

JONES JANG LASALLE INC

**Moderator: Colin Dyer
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Operator: Good day and welcome to the fourth quarter 2009 earnings release conference call for Jones Lang LaSalle incorporated. Today's call is being recorded.

Any statements made about future results and performance or about plans, expectations and objectives are forward-looking statements. Actual results and performance may differ from those included in the forward-looking statements as a result of factors discussed in the company's annual reports on Form 10-K for the year ended December 31, 2008 and in our other reports filed with the SEC. The company disclaims any undertaking to update or revise any forward-looking statements. A transcript of this call will be posted and available on the company's Website. A Web audio replay will also be available for download. Information and the link can be found on the company's Website.

At this time, I would like to turn the call over to Mr. Colin Dyer, Chief Executive Officer for opening remarks. Please go ahead, sir.

Colin Dyer: Thank you, operator. Thank you. Hello, everybody. Thanks for joining us for this review of our results for the fourth quarter and full year of 2009. And I'll say up front, I have a cold and I apologize for any unusual noises on the line.

With me today on the call is Lauralee Martin, our Chief Operating and Financial Officer. And Lauralee will review our performance in detail in a few minutes. But to summarize we are very pleased with our quarterly adjusted earnings per share of \$1.44 and our fourth quarter revenues of \$815

million compared to \$797 million in 2008. For the full year, adjusted EPS was \$1.75 a share while revenues were \$2.5 billion.

These results are due in large part to the range of actions which we've taken during the past two years to right size our business during the great recession and the worst market conditions in memory. We've protected our business, held on to our best people, grown our market positions and taken market share in virtually every area where we can measure it. We've also cut costs substantially whilst continuing to attract talented new producers to our firm so that we're well positioned to take advantage of the coming recovery. Finally, we strengthened our balance sheet and we're particularly pleased to have only \$175 million of outstanding bank debt at the year end.

While institutional investors remain cautious La Salle Investment Management has continued to raise investment capital attracting over \$4 billion of net new equity for the year 2009. Before we get to Lauralee's review of operations I'm going to spend a few minutes talking about quarter four market conditions.

A year ago, real estate markets were universally bad. Today the situation we see is stabilizing and we're even beginning to see signs of recovery in some areas. We do see a very mixed situation in markets worldwide from strong growth in Hong Kong to continued declines in Russia. With different markets at very different stages of the cycle there is no simple description that covers all markets. So we will try to describe some common themes to you.

In general, investment sales are anticipating a recovery while leasing markets driven by supply/demand fundamentals are still lagging. We've posted slides on the Investor Relations section of our Website, www.joneslanglasalle.com for your reference.

Slide three shows the Jones Lang LaSalle investment sales clock which offers a snapshot of conditions in major markets at different stages of the cycle. As the graphic indicates in the fourth quarter of 2008, capital values were falling virtually uniformly in all major real estate markets.

As a global rule of thumb, values declined by 40 to 50 percent from their 2007 peaks and transaction activity slowed by 70 to 90 percent. A year later in quarter four 2009, declines in value were slowing in all markets and prices were beginning to recover in some including Hong Kong, Shanghai, Beijing, London and Seoul with additional markets nearing the bottom of the cycle. By the year end, cap rates in London and Hong Kong had compressed by 200 to 300 basis points from their worst levels.

Leading the European recovery, investment sales in London bounced hard and fast. This activity has been driven by foreign investors attracted by cheap assets and weak sterling in a historically liquid market. In retrospect, the market appears to have decided the 50 percent fall from peak values was an overreaction. Once investors started to anticipate recovery, markets bounced back quickly to correct the oversold position. Beyond London, Asian cities, in red on your graphic, are generally leading the way back in pricing and activity followed by some European markets (in blue) with the U.S. markets in black continuing to lag. The result is that world cities are in a vastly different stage from continued decline to selective recovery.

