks.

During the call, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of non-GAAP financial measures where appropriate to GAAP in our earnings release and supplemental slides. As a reminder, today's call is being webcast live and recorded. A transcript of this conference call will also be posted on our website.

Any statements made about future results and performance or about plans, expectations and objectives are forward-looking statements. Actual results and performance may differ from those forward-looking statements as a result of factors discussed in the company's annual report on Form 10-K for the fiscal year ended December 31, 2016, and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking comment.

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

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

Thank you, Grace, and hello to everyone joining the review of our second quarter and first half results. Our CFO, Christie Kelly, is with us on today's call and she will provide details of our performance in a few minutes.

To start, I will summarize our results. We recorded double-digit revenue growth across all 3 geographical regions for both the quarter and first half. In the second quarter, total revenue was up 14% in U.S. dollars to $1.8 billion compared with the second quarter a year ago. Fee revenue also increased by 14% to $1.5 billion. The quarter's revenue growth was led by strong Leasing and Capital Markets contributions. As we continue to integrate recent acquisitions, we also saw expansion in our Corporate Solutions business. And LaSalle continued to deliver strong annuity revenue.

For the first half of the year, revenue increased 17% year-on-year to $3.5 billion. Fee revenue was also up 17% to $2.9 billion. Adjusted net income was $83 million for the quarter compared with $88 million a year ago. For the first half, adjusted net income totaled $104 million compared with $125 million last year. Adjusted diluted earnings per share totaled $1.82 for the quarter compared with $1.93 in the second quarter of 2016. For the first half, adjusted diluted earnings were $2.27 a share compared with $2.75 for the same period in 2016.

Our focus on managing working capital continued to strengthen operating cash flows during the quarter. And further reinforcing our balance sheet and financial flexibility, we issued EUR 350 million of fixed rate unsecured notes to extend our debt maturity profile at favorable rates. Finally, in July, we launched JLL Spark, a new global business which will extend our progress in delivering innovative, technology-driven real estate services to the firm and our clients.

From a macro perspective, we operated in a solid environment. Despite political headwinds, the second quarter saw continued momentum in the global economy with GDP growth now projected to reach 3.5% this year, up from 3.1% in 2016. For details, please see the slides posted in the Investor Relations section of jll.com.

Slide 6 shows activity in Capital Markets and Leasing. Capital continued to seek investments in real estate with $297 billion of global transactional volumes recorded in the first half, up 2% from a year ago. Capital values growth for prime assets in 26 major office markets increased to 4.7%, largely due to income growth. Prime office yield compression of 25 basis points was recorded in several markets, including Stockholm, Brussels and Hong Kong. Leasing activity remained stable during the first half with global volumes virtually unchanged year-on-year. The global office vacancy rate also remained stable at 11.9%. Rental growth for prime offices in 26 major markets expanded to 3.5% in the quarter, up from 2.7% at the end of 2016.

I would add that both our Capital Markets and Leasing revenues compared favorable with markets volumes for both the quarter and the first half. For a more detailed comment on our performance, I will turn the call over to Christie.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Thank you, Christian, and welcome to everyone on our call. Christian provided the headline summary of our results for the quarter and year-to-date, so I will move directly to the details of our performance.

Revenue growth occurred across all geographic segments, reflecting expansion of both transaction and annuity businesses with strong organic gains for both the quarter and year-to-date. Organic revenue increases for both the quarter and year-to-date accounted for 43% of Real Estate Services fee revenue growth with the balance coming from acquisitions completed after the second quarter of 2016.

All service lines grew organically with the most notable growth in Leasing. Total JLL Leasing revenue grew 15% for the quarter and 17% year-to-date, nearly all organic and fueled by strong U.S. markets and Corporate Solutions performance. Total JLL Capital Markets fee revenue grew 5% for the quarter and 8% year-to-date in U.S. dollars, most of which was organic, highlighting particularly strong transaction execution by our teams in the U.S., Germany and Greater China.

