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JLL - Q1 2018 Jones Lang LaSalle Inc Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Jones Lang LaSalle Incorporated First Quarter 2018 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 & IR*

Thank you, operator. Good morning, and welcome to our first quarter 2018 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, ir.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, 2017 and in other reports filed with the SEC. The company disclaims any undertaking to publicly update or revise any forward-looking statement.

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

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

Thank you, Grace, and welcome, everyone, to this review of our first quarter results. Our CFO, Christie Kelly, will provide details about our performance in a few minutes.

Before I summarize those results, let me remind you that as of the first of this year, we have adopted the new U.S. GAAP revenue recognition standard, ASC 606. We have also revised how we calculate our presentation of non-GAAP fee revenue that has caused our targeted adjusted EBITDA margin to move from a range of 10% to 12% to a range of 12% to 14%. We have restated our 2017 and 2016 comparative financial information to reflect these changes. Christie will summarize their effect in her remarks.

Moving onto our performance. We had a very good first quarter. Revenue totaled $3.6 billion, up 10% year-on-year. Fee revenue increased 9% to $1.3 billion. Growth was diversified globally with our Capital Markets and annuity business leading the way, and LaSalle Investment Management contributed significant incentive fees and equity earnings.

Adjusted net income reached $44.3 million for the quarter compared with $17 million in the first quarter of 2017. Adjusted diluted earnings per share totaled $0.97, up from $0.37 for the same period last year, thanks to strong cash flows reduced year-on-year net debt by more than $470 million. On the back of this performance, we have moved the assessment of our dividend, which is paid semiannually, to an annual assessment, and are pleased to announce an increase of 11% over the December 2017 dividend. In connection with our annual assessment, the company's Board of Directors declared a dividend of $0.41 per share.

The current conditions in the global economy remain positive, with an annual GDP growth expected to reach 3.9% this year, up from 3.7% a year ago. For details, see Slide 2 in the supplemental information document posted in the Investors Relations section of jll.com.

Slide 5 summarizes first quarter activity in Capital Markets and Leasing. Despite trade tensions and stock market volatility, transactions in global real estate Capital Markets reached $165 billion for the quarter, 15% above the same period last year and the highest level since the first quarter of 2007. Income growth continue to contribute to capital appreciation, which grew by 6.7% from the previous year of prime office assets in 30 major office markets.

The strong conditions that characterize global office markets during the latter part of 2017 continued into the first quarter of this year. Gross absorption levels were 7% higher than a year ago, reaching 108 million square feet in 96 markets globally. The global office vacancy rate decreased by 20 basis points during the quarter to 11.7%, and rental growth for prime offices in 30 major markets continue to increase and is now running at 3.8% year-on-year, the strongest level since the second quarter of 2016.

So all in all, a good quarter for commercial real estate and for JLL. We believe these positive conditions will continue in 2018, perhaps at a slightly lower market levels, which I will talk about later in the call. But now let's turn to Christie for her comments on our performance in this market environment.

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Thank you, Christian, and welcome to everyone on our call. Before I move into business line results, I would like to expand on the recent accounting changes reflected in this quarter's earnings release.

Effective January 1, 2018, we adopted the new U.S. GAAP revenue recognition standard, ASC 606. Our adoption reflects the full retrospective approach, meaning we have recast our comparative financial information as if we had been reporting under the new standard. The adoption of ASC 606 has 2 primary impacts to our income statement. First, our results reflect the material increase in gross debt pass-through expenses and associated reimbursement revenue, primarily related to our facility management business. This portion of the ASC 606 does not impact fee revenue or are net measures of profit, such as GAAP net income and adjusted EBITDA.

Second, the timing of recognition for certain revenue streams has changed, especially in our U.S. Leasing business, which also drove some timing differences to commissions expense. On a recast basis, the change in revenue timing resulted in approximately $11 million of incremental EBITDA for the full year of 2017 or 10 basis points of adjusted EBITDA margin percentage.

In addition, we modified the calculation and presentation of our non-GAAP measure, fee revenue, most notably to exclude the costs associated with client-dedicated JLL labor.