If you'll turn to slide four, you'll see that the situation is less encouraging in leasing markets worldwide. As another global rule of thumb, rents have fallen by roughly a third from their peaks and leasing activity has also declined by around 33 percent. Rental rates and leasing volumes continue to fall year-on-year in quarter four. When viewed on a quarter-to-quarter basis, the rate of decline is now slowing. It's interesting that, in general, the same cities are leading the way back in leasing activity as in the investment sales markets.

The trends in investment sales and leasing markets affect both our advisory transaction business and obviously also in the environment in which LaSalle Investment Management operates. Finally, the corporate outsourcing market has continued to grow during the last half year and we have continued to gain share in that market across all regions.

So with that as market background, I'll now turn the call over to Lauralee.

Lauralee Martin: Thank you, Colin and good morning to everyone on the call. If you'll refer to the slides Colin mentioned, we've provided both the fourth quarter and full year financial information in a similar format to past quarters. Instead of walking through each page I'd like to focus on our 2009 financial scorecard on slide five.

Earlier this year, we projected that we would reduce 2009 discretionary spending for the overall firm by \$50 million in local currencies. We, in fact, over achieved that target and reduced these costs by more than 70 million. Calculated on a local currency basis, these savings represent a 33 percent year-over-year reduction, coming principally from travel and entertainment, professional fees, marketing and training expenses. We took actions across all of our businesses in each region of the world and are proud of the focused efforts by our people to take action early and maintain that cost discipline throughout the year.

The reduction in discretionary spending together with staff reductions globally, reduced our cost base and allowed us to deliver an adjusted operating income margin of 6.6 percent for the year, which was consistent with 2008 despite significant revenue declines in our higher margin transaction businesses. We are pleased with this profit performance for the year against the severe market deterioration we faced. I say pleased but not entirely satisfied, which I will touch on with our 2010 priorities in a few moments.

In terms of revenue performance, our Corporate Solutions businesses capitalized on our market leading positions and delivered strong growth and annuity revenues. We secured over 75 new wins and expansions resulting in an additional 170 million square feet under management. Colin will discuss a few of our recent Corporate Solutions wins shortly.

Throughout the year we strengthened our financial position. Our successful equity raise in June, along with our strong cash generation and disciplined capital spending, contributed to a \$334 million net bank debt reduction for the year. Despite the global economic downturn we maintained our investment-grade ratings. These ratings are important proof points to our clients who

select us as long-term partners, our banks who continue to be great supporters of the firm and our employees who want to work for a financially strong company.

If you'll now turn to slide six, I'll focus on some highlights in each of our reporting segments. Our Americas leasing results, which includes both agency and tenant representation transactions, now reflect a complete year of the fully Staubach merger. Leasing was up 20 percent in the fourth quarter demonstrating the strength and momentum of our combined organization as we capitalized on the marketplace adjusting leases to the new occupier needs and market rents. The Americas also completed its conversion to a full commission leasing model. With that flexible model, they are successfully upgrading talent, adding market leading brokers, replacing less productive brokers and adding brokers and new product capabilities such as industrial, for a new net add of 35 brokers.

Our success in expanding our corporate outsourcing business is proven by our property and facilities management revenue being up 25 percent for the quarter, 15 percent for the year, providing a solid and predictable annuity revenue base going forward. On a less positive note, our Capital Markets business in the Americas suffered from record low market activity levels during the year. We have made significant cost cuts to right size the business to current market conditions and to improve profit performance in 2010.

In EMEA, 2009 was a financially challenging year due to the significantly reduced transaction activity in the marketplace. We took early, decisive action to stabilize our businesses in developing market such as Russia and Dubai which proved most challenged by the economic downturn. Despite aggressive downsizing, we have been able to maintain a dominant market presence while some of our competitors have been forced to close their doors.

As several of the mature markets look to have a slower recovery horizon, we did take additional severance actions in the fourth quarter to be better positioned for 2010. Across the region, we anticipate nearly \$60 million in annualized base compensation savings while still achieving a seven-month payback on the restructuring costs we've incurred.

We have begun to see markets stabilize in select countries. In France, although overall 2009 capital markets volumes were down 40 percent compared to 2008, we are very proud of our capital markets team who doubled their market share to nearly 20 percent of volumes transacted and moved to a number one position from number three in 2008. We are also pleased to have market share gains in the U.K. where property values are beginning to show first signs of recovery resulting in a pick up in our capital markets activities.