Our Property & Facility Management fee revenue grew at nearly 50% for both the quarter and year-to-date, driven by the acquisition of Integral U.K. plus organic growth of 7%. Project & Development Services grew 14% for the second quarter and 16% for the year, primarily driven by organic growth. Advisory and Consulting grew nearly 25% for both the quarter and year-to-date as a result of the acquisition of our valuation services and technology solutions businesses in the U.S.

We have provided additional information on our margins on Page 7 of our supplemental slides. Adjusted EBITDA margin, calculated on a fee revenue basis, was 10% for the quarter and 7.7% year-to-date, a decline of 190 basis points and 220 basis points respectively on a constant-currency basis. For the second quarter, we had positive organic accretion from our business and from M&A completed before the second quarter 2016.

We also generated positive margin performance, driven by securing operating cost savings and from faster collections of past due receivables. The positive accretion was offset by the anticipated decline in LaSalle incentive fees and also by continued investments in technology and data. As previously reported, the Integral acquisition also contributed to the decline. Consistent with our capital allocation strategy, we have slowed the pace of M&A to focus on integration of prior acquisitions and have shifted investments primarily to technology and data. Year-to-date, we closed 4 new M&A transactions valued at $26 million.

A few meaningful highlights regarding acquisitions completed after the second quarter 2016 are as follows. First, acquisitions accounted for nearly 60% of our quarterly consolidated Real Estate Services fee revenue growth, including 26% for the Americas, 26% for APAC and nearly all of our EMEA growth. Two, nearly 90% of the acquisitions we completed contribute to growth in annuity revenue and more stabilized performance throughout real estate cycles. Three, we funded $401 million or 68% of the total estimated M&A valuations. Future payments are tied to the revenue and margin performance of our business teams. Four, we expect acquisitions to generate over 16% EBITDA margin excluding Integral and more than 8% including Integral. And five, as indicated previously, we are on track to generate 10% after-tax return on capital for this year for recently completed acquisitions. As we continue to successfully integrate the businesses we have acquired since second quarter 2016, we aim to achieve greater returns generated by synergies and cross-sell opportunities.

As it relates to technology investments, nearly 60% continued to be focused on front-end client-facing tools and data management while the balance support our legacy systems and infrastructure support as well as our service centers and supply chain leadership capabilities. We are moving toward a well-balanced ratio and technology investment spend as a percentage of annual fee revenue with an overall target of 3% to 4%.

Our balance sheet reflects total net debt of $1.3 billion as of June 30, 2017, a decrease of $121 million from the first quarter, primarily reflecting business performance and ongoing improved working capital management. Additionally, during the second quarter, we completed a private placement debt issuance of EUR 350 million. This enabled us to improve the balance sheet of our fixed and variable rate debt, extend maturities, take advantage of an attractive rate environment with top-tier investors and create a natural hedge to our euro-based income. We've used the proceeds to reduce outstanding borrowings on our credit facility. We remain committed to our investment-grade balance sheet, and we are focused on managing our leverage profile and our liquidity position.

Turning to segment results following local currency, except for Capital Markets, which aligns with U.S. dollar-denominated research data. Second quarter fee revenue in the Americas increased 18% over second quarter 2016 and 20% year-to-date. Over 70% of the second quarter growth was achieved organically through notable increases in Leasing and Project & Development Services. Additionally, for the quarter, Corporate Solutions drove approximately half of this growth. Capital Markets generated 10% fee revenue growth for the quarter against total market volumes that were down 7%. This quarter's outperformance reflects organic growth driven by a combination of debt-related activity and hotel transactions.

Our Leasing business outperformed the market with growth of 21% over the prior year second quarter. Our solid organic growth performance was driven by the strength in New York, the Northwest, Texas and Florida. Additionally, Corporate Solutions leasing services drove approximately 20% of the Leasing growth for the quarter, driven by our integrated portfolio services platform, which combines Leasing and Consulting-related services into one strategic offering. Our performance also reflected a 20% increase in the average deal size for top transactions.