On a recast basis, for full year 2017, this resulted in a reduction of over $900 million to fee revenue and an increase to adjusted EBITDA margin percentage of approximately 180 basis points. This change was prompted by the increase in GAAP expenses as a result of ASC 606, together with the continued growth of our annuity businesses. For more information regarding these accounting and presentation changes, please visit our Investor Relations website.

Now turning to results, with all references to prior year on a recast basis. Revenue growth occurred across all segments, driven by organic gains in both annuity and transactional businesses. On a local currency basis, consolidated revenue and consolidated fee revenue increased 10% and 9%, respectively, compared with prior quarter.

From a service line perspective, fee revenue expansion was led by LaSalle, Capital Markets, Project & Development Services and Property & Facility Management. Organic increases accounted for nearly all of total fee revenue growth, with the majority attributable to EMEA, representing over 50% of the real estate services fee revenue growth.

With limited M&A activity in 2017, the first quarter results demonstrate our ability to generate strong organic growth.

Turning to our service line and segment result, where we report percentage changes in local currency, except for Capital Markets, which aligns with U.S. dollar-denominated research data. Consolidated Capital Markets fee revenues grew 19% for the first quarter. Growth was all organic and driven by EMEA and the Americas. Consolidated Leasing fee revenues grew 3% for the quarter. JLL's performance was largely driven by deal timing in the Americas and a test comparable.

For the quarter, our Property & Facility Management fee revenue grew organically by 6%. Project & Development Services grew 16%, and Advisory & Consulting grew 9%. Combined, on a service line basis, these nontransactional businesses drove nearly 60% of the fee revenue growth in our real estate services business, led by both EMEA and the Americas.

Please refer to Page 6 of our supplemental slides for detailed information about our margin performance.

Adjusted EBITDA margin, calculated on a fee revenue basis, was 8.4% for the quarter compared with 6% in first quarter 2017 at actual rates. This represents an expansion of 240 basis points, which includes a 120 basis point headwind for continued investments in technology, data and our people.

Over half of the 240 basis point margin expansion was attributable to LaSalle's outsized incentive fees and equity earnings. In addition, we had strong organic gains in the Americas and EMEA. Margin expansion in the Americas was largely driven by productivity gains and timing of expenses, while EMEA had strong Capital Markets growth and further benefited from the reduction of negative one-time items from first quarter of 2017.

In terms of investment, we continue to invest in our people, technology and data as we work to transform our real estate services platform. The incremental impact on margin is associated with our global ERP implementation and client-facing technology.

Continuing our rigorous approach to return on investment and M&A, we closed 3 acquisitions, with the most notable being a strategic add to our JLL Spark strategy. As we move forward into the year, our disciplined focus will remain on opportunistic deals that help drive strong operating performance as well as maximize return on invested capital for our shareholders.

Consistent with our growth priorities and commitment to an investment-grade balance sheet, we continue to focus on our leverage profile and liquidity position. Our balance sheet reflects total net debt of $910 million as of March 31, 2018, an increase of $324 million from December 31, 2017, but a decrease of $478 million from March 31, 2017. The quarterly increase against year-end was less the annual first quarter payout of variable compensation to employees for strong 2017 business performance. The year-over-year decrease resulted from the company's strong operating performance as well as our targeted efforts to improve working capital.

Since first quarter of 2017, we have decreased our net debt to adjusted EBITDA from over 2x to 1.1x.

Turning to the Americas. First quarter fee revenue in the Americas increased 5% over first quarter 2017, with the most significant growth in Property & Facility Management. Capital Markets fee revenue was up 7% against a strong Q1 2017, where we grew 20%.

Despite the difficult comparable, this quarter's fee revenue grew as a result of strong multifamily financing activity and M&A advisory services.

Similar to our Capital Markets business, our Americas Leasing business comes off a tough Q1 2017 comparable, where we experienced double-digit growth. This quarter, our Leasing fee revenue grew by 1% due to timing of transactions and a tough year-over-year comparison.

Property & Facility Management fee revenue experienced double-digit growth of 16% over first quarter 2017, primarily as a result of late 2017 win and large client contract expansion.

Considering performance beyond Facility Management, our multi-service Corporate Solutions contracts, which include Leasing, Project & Development Services as well as Consulting, delivered 16% fee revenue growth in the quarter. Project & Development Services and our Advisory & Consulting businesses turned in fee revenue growth for the quarter of 3% and 13%, respectively, driven by expanded services and prior year wins, together with a growing volume of services focused around future of work and employee engagement trends.