In Asia Pacific, aggressive government stimulus programs helped certain transactional markets recover late in the year. We leveraged our prior years' investments in China, resulting in 20 percent year-over-year revenue growth in the country. We successfully grew our annuity revenue across the region achieving a 50 percent revenue mix in 2009, up from approximately 40 percent in 2008.

Our property and facility management businesses grew 30 percent for the year, 16 percent in the fourth quarter as a result of an expanded corporate outsourcing presence and particularly good growth in Australia. Our focus on right sizing our cost base also contributed significantly to the improved profit performance for the year.

LaSalle Investment Management maintained its advisory revenue at \$60 million for the quarter and continued to deliver a healthy margin on that annuity fee stream. Unfortunately, their portfolio was not immune to worldwide valuation declines, and we took nearly \$50 million of impairments during the course of the year. We believe impairments are largely behind the business though we could experience some additional charges in 2010 as markets continue to correct themselves.

In a very challenging year for raising real estate capital, using their reputation for core and value investment performance, LaSalle successfully raised over \$4 billion of net equity across their broad capabilities gaining commitments in separate accounts, funds and public securities. Investments, however, were

limited during the year as LaSalle remained cautious in the midst of market uncertainty.

Turning to the next slide, as we conclude 2009 and look ahead to 2010, we expect, as Colin has covered, that economic recovery will vary country by country, market by market and even product by product. Against this outlook, we are solidly positioned to react and capitalize as opportunities unfold. We will continue to focus on maintaining our cost discipline while selectively adding and upgrading talent to build our global capabilities and grow market share.

We will continue to build our annuity revenue growth momentum and expand our leadership position in the Corporate Solutions space. We plan to leverage LaSalle Investment Management's global scale and buying power to grow our position in the market, while delivering performance for our clients.

Let me now turn the call back to Colin to discuss some of our recent wins and accomplishments.

Colin Dyer: Thanks, Lauralee and just to add to the point Lauralee made about our number one position in capital markets in France, we heard this morning we've also gained that position in the U.K. market as well. So, well-done to our European Capital Markets teams.

To give you a sense of the opportunities in today's markets and to show how well our people are taking advantage of them, slide eight shows examples of recent business successes in our Corporate Solutions business. Highlighting a few of these wins, Cisco Systems renewed and expanded our global partnership. We also established new multi region relationships with JDS Uniphase, AstraZeneca and SAP.

There was a landmark early in January when we were awarded our biggest ever corporate win in Asia Pacific. Telstra, Australia's leading telecom company, awarded us a long-term contract to manage their portfolio of 27 million square feet across Australia.

Turning to investment sales on slide nine in Asia Pacific, we closed the year's largest transaction in Japan and probably the world with the acquisition of Pacific Century Place in Tokyo. We also advised on the largest transaction in Australia in more than a decade --the 685 million Australian dollar sale of RBS Tower at Aurora Place in Sydney.

In Europe, we advised on the sale of the Silverburn shopping center in Glasgow for just under 300 billion pounds sterling. Our German and Pan-European teams advised on the sale of the A-10 Shopping Centre south of Berlin and that was for 200 million euros.

In the U.S. during the fourth quarter, we represented Brandywine Realty in the sale of two Class A office buildings in New Jersey for \$85 million. You may notice a reappearance of more and more sizeable transactions than we've seen in previous quarters a sign of market activity.

On slide 10, you'll see highlights of our leasing and tenant representation business including being appointed by the Metallurgical Corporation of China as sole leasing agent for its 600,000 square foot landmark office building in Beijing. We also valued MCC's portfolio when it was IPO'd last year.

Our market-leading India operation won more than 1.3 million square feet of tenant representation and project management work for clients including Deutsche Bank, Lenovo, Sony, Mercedes Benz and Exxon Mobile.

In EMEA, our Czech office recently acted for PSJ in the company's largest deal of 2009, letting 390,000 square feet at Main Point in Karlin.