Property & Facility Management, Project & Development Services and Advisory, Consulting all turned in impressive fee revenue growth for the quarter of 6%, 18% and 64%, respectively. Performance was driven by new clients and portfolio expansions as well as by acquisitions, such as BRG and our new valuations platform, which are enabling additional cross-selling. Corporate Solutions grew fee revenues double digits, driven by integrated portfolio services, Project & Development Services and technology solutions. Service delivery and enhanced technology platform fuel our ability to win and retain more business and to expand the scope of multiyear contracts.

Adjusted EBITDA margin for the quarter was 12.4% on a fee revenue basis, up 180 basis points from the prior year. Positive margin expansion was driven by organic gains in transactional businesses and Corporate Solutions. Slightly offsetting these were a number of investments in platform-related costs, including IT and infrastructure support, the renewal and expansion of offices in response to growth and investments in transformative technology services for our clients.

Turning to EMEA. The second quarter's top line reflects an intentional shift in our service mix to annuity-based income from acquisitions that provide more stable recurring revenue. Total fee revenue grew by $106 million or 42%, driven by Integral. Capital Markets fee revenue in the second quarter grew 3% year-over-year compared with investment sales volume being up 4%. We saw good performance across several Continental European countries, led by Germany in both the residential and retail sectors.

EMEA Leasing revenues were up 7% for the quarter, reflecting positive performance in a flat market. We saw strong organic growth in office leasing in the U.K., Germany and Spain as well as growth in industrial leasing, led by Poland and France. Property & Facility Management fee revenue grew over 2x for the quarter primarily due to the acquisition of Integral. Project & Development Services fee revenue was relatively flat for the quarter while Advisory and Consulting revenue grew 11% organically, driven by Spain, Germany and pan-EMEA.

The EMEA region delivered adjusted EBITDA margins of 4% in the second quarter, a decrease of 300 basis points from the prior year. Solid growth in transactional businesses across a number of countries, combined with expense management, expanded margins organically. However, this was more than offset by the shift in service mix associated with the continued integration of Integral, together with investments in technology and data.

Moving to Asia Pacific. Total revenue grew by $55 million or 18%. Fee revenue increased by $24 million or 10%. Leasing revenue across Asia for the second quarter, while down by 5% year-over-year, with good performance relative to the market decline of 13%. We saw particularly good performance in China and Australia. Capital Markets revenue declined by 2% for the quarter, underperforming market volumes that were up by 10%. The revenue decline was due to outsized prior year hotel transactions. Adjusting for hotels, Capital Markets revenue grew in line with market volume with notable performance in China, Hong Kong and Singapore.

A highlight in Asia Pacific was the continued fee revenue growth of our Property & Facility Management business, Project & Development Services and Advisory and Consulting business with increases of 16%, 35% and 8%, respectively. Notably, fee revenue for our annuity businesses accounted for nearly 90% of the growth for the quarter and represents the fastest-growing services for the past 6 quarters.

Second quarter adjusted EBITDA margins of 8.3% were down 80 basis points compared with the second quarter last year. Margins were impacted by growth in annuity revenues, exceeding growth in higher-margin transactional revenues and strong hotel performance in the second quarter of 2016.

LaSalle Investment Management delivered a solid quarter after an exceptionally strong performance comparable in second quarter 2016. Second quarter advisory fees were flat, in line with assets under management, as acquisition activity, valuations and foreign exchange increases were offset by dispositions. LaSalle raised over $1 billion in new capital during the second quarter. Incentive fees, as noted in our 2017 operating outlook, were significantly lower than the prior year based on the lifecycle of fund maturities and asset disposition plans and various funds.

Adjusted EBITDA margin, excluding equity earnings, calculated on a fee revenue basis, was 30.8% for the quarter compared with 37.3% in the prior year. The margin contraction is largely the result of anticipated lower incentive fees. Our outlook in LaSalle incentive fees and equity earnings remains unchanged for the full year. For additional information regarding our 2017 business outlook and operating assumptions, please refer to Page 9 of our supplemental slides.

And now back to Christian for closing remarks.

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

Thank you, Christie. Slide 21 offers a few of our recent business wins across service lines and geographies. As I've said earlier, our Capital Markets and Leasing business continued to record major wins. In our Corporate Services business, we won 95 new assignments during the first half, expanded existing relationships with another 42 clients and renewed 23 contracts. These 160 wins totaled 393 million square feet across all regions and reflect an overall 73% win rate.