Adjusted EBITDA margin in the Americas for the quarter was 10.9% on a fee revenue basis, up 110 basis points from Q1 2017. The margin expansion contains an investment headwind of 90 basis points for continued investments in technology, data and people. The organic margin gains before investment of 200 basis points is largely attributable to our outsourcing business and by expenses to be incurred in future quarters.

On the productivity side, we recently achieved a major milestone with the completion of our U.S. ERP upgrade.

Turning to EMEA. Total fee revenue for the quarter grew 15% over Q1 2017, primarily from growth in Capital Markets and Project & Development Services. EMEA Capital Markets fee revenue for the first quarter increased by an impressive 50% compared to flat market investment sales volume. For the first quarter, we had strong performance in Germany, France and the U.K. We attribute this strong start to the year to a combination of transaction timing, plus a tailwind from currency effects, noting a strengthening euro and pound sterling against the U.S. dollar.

Our U.K. Capital Markets performance of 15% growth was relatively in line with market investment sales volume. Although the market continues to be impacted by Brexit uncertainty, investing in the U.K. remains positive due to liquidity, favorable leasing conditions and high yields with continued international investment.

EMEA Leasing revenues were up 5% against Q1 2017, largely in line with market growth absorption of 6%. The growth was driven by the U.K. and France, partially offset by a decline in the German industrial sector.

Property & Facility Management fee revenue declined by 3% for the quarter, reflecting timing of property management wins that are expected to materialize in the coming quarters.

Project & Development Services fee revenue was up 38%, primarily driven by our Tetris business in France, U.K. and Poland.

Advisory & Consulting grew 13%, driven by residential, advisory work in Germany and the U.K. and continued growth in hotels-related consulting services.

Considering performance beyond Facility Management, our multi-service Corporate Solutions contracts delivered 40% fee revenue growth in the quarter.

In the first quarter, EMEA delivered adjusted EBITDA margin, calculated on a fee revenue basis, of negative 2.5% compared with negative 7.6% in the prior quarter. Although a loss is typical in the first quarter due to quarterly seasonality, the improvement was driven by eliminating the margin dilution associated with the wind-down of a noncore U.K. business. Margin also expanded as a result of strong capital growth in Capital Markets and Project & Development Services, along with the benefit from continued cost management.

All of these items improved nominal adjusted EBITDA by $13 million, while we continue to invest in technology, data and people.

Moving to Asia Pacific. Total fee revenue increased 4% over Q1 2017. Capital Markets fee revenue was nearly flat to prior year against market investment volumes, which were up 34%. The record market volumes were largely driven by a few megadeals and a large direct deal without broker representation. Overall, we had a slow start to the year, but the pipeline is strong, and the region remains on track to deliver growth on a full year basis.

Leasing revenue for the first quarter grew 13% over Q1 2017, in line with market growth absorption of 12%. Our growth was primarily driven by office leasing, slightly offset by reduced industrial volume. China and Japan drove performance.

For Property & Facility Management and Project & Development Services had fee revenue increases of 1% and 16%, respectively. Advisory & Consulting businesses were flat to prior quarter. Growth in both Property & Facility Management as well as advisory services is timing-related.

Considering performance beyond Facility Management, our multi-service Corporate Solutions contracts delivered 9% fee revenue growth in the quarter.

Adjusted EBITDA margin of 3.1% for the first quarter represents a 280 basis point reduction over Q1 2017. The change was largely driven by higher-than-anticipated costs on client assignments and continued investments in technology, data and people.

As Christian noted, LaSalle's first quarter performance reflects diversity revenue contribution across the platform totaling $113 million. LaSalle revenue growth and overall performance was primarily due to higher incentive fees, driven by asset dispositions from Asia Pacific funds. In addition, LaSalle had notable equity earnings, led by net valuation increases in co-investments in Europe and Asia Pacific.

As a reminder, nearly 90% of our co-investment portfolio is influenced by fair value accounting. And therefore, changes in valuation are reflected in equity earnings.

LaSalle's results also reflect solid margin expansion on private equity advisory fees, including approximately $3 million of catch-up advisory fees earned as a result of new equity commitments and established funds.