In the U.S., two years after relocating a United Airlines' headquarters facility in Chicago, we completed the largest relocation in Chicago history by relocating United's operation facility to 460,000 square feet in the Willis Tower, formerly the Sears Tower. And in New York, we represented the landlord as law firm Paul, Weiss renewed its lease at 1285 Avenue of the Americas. It was the largest lease transaction in Manhattan for class A office space last year. And so these are indications of our clients getting back to business again and spending to the limits of their budgets.

As we mentioned on our last call, earlier in the fourth quarter LaSalle Investment Management launched the LaSalle Property Fund, an institutional open-ended fund that will invest in core assets in the U.S. Anchored by a major state public pension plan, the fund quickly raised \$1.5 billion in equity. This same public pension plan also retained LaSalle in 2009 for a second mandate funded at \$200 million to advise on a number of the pension fund's special situation investments. We expect this fund, that's the open ended fund, to grow significantly over the coming years.

For the first time in many quarters, we believe that the forward market picture offers some clarity. And so what we're now going to do is attempt to give you some indications of our markets around the world., starting with investment sales. Currently there is plenty of equity in world markets and bank financing is beginning to be selectively available again. Generally, investments sales continue to anticipate broader recovery in fundamentals by some 12 to 18 months.

Looking regionally, investor sentiment is fast improving in Asia Pacific, although 2010 transaction activity will still be below 2008 levels. But cap rates will stabilize in 2010 with some markets already having reached bottom and others doing so early in the year. Prices in mainland China and Hong Kong are rebounding, driven by global investors selling to local buyers and by freely available credit despite the bank of China's recent tightening. Volumes will rise everywhere in Asia except in Japan in 2010 and transaction levels could be up by 40 percent.

In Europe, we have a two-tier investment market in prospect this year. Cap rates will continue to compress, with the best markets like London and Paris seeing continued movement in values due to lack of stock. Non prime markets will remain relatively weak, with pricing reflecting the weak fundamentals more accurately than in prime markets.

In 2010 transaction volumes are expected to increase by at least 20 percent in Europe. There will be more of a limited, more transparent CMBS issuance

than we saw at the end of 2009, and banks will be lending cautiously on core space.

Recovery in the Americas is expected to follow the pattern seen in other regions but just lagging by six to nine months. Indicators suggest that investment sales volumes will begin to increase in leading U.S. cities during the second quarter of 2010, with sales transactions activity overall expected to increase 50 percent for the full year, although that, obviously, is off a very low base.

We anticipate a tentative return of conservatively based CMBS issuance, helping real estate finance and refinance, with volumes totaling less than \$30 billion for the year. Cap rates should be firmer and prices more transparent as we progress through the first half. And finally, continued dislocation in the U.S. banking system will continue to restrict real estate finance more than in other regions.

In leasing markets on the demand side, companies have liquidity, corporate confidence is recovering, and companies are beginning to take decisions again. Supported by an improved operating environment and greater economic certainty, corporate occupiers will begin to take decisions on their space needs, and they will likely spend to the limits of their capital and expense budgets in 2010.

Employment is just now beginning to bottom out worldwide. Net leasing declines will continue in Europe, with rents falling or at best holding in key markets, as occupiers remain in cost-cutting mode. Exceptions to this will include firming leasing market activity and pricing in West London and in Paris. However, office vacancy rates generally will not peak until late 2010 at the earliest. Stabilization and a return to genuine demand growth in U.S. leasing markets is not expected before 2011.

The picture for corporate outsourcing is encouraging. Our pipeline as an indicator is just as strong now as it was a year ago and we're pursuing the same number of opportunities. We also found that in 2009, average revenue

per new business contract was nearly 60 percent higher than in 2008, a further encouraging trend.

In global investment markets, we see institutional money flowing back into stable income-producing core assets in most parts of the world. This is being driven by relatively attractive yields compared to other investment classes, and by institutions maintaining their allocations to real estate. And as we give you that summary of world markets, we give you a feel as to how we're thinking about the playing process and our business in 2010.