Our recent investments in technology and data contributed to a number of these wins. Consider BRG, for example, a third quarter 2016 acquisition, which has made us the global industry leader in integrated workplace management systems. In the second quarter of this year, BRG helped us win a major assignment from a Fortune 100 energy company. And we leveraged an existing BRG relationship to win a multiple service assignment from a leading global technology company.

Another 2016 acquisition, ATG, brought us a range of technology products focused on the special needs of health care real estate. In the second quarter this year, this helped us win new or expanded technology from 12 health care clients. LaSalle's assets under management remained steady at $57.6 billion as of June 30. As I mentioned at the beginning of my remarks, LaSalle continued to deliver a healthy annuity revenue.

Looking forward, our researchers see the weight of capital targeting real estate investments continuing to increase through the year. We see investment transaction volumes remaining on par with 2016 levels at about $650 billion. This will also work to the benefit of LaSalle's Investment Management. We predict that global leasing volumes will match 2016 levels with volume slightly higher than last year in the U.S., stable in Europe and slightly lower in APAC.

As we look ahead, the combination of stable market conditions and our own continued good prospects for new business give us confidence. There are, however, several business drivers that temper such optimism. They include large first half transaction size in the U.S. relative to last year. Such front-loading helps us derisk our full year outlook but could impact second half transaction levels. Second, the Integral acquisition drove year-over-year revenue in the first half, but as of August 1 is now part of our organic base. Third, LaSalle has already recognized the majority of incentive fees and equity earnings expected for the year. And finally, the impact of our continuing investments in data and technology.

But even when we consider these factors, we remain confident that we will deliver within the operating framework we originally set for 2017 with fee revenue growth of 8% to 11%, adjusted EBITDA margins of 10% to 12% and our LaSalle outlook remaining constant. As Christie said, our business outlook is summarized on Slide 9.

Our ongoing investments in data and technology, highlighted by the recent launch of JLL Spark, continue to position us to take advantage of our industry's digital transformation. The acquisition we have made in recent years have expanded our client service and new business generation capabilities. These investments are keeping us at the forefront of the change affecting our industry, enabling JLL to respond to the shifting needs and demands of our clients while also generating profitable new growth for our firm. Finally, our strong balance sheet and financial flexibility will help us keep investing in the business.

Ultimately, we will look to our talented colleagues in all parts of the world to provide superior client service and capture the opportunities that lie ahead. To get a sense of the caliber of these people, I will close by mentioning a few of many awards they won during the quarter. We were named one of LinkedIn's Top Companies for the second consecutive year. For the third straight year, we were recognized as a Best Place for Women & Diverse Managers to Work by Diversity MBA Magazine. JLL won a total of 23 awards at the 2017 International Property Awards in Asia Pacific. And our 2016 annual report earned a platinum award from the League of American Communications Professionals. Thanks to everyone who contributed to these and many other honors.

Now let's turn to your questions. Operator, will you please explain the Q&A process?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Brandon Dobell with William Blair.

Brandon Burke Dobell - *William Blair & Company L.L.C., Research Division - Partner and Group Head of Global Services*

I want to focus on the organic growth for a second. Within the different regions, maybe some color on the organic growth and how that compared to what first quarter rates were? I guess I'm just trying to get a little bit more color as we think about how to model out the back half of the year, especially obviously it laps one of these acquisitions, what the underlying kind of regional organic story is?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Sure, Brandon. So just to break it down a little bit, when we take a look at the second quarter year-to-date organic growth, overall organic growth came in at a very healthy 9%. When we break it down by product, Leasing was primarily all driven year-over-year second quarter year-to-date by organic growth of 15%, Capital Markets as well, 7% organic growth. When you look at Property & Facility Management as a result of the Integral transaction, that was primarily driven by M&A. And as well when you take a look at our growth associated with the services due to the valuation business, that was primarily driven by M&A, too. So all in all, strong organic growth story.