As a result, LaSalle's adjusted EBITDA margin, including equity earnings, was 37.2%, up from 23.8% in the prior year. Margin expansion is attributed to incentive fees, equity earnings and improved private equity annuity earnings.

LaSalle also raised $700 million of new capital in the quarter. Assets under management were $59 billion as of March 31, 2018. And as mentioned in the fourth quarter, we note that current real estate capital flows into LaSalle favor private over public equity. This trend is likely to continue. Increases in private equity, assets under management are expected to be offset by declines on the public equity side, such as securities. In terms of incentive fees, we expect the balance of incentive fees to materialize during the second half of the year. I will now turn the call back over to Christian for final remarks.

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

Thank you, Christie. To summarize how we achieved these results, Slide 18 shows a few recent wins across service lines and geographies. In our Corporate Solutions business, we won 29 new assignments in the first quarter, expanded existing relationships with another 18 clients and renewed 9 contracts. These 56 wins total 123 million square feet across all regions, and represent an overall 74% win rate. One good example is the outsourcing contract we won from Primary Health Care, a leading Australian health care company. We will provide facility management, lease administration and space data management for more than 2,800 properties totaling 3.1 million square feet of space.

Representative wins in Capital Markets included the $680 million sale of Prudential Plaza in Chicago. We also secured financing for the transaction. And we arranged the sale of the Waldorf Astoria Edinburgh, the largest hotel transaction in Scotland since 2015.

In London, a multidisciplinary team advised a major professional services firm on the sale and leaseback of its Canary Wharf headquarters. We were retained by China Resources Group to provide leasing services for the 2.9 million square foot China Resources Tower in Shenzhen. We also won a 1 million-plus square foot leasing assignment from Prologis in Harrisburg, Pennsylvania.

In mid-April, LaSalle Investment Management announced that it had raised more than $1.1 billion for its latest fund, LaSalle Asia Opportunity V. Capital was secured from 20 institutional investors across Asia, Europe and Middle East and the United States.

Now let's focus on the future and turn again to Slide 5, which summarizes our market outlook for the full year. With fundamentals remaining healthy in key markets around the world, we think that global investment in commercial real estate will continue to be strong. Full year volumes could soften by 5% to 10%, however, to around $650 billion. But investors are maintaining their appetite for real estate. Some are looking at new strategies, with a greater focus on debt financing, M&A and alternative sectors. Single-asset transactions may start to decline as a result, but the search for yield will continue.

We anticipate that global leasing volumes will total more than 430 million square feet, down marginally from 2017 levels. With the delivery of new office space expected to increase this year, we see the global vacancy rate moving up a bit to over 12% by year-end, up from 11.7% in the first quarter.

We remain confident about our own business prospects in this environment. We will be guided by our key priorities for 2018, which you will find on Slide 13. They include leveraging our Corporate Solutions platform for profitable growth; expanding our Capital Markets capabilities across the capital stack; continuing to invest in technology to further differentiate JLL as well as continuing to transform the global JLL platform to increase operational efficiency; maintaining a very rigorous approach to capital allocation; and, as I mentioned earlier, delivering an adjusted EBITDA margin range of 12% to 14% on a recast basis.

As one recent example of our technology investments, last week, the U.S. Patent Office awarded JLL a patent for Blackbird. Blackbird allows brokers and their clients to take 3D virtual tours of commercial real estate within or across markets based on customized data points.

To close our prepared remarks for these calls, we'd like to mention just a few of the awards and honors our people have earned. In the first quarter, we were named one of the Ethisphere Institute's 2018's Most Ethical Companies for the 11th consecutive year, one of Fortune's World's Most Admired Companies for the second year in a row and one of LinkedIn's Top Companies 2018 for the third straight year. Congratulations to everyone who made these and other awards possible, and thanks to all our people around the world for continuing to serve our clients and JLL so well. Now let's take your questions. Operator, will you please explain the process?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from the line of David Ridley-Lane with Bank of America Merrill Lynch.

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

Can you talk about the number of assignments you have in the Capital Markets business this time versus a year ago? And any color on the velocity of deals, number of bids you're seeing and the bid-ask spread that are out there in the private markets?