So given how varied market conditions are, we have three operational priorities and Lauralee referred to these. First, continued caution everywhere. Second, as we've described, we'll continue our approach to tailoring the management of our business to conditions in individual sectors, geographic markets and product lines. And finally, we'll continue to take actions which build our margins and our market share.

In closing, as always, I'll talk about awards and recognitions. Just one this time, but a very important one. In November, Procter and Gamble named us their supplier of the year. That's one of seven firms to win the honor out of their 80,000 suppliers worldwide. This is the second consecutive year that we've received this distinction. And it was also the second year in a row that we were recognized with a "Corporate Supplier Excellence Award" by Procter and Gamble.

So to conclude, markets overall are finding a bottom and have definitely improved over quarter four 2008. We sensed the tone shifting from defense to offense and we're ready for that. We'll continue to focus on costs, protecting the savings we've generated through the downturn and using them to invest in select priorities during the recovery.

Finally, this morning Lauralee and I would like to thank all of our people many of whom listen into this call. We'd like to thank them, one more time, for the terrific job they did last year because through their contributions and sacrifices through the year, they positioned our firm for a bright 2010.

So now let's move to questions. Operator, could you explain the process please?

Operator: Yes. If you would like to ask a question, please press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. You have a question from the line of Kevin Doherty with Bank of America Merrill Lynch.

Kevin Doherty: Great. Thank you. I guess just one question on margins, the adjusted EBITDA margin contracted year-over-year with about two percent revenue growth this quarter. But if I look back in 3Q, margins actually expanded year-over-year on a 12 percent decline in revenue. So I just want to see if you can sort of reconcile that and just talk about how we should think about leveraging the model going forward, assuming we continue to see, call it modest revenue growth over the rest of the year.

Lauralee Martin: Kevin, that's an excellent question. I think one of the difficulties is that we're getting different rates of recovery across our lines of businesses. And so you're not getting a complete expansion which would give you more of a predictable margin expansion. So depending on which parts of the world, that will come through very nicely or different products types it will come through nicely as well.

We did have parts of the world, particularly if you think about Asia, where we saw very nice recovery in the fourth quarter where all of a sudden bonus pools that may have been fairly minimal will, all of a sudden, come into a funding capability and even some of those dynamics in Europe. So you're going to get some movements that are not a normal quarterly progression. And unfortunately, we still have parts of the world in that recovery where we had little to no improvement, capital markets, for example. We did not see improvement in the U.S. We've not seen improvement in some of the developing worlds like Russia.

And so there's a lot of mixed change in there. We do believe that as the world gets into a more stable and improving environment across the board, the leveraging will come through. We've worked hard on the cost models, and

moving our compensation structures, as well such that the benefits of the market recovery will be showing in the financial results.

Kevin Doherty: OK. I appreciate that. And then maybe just switching to the revenue which came in, I think, much stronger than the street was looking for. Could you just maybe talk about what you viewed as being the biggest surprises relative to your internal expectations? And then how does that reconcile as you look out over the rest of the year relative to maybe what you thought a quarter or two ago?

Colin Dyer: Yes, well it's Kevin it's nice to be in that phase of the cycle where the surprises are on the upside. And that's an interesting indicator, we thought, for where we actually are. I suppose the biggest surprise to us was the Asia number which came through very strongly as you'll see. I wouldn't use the word shock but it was close.

And it just reflects the points that we're making in the market comments not only for Q4 last year but also the foreign picture just how strong Asia is recovering. And it feels like a V-shaped recovery in Asia whatever it is in the rest of the world. And if you talk to our businesses in India, China, across the region, in Australia, they're seeing a very strong balance in confidence against a market where the banking system is in great shape and where they're generating now internal demand to add to a small bounce backing the export demand from western countries.

So that if the Asian region which we would be surprised is most on the upside, we're pleased too with the strength of the American business and the way that came through nicely in the fourth quarter.

Kevin Doherty: OK. And then maybe just the last question, could you talk about your comfort level with the leverage ratio of the company as it stands right now. And what would be your priorities for continued debt repayment over the rest of the year? Thank you.