Brandon Burke Dobell - *William Blair & Company L.L.C., Research Division - Partner and Group Head of Global Services*

Yes, that's helpful. Within Corporate Services, I guess, particularly in the wins that you've announced year-to-date, are those mostly coming from existing, let's call it, verticals or property types or customer types? Or is there a way to think about if we were to compare year-to-date versus last year first half, what kinds of new customers or new property types you're having success with?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

So Brandon, a couple of things. I think if you take a look at the new wins, which Christian had outlined on our supplemental slides as well as in his comments, we had some really strong performance associated with the cross-sell in our Americas business, for example, between our markets business and our Corporate Solutions business, some very healthy performance in that regard. And then when you take a look at the organic growth that we've had, 9% year-to-date year-over-year, that is really 2 nice results of cross-sell between the previous M&A that we've done over the past couple of years, coupled with the integration, the successful integration of those transactions to really help drive that healthy organic growth.

Brandon Burke Dobell - *William Blair & Company L.L.C., Research Division - Partner and Group Head of Global Services*

Okay. And then final one for me, the detail you gave in the margin breakdown or margin bridge slide, the 70 basis points from the technology and investments, 100 bps from M&A in the second quarter, are those good numbers to use when we think about the year-on-year impact in Q3 and Q4 this year? Recognizing Integral now loops into the organic mix, but are the scale of those impacts going to be similar the next couple of quarters as to what they've been in the past couple of quarters?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

I think when you take a look at LaSalle, Brandon, yes, you can see that from a year-on-year perspective, as we've discussed and given. The other piece of that is that you're going to see technology curtail a bit as we strike a balance between the build and spend that we've had over the past couple of years. And that will start to moderate year-over-year for the quarter. But remember though that we have a really exciting platform transformation going on. And we'll see some of those costs build slightly. But for the most part, I think that you can see that curtail. When you take a look at overall service mix, yes, you will see the impact of Integral move into our service mix from M&A after completing that transaction for a year.

Operator

Our next question comes from Mitch Germain with JMP Securities.

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

So wanted to just talk on the balance sheet, 2x now, obviously creeping lower after expanding from the 2 years of a lot of deals. Is there a kind of a balance, is there a target in your mind where you may look to get a little more aggressive again from an M&A front? Obviously, we're hearing the pricing environment has become a bit more rational today.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Mitch, I'll address the piece of that first. I think that from a balance sheet perspective, we're really managing our balance sheet to -- from an overall strategic perspective to net debt-to-EBITDA of 2 or under. And as it relates to M&A, our teams are always looking for opportunities as we've mentioned previously. But we're really starting to drive the overall integration of the M&A spend that we've already done and really working then to drive the overall return on invested capital above the 10% that we're tracking to for deals that we've done as of second quarter 2016 to get to that point where we're upwards towards the 13% that we had communicated for the first tranche of transactions. So from that perspective, we remain focused on opportunities. But to that point, we are really focused on driving integration and also looking at investments in technology as we drive the technology services-related opportunities that we see out there in the Real Estate Services space.

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

Great. I'm curious, and I think this is probably more for the Corporate Solutions group, if there are: a, any pressure on fees; and b, are you seeing a strategic shift to more incentive-based fee structures?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Mitch, can you repeat that question one more time?

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

Just in terms of your outsourcing platform, we're hearing: a, are there any pressure on fees; and b, is there any real shift to more incentive-based structure of fees versus a more annuity-based structure?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes, I think a couple of things, Mitch. It is getting competitive out there as it relates to some of the transactions that we've seen. But as we reported previously, our team over the past couple of years has really worked on the pricing discipline associated with the Corporate Solutions space such that we are focused on, first of all, vetting those transactions. And to that point, the deals that we've decided not to pursue have gone significantly up such that we're tracking towards the 30%, 35% range. And of the population of transactions that we decide to go after, we are very focused on the tradeoffs, the pricing, the overall long-term benefit of those opportunities such that we see, as we talked, the ability to drive from 1x to 2x to 3x in those opportunities. And as it relates to the incentive-based structures, we're not seeing anything out of the norm from that perspective. We have executed a number of very large wins in our Corporate Solutions business in the Americas. And while it is competitive out there, we're not seeing anything significant from an incentive perspective.