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

David, we wouldn't be able to give you the number of assignments. We have hundreds of assignments around the globe. What we see is that there's -- it depends a little bit by region. As you know, in the U.S., investment sales of single assets has become slightly thinner than in previous quarters, but it's still healthy. In Europe, it's still incredibly strong, and there's no sign of the market maybe taking a bit of a pause going forward. And in Asia, it's also very healthy. With regards to the spread, again, when people are considering selling their buildings in that market environment, they expect a really top price because if they can't achieve that price, they wouldn't sell because they wouldn't do -- wouldn't know what to do with the money otherwise. And so we have a situation that some of the buildings, which are actually coming to market, come with incredibly high expectations with regard to price from the seller side. So if we sometimes see a bit thinner bids on some of the buildings, that isn't necessarily a sign of weakness in the market, it could actually be the opposite, that people are really keen to hold on to their buildings. And only if pricing really exceeds their expectations, they're a willing seller. So I guess, your question goes directionally towards, are we seeing softening in the market? And the answer is there's clearly no sign of softening in the market in Europe and in Asia. And in the U.S., we have to see how now the second quarter and the third quarter are playing out. I wouldn't say we see softening yet, but we see small signs of slight hesitation, which we have to watch.

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

And then last year, you outperformed the global leasing market quite strongly, first quarter a bit below market's gross absorption. I know that 90 days isn't the greatest way of looking at Leasing, so how does your confidence around growing the Leasing business for the full year appeal today versus 90 days ago?

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

Well, as you rightly say, the first 90 days, we would say was very much timing-related, as some larger deals fell out of the quarter. And then as you also rightly say, that's a tough comparison because last year, we grew roughly 20%. And so it's always hard to compare like-for-like. We are still very confident about our Leasing business. I just spoke with my colleague, Gregory O'Brien, who runs our Americas business, and we are still very confident with regards to the Leasing business going forward. And so there's no concern on our side.

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

And just if I could sneak in one more. The organic service mix contributed 165 basis points to your adjusted EBITDA margin. I'm curious if you -- how much of that is the work that you've been doing on the cost side coming to fruition in the quarter?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Yes. I think, David, when you take a look at the quarter, we had some really nice growth from a cost perspective associated with the margin performance. And you can look specifically at the cost measures contributing about 30% of that organic growth.

Operator

Our next question is from the line of Anthony Paolone with JPMorgan.

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

In terms of Project Development and Advisory & Consulting, growth rate there has been really high. How do you think about that in the balance of the year? And is there a quarter at which you think that comp gets tougher?

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

With regards to Project & Development Services, we are pretty optimistic going forward. And this is correlating probably the most with the overall GDP development of all of our services. And with the GDP outlook still being pretty strong around the world, we expect that, that business will continue to strive nicely. The whole topic of making space an experience for your employees is obviously a big driver of that business. We have lots of companies who are asking for advice, what they can do to have more exciting space. And obviously, we know how exciting space needs to look like, and we can deliver that turnkey for them.

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

Okay. And is that larger like the Tetris business? Or is it just more broad-based?

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

Well, that is obviously what Tetris is doing, but it's also more broad-based. With regards to the project management, we do whether we are then actually delivering the general contractor services ourselves. So whether we're just managing the process and managing the concept of what we are delivering, it's -- we do that around the globe, and you'll find those numbers in the PDS numbers as well as in Tetris.

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

Okay. And then, Christie, I think you've mentioned in the Americas that there were some expenses that are going to occur in future quarters that you didn't necessarily have perhaps in the first quarter. Can you give us a little more detail on that, and maybe what to expect or try to dial in when thinking about it?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Sure, Anthony. Just given the nice win and contribution of organic gains in the Americas associated with our Corporate Solutions business, we're expecting to see some costs come in throughout the year for training associated with those wins as well as T&E as we deliver services to the clients.

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

Is there any brackets around either impact on margin to think about over the next few quarters we're trying to put that in? Or is it not going to be that significant?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Nothing out of the norm, Anthony, just from a run rate perspective.

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

Okay. And last question. And LaSalle, obviously, had strong incentive fees and some gains at the outset of the year here to change just the broader year picture in terms of those things were turning back to I think you've characterized them in the past as being kind of back to normal levels? Or does the start of the year kind of suggest we're going to end up higher?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Anthony, from the perspective of the incentive fees, we had said that our 5-year historical average is really around $70 million to $80 million now. And as we look to the first quarter, we're not expecting any change in that $70 million to $80 million at this point in time, and are expecting incentive fees to be back-end loaded for the year, as I commented upon in my remarks.

Operator

Our next question is from Jade Rahmani with KBW.

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

Just following on the incentive fees. It seems that looking back over the past 6 to 8 quarters, there's been at least half the quarters where they meaningfully outperformed expectations as well as the company's guidance. And so does the general trend represent rising overall fair values in the market and prices outperforming management's expectations? Or is there any acceleration of disposition activity that's driven the higher incentive fees?

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

No, not really. I mean, the market has been obviously very strong. And the stronger the market is, the more we can achieve those incentive fees. So there hasn't been any acceleration. I mean, there's a pretty strong leverage on these incentive fees. So a relatively small increase in pricing has a pretty strong impact on the incentive fees. LaSalle is able to achieve all, which we are able to achieve in our broader Capital Markets business. So you don't have to read much into it, other than that the market was very, very strong over the last couple of quarters, as you know.

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

And how does the number of transactions or number of dispositions compare with a year ago since incentive fees were up more than double a year ago?

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

Again, we are not counting single transactions because we have so many, and incentive fees are coming from 2 major buckets to us. One bucket is the LaSalle bucket there. It's relatively easy because they're coming on from very specific funds. So that is not a large number. But there's also those incentive fees that are coming from our broader Capital Markets business. And there they're coming from dozens of more than 100 different transactions, which we don't count as single transaction. But the individual incentive fees, they're much smaller than the incentive fee we would get from a LaSalle fund.

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

And following on your comments regarding the U.S. and the hesitancy you cited, what do you think is driving that? Is it fears about or concerns that cap rates may start to increase as a result of interest rate activity? Is it worries about future interest rate hikes and the pace that, that may take? What do you think is driving the hesitancy you cited?

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

Well, I guess, we have 2 things here. On the one hand, the seller sits on a good property. And selling that property means they have to reinvest that money into something else, which is not easy to find at the moment. And so sellers only want to sell when they have a real outstanding price to agree to. Whereas buyers are looking at the stage of the cycle and say, "Well, we are in an extended cycle. We don't know how long that cycle will continue. We don't want to be caught as the ones who are buying at the -- right at the end of the cycle and pay top prices." So that cautious behavior, which we see from some of the buyers, we believe, is very healthy. And so we have a lot of discipline in the market. Buyers are very disciplined. Sellers also have a firm view on what they want to do. So that could actually drive that market forward for many, many more quarters, that extended cycle, if that discipline in the market continues.

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

In terms of the multifamily business, what growth did you see in the GSE mortgage originations?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Jade, from a GSE perspective, we saw high 20%, 24% GSE business growth year-over-year for the quarter.

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

That seems -- that's meaningfully above the market, which declines due to Fannie Mae. Are you seeing continued traction maybe post quarter end or in terms of the outlook from the GSEs?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

We've just seen nice cross-sell across our platform, which was really part of the Oak Grove thesis, and the business is doing well.

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

When you see our positioning in the market around that topic, we believe that we can still show some growth going forward and grow that business quite significantly. So our expectation is that we will always outgrow the market.

Operator

Our next question is from the line of Nick Yulico with UBS.

Greg Michael McGinniss - *UBS Investment Bank, Research Division - Associate Analyst*

This is Greg McGinniss on with Nick. Just looking at the Property & Facility Management business. So in America, the growth seems like it was driven by contracts signed in 2017, but commenced this year. And considering the high renewal rate, does this mean we should see a similar level of mid-teens growth in Americas throughout this year?

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

We had an outstanding year last year. And we are very focused on driving margin into that business. And so I wouldn't want to make that call at this point in the year. We have a very high renewal rate, which is excellent. That is what we want to do because a high renewal rate means that we are delivering a great service to the client, and it works for both sides. And we want to be very focused on the type of contracts we are taking in, and we want to be very mindful with new contracts, so that we can increase that margin level in that business. So I'm more interested in the bottom line than I'm interested in the top line about around that topic.