Operator

Our next question comes from Anthony Paolone with JPMorgan.

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

My first question is just on the full year sort of revenue guidance. It implies a second half of the year top line growth rate of about 3% to 4%. Can you give us a sense as to what that drag is? It sounds like it's the incentive income, but I don't know if that's all of it.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes. A couple of things, Anthony, that if you take a look at, for example, our first half performance, which was exceedingly strong in the Americas, a couple of things. First of all, the first half 2017, our average transaction size in the Americas was over 20% larger than the first half of 2016. And the other thing, too, is we saw a really nice pickup in large transaction activity in our Corporate Solutions space, some of which that Christian had noted in his remarks. The second thing I just want to make sure that everybody remembers is that we completed the Integral transaction in August of 2016. And to that point, Integral has contributed approximately $200 million of revenues in the first half of 2017. And that total fee revenue growth in the first half is 17% year-over-year. And excluding Integral, our first half revenue growth would have been around 9% as we had talked about in terms of organic growth. So that incremental impact from Integral will go away in the second half of the year. So that's part of what's driving that result. And as you can imagine, we've been talking with our teams, we've been focused on what that business outlook means to our overall business. And as Christian said, we remain confident. But to that point, we are comfortable with the range that we've put out for the reasons Christian mentioned.

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

Right, understand. And that's helpful. But if I think about the 9% organic growth in the first half, is that something that you think is achievable in the second half when we take out the impact from Integral and the drag from incentive fees on that top line picture?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes. So you're going to see the incentive fees, yes, moderate, Anthony. And the other thing, too, is when you take a look at what's happening from a Leasing perspective, that large transaction pickup that I mentioned, we're not expecting that to repeat during the second half of 2017.

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

Okay. And on Leasing, was that outsized gain in share? It sounds like that was mainly a transaction size and just some bigger stuff hitting. Or do you see an appreciable impact from just recruiting or other factors?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

We had some nice impact in pickup from a revenue per head perspective. From a productivity viewpoint, we did increase our Leasing headcount around the globe and we also saw some very nice pickup in terms of revenue per head upwards towards the 4% to 5%. But the other piece of that, too, is we had some very notable wins, as I had in my remarks, in various geographies throughout the U.S., together with a larger-than-average transaction size.

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

Okay. And you talked a little bit about the cross-selling and the opportunities there. If you can, how much of your Leasing revenue and perhaps maybe your Leasing revenue combined with consulting services at this point is coming from your outsourcing clients?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Anthony, we'd have to take a closer look at that. So if you would -- if you just give that to us and we'll dig through from a client perspective what we see there as best we're able to and come back to you and the rest of our analysts on that potentially for the third quarter, if that's of interest.

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

Sure, that would be great. And then your advising and consulting revenue in the Americas popped up pretty nicely. Was that also just a factor of some things hitting? Or is that something you think we can extrapolate forward?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Anthony, that was as a result of our U.S. valuations acquisition that we did, together with BRG, which contributed handsomely.

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

Okay. So that sounds like something that will continue. And then just last question for me. In LaSalle, you mentioned pretty steady AUM. Can you talk about just looking out over the intermediate term, what initiatives are in place to kind of drive that up over the next couple of years and just anything you're doing on that front to push that business ahead?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes, sure, Anthony.

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

Well, can you hear me? It's Christian.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes.

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

We will focus very much on LaSalle going forward. They have built up a very strong team to raise further equity in for their different products. And they have shown tremendous success over the last couple of quarters, which will then result obviously in an increasing business going forward. Over and above that, they are also very focused on streamlining that product range and put more emphasis on the major products, which will again help us to drive that business forward and also increase margins on that business going forward.

Operator

Our next question is from David Ridley-Lane with Bank of America.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

JLL's market forecast for EMEA Capital Markets activity improved a bit. I'm wondering if there's specific markets you would highlight and also how the number of assignments within JLL's own EMEA Capital Markets businesses turned in.