Greg Michael McGinniss - *UBS Investment Bank, Research Division - Associate Analyst*

Okay. How much of the income from Property & Facility Management is incentive-driven, so like there'll be more of a 4Q impact versus 1, 2 or 3?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Yes, Greg. From the perspective of incentive, et cetera, in the business, we don't track that specifically as we meet SLAs throughout the year.

Greg Michael McGinniss - *UBS Investment Bank, Research Division - Associate Analyst*

Okay. And just a final question. It sounds like timing-related impacts seem to drive a lot of the flat growth in certain businesses, APAC and Leasing. So should we be expecting more of outsized growth in 2Q then?

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

Well, I think the business is balancing itself out. When we look at our Leasing business, we would expect that they're catching up over the coming quarters. But you -- obviously, we had other areas in our business which had a stunning first quarter. So I wouldn't read too much into the quarter. Our business is not driven by quarters. We are happy if we can really forecast the year in a good way. And so please don't read too much into one quarter.

Greg Michael McGinniss - *UBS Investment Bank, Research Division - Associate Analyst*

Okay. That's understandable. And so compared to the -- your full year from the research assumption of a flat to down 5% in Leasing business, so that's going to be dead, I assume?

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

Well, yes. I mean, that is a good example because what we also forecast is that vacancy rates will increase over the full year. But frankly, in the first quarter, they decreased. And so there's lots going on. As I said earlier, with regards to our Oak Grove business, we have the expectations that we are beating market. And so even with the market is coming down a little bit, we would still expect to beat market.

Operator

Our next question is from Mitch Germain with JMP Securities.

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

I noticed technology investments is a 120 basis point drag this quarter, obviously more than you've seen throughout 2017. Should we expect this investment to be ticking higher for the better part of the year? Is that the start of what we should expect on the trend?

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

Mitch, this whole technology investment is really high on our agenda, and we have really that relentless ambition to be leading in that whole space in our industry. And we gave you guidance now on a recast basis that we run the company between 12% and 14% EBITDA margin. And so we are feeling confident for this year that this year allows us to really do quite some significant investments into the tax base, and that's what you have seen in the first quarter.

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

Great. And I know as part of your strategic plan, Christian, broadening -- you mentioned broadening your Capital Markets capabilities. I'm trying to understand exactly either was that going to be organic? Is that through hiring? Tell me about the framework for how you want to deliver on that priority.

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

Well, organic in that sense will mean we will hire people in because if we are broadening our business in some areas where we aren't that strong, at least not as strong as we want to be, let's say, on the debt side in Europe, on the investment sales side in the U.S., then we have to hire more talent in. That would be our priority. If there's another option, which make sense to us, we will also look at other options.

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

And just the hiring environment in general, obviously, we've been hearing over the last couple of years, the cost of hire had grown pretty considerably. Are you seeing any change?

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

No, no. And they would be surprising because the market cycle is very favorable for talented people. And so it's a very tough environment to hire people. Obviously, our brand helps, but it still is a tough environment. And so that's why we are open for all kinds of solutions, which will help us to drive results in that area.

Operator

And our last question comes from the line of Stephen Sheldon with William Blair.

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

Yes. I guess, just first looking at Integral. Any updates there on how the initiative to win new clients in that business is progressing? And then looking at the pipeline, is there a level of optimism about Integral returning to growth changed at all over the last, call it, few months?

Christie B. Kelly - *Jones Lang LaSalle Incorporated - Executive VP, CFO & Member of Global Executive Board*

Stephen, just from the perspective of the core business, we saw some nice increases versus last year, mainly in the Midlands and in the London region. And just from the perspective of our expectations as it relates to Integral, no change from my previous comments last quarter.

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

Okay. That's helpful. And then, I guess, just wanted to ask about, I guess, producer headcount growth, what kind of growth you've seen over the past few quarters, and where you may be adding either by region or service line?

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

We don't have those numbers at hand how many people they have employed in the producer side. This is normal course of business where we would notice something exceptional is happening, but it's just normal course of business at the moment. As I said, the market is quite tough to hire people in. So nothing has happened, which is exceptional and worth mentioning with regards to hiring people.

Operator

And not I'm showing any further questions. I'll now turn the call back over to management for closing remarks.

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

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. We look forward to talking again following the second quarter.

Operator

Ladies and gentlemen, this does conclude the program. You may now disconnect. Everyone, have a great day.