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

Well, overall, the Capital Markets business in Europe is very strong, particularly on the continent. And you will see, especially in Germany, probably new record on transaction volumes for the whole year. But overall, the interest in getting into products on the continent is very high from across the globe. We have probably the highest pipeline ever in our history of the continent. And so that trend will probably continue going forward, at least for the next couple of quarters. The U.K. is still slightly different. There's still that concern around the Brexit. Interest is still high, considering the potential implications coming from the Brexit. But that just shows the resilience and the attractiveness of the U.K. as an investment destination so that many investors are actually not getting overly concerned about the political implications of the Brexit.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

And then just a quick numbers question, given the new debt placement, what's kind of the right run rate for interest expense?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

I think, David, that we came in with the euro deal, effectively 10-year notes were at 1.96% and the 12-year notes were at 2.21%, which effectively brought us a little bit below or nicely a little bit below our line of credit rate. And so you can effectively take the second quarter and just extrapolate that for third and fourth quarter.

Operator

And our next question comes from Jade Rahmani with KBW.

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

This is actually Ryan Tomasello on for Jade. In investment sales, how would you characterize the tone from investors? And did you see any changes in deal flow throughout the quarter? For example, are you seeing a pickup in acquisition activity from investors who had previously hoped for a pullback in the market and maybe are now behind on their capital deployment goals for the year?

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

Well, that's a very specific question. I'm not quite sure whether we -- I can provide you with that specific detail on it. We have overall, as I said, still a very healthy interest to get into the market. And that's not only in Europe, that's across the world. But people are very professional and quite clear about what they accept and what they won't accept. So it takes all a bit longer than it has taken in 2015 and early 2016. So there's still a healthy kind of group of buyers on every product which we put to market. But people are not going over the top. And so I cannot say that there is anything what you just said, that people are worried that they weren't early enough in and they are now coming back and get a little bit more loose on their investment criteria. I think that we are in a very disciplined market, which obviously we like because that will help to keep that market going. And we have been in a pretty long upward swing already.

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

And based on your conversations with your brokers and institutional clients, do you expect the CRE Capital Markets activity to remain elevated into 2018? And if so, what would be the drivers of that?

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

Yes, the answer is yes, we do expect that market to continue. The driver is still that real estate as an investment class is incredibly attractive in comparison to all other investment classes. There's a pretty good global economy. And then within that global economy, the economy is even better in the main investment destination, so in the big gateway cities of the world. And that's where most of that focus is going to. And so for the time being, we cannot see that this fundamental situation, which is supporting the investment case, is changing. And we have seen quite a lot of political turmoil in the world and it hasn't impacted that trend. That doesn't mean it will not in the future. But for the time being, I think we have enough reason to believe that the underlying positive tone will continue way into 2018.

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

And can you comment on Oak Grove's performance, for example, the volume of originations, how that trended year-over-year and what your expectations are for GSE volumes into the second half and 2018?

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

Well, overall, Oak Grove's performance has been absolutely excellent, I can say that. Especially as I wasn't involved in the acquisition, I'm even better suited to comment on their excellence. Again, you have seen that the multifamily rent growth has softened a little bit in 2017. But overall, there is still a very healthy trend line. And I would see that softening again as just a sign of discipline in the market. And so we believe that, that business will continue to do really well overall in the market, and I think particularly well for us because we believe that we still have quite a run rate to increase our market share.

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

And can you say how volumes trended year-over-year?

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

I don't have any numbers at hand, sorry.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - CFO and EVP*

Yes, overall, volumes year-over-year are solid trending up. And as well as we look at the GSEs and the caps, et cetera, that are out there, outlook still remains strong. And every indication is that the GSEs will reach their cap. So we're really pleased with the performance of the business and looking forward to the second half of the year.

Operator

And I'm showing no further questions.

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

Okay. With no further questions, we will end today's call. Thank you for joining Christie and me and for your continued interest in JLL. And we look forward to speaking to you again following the third quarter. Thanks a lot.

Operator

Thanks to all our participants for joining us today. We hope you found this webcast presentation informative. This concludes our webcast. You may now disconnect. Have a good day.