Lauralee Martin: Well, we're very, very comfortable with where we are financially. We ended up with only our term debt at the end of the year. Very strong pay down in

the fourth quarter on a cash basis. We do pay our bonuses in the first quarter so our debt will go up again. But we are extremely comfortable in our ratios.

We did raise equity, as you know, in June because at that time the world seemed very, very uncertain. And we're still very pleased that we did that. But we would have been able to have stayed within our covenant ratios even without that which gives you an idea of the strength of where we are today. And, again, the investment grade ratings we think that is an external statement of our financial strengths as well.

Kevin Doherty: OK. Thanks for taking my questions.

Colin Dyer: Pleasure.

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

Sloan Bohlen: Hi, good morning. Just a question and I'm hoping you could expand a little bit about your comment on margin – or I'm sorry on the growth and market share. And specifically with the growth in the U.S. leasing, I was just wondering if you could maybe touch on how much of that was new business through the integration of the Staubach acquisition? How much of that was just a pick up in activity?

Colin Dyer: Well, the market – from memory the market overall is down by about 20 percent in the regions that we were present. And we, year-on-year were up by a similar figure. So we picked up significant share, we believe. The markets, clearly, are not very active so you have to say that's the result of the benefit of the hard work of our people. And we believe an increasing level of revenue synergies between the legacy Staubach and the legacy Jones Lang LaSalle business as they learn to work together and benefit from each other's skills.

Sloan Bohlen: OK. Maybe switching gears if you could talk a little bit about the fundraising environment for investment management. Can you talk a little bit about maybe how co-investment levels or what investors are requiring has changed versus the last cycle? And kind of as a follow on to that where your balance

sheet kind of allows you to co-invest going forward as you grow that business?

Lauralee Martin: Well, the capital that we raised this year we raised really across the board. We raised in securities that doesn't require co-investment capital. We raised in separate accounts. We, in fact, put co-investment against that. That's principally core asset classes that we're doing. So we did not have a difference in historical co-investment as we did that activity.

And then we've done a small amount of funds, as well. Again, I would say the more typical co-investment that went against that. I think it's a little early to really know exactly how that marketplace is going to play through. I think, probably more likely the pressure is going to be on fees and structures of how advisors get paid when the market becomes more robust. But we were pleased that we raised \$4 billion in a very difficult net. That's a net number. We actually, on a gross basis, raised more than that - dollars. And in all three categories of which we provide advisory advice.

Sloan Bohlen: OK. And maybe just a broader comment about the equity that's out there looking for opportunities, do you get the sense the most of it is chasing core product? Or maybe is there a split between those that are chasing core versus value add? I'm just trying to get a sense of how that can play out in the sales market.

Colin Dyer: No. Whether you're talking institutional investors or individual REIT style investors, people got so badly burned and shocked by what happened over the last 18 months, two years, that the appetite -- where there is appetite for equity -- is towards the core, lower risk end of the curve, in general. Certainly, it's the case with the institutional investors.

And to add to the points Lauralee made, investors with endowments, for example, who don't have a regular strong steady cash flow currently aren't looking to put money out in any asset classes because they have -- with their sort of limited overall pie they're kind of recovering from what's happened over the last two years. But where we see, for example, pension funds who have got a steady inflow of cash and therefore have a need to continue to

place investments, there is a market there. They're being cautious on illiquid sectors and going for liquid sectors for preference. But nevertheless, as I said in the earlier remarks, our sense is that real estate is holding its allocation. And therefore, what you'll see is that money is coming into real estate and gradually finding its way back into the real estate sector.

Sloan Bohlen: OK. Thank you. I appreciate it.

Operator: Your next question comes from the line of Michael Mueller with JP Morgan.

Michael Mueller: Hi. Good morning. Colin, first of all, going back your comments at the tail end where you were talking about the different regions and specifically the capital markets activities, and the expectations for 2010, was that – were they general overall transactional comments relating to the market or is that a little more focused towards JLL in terms of we think revenues could be X.

Colin Dyer: No. They were market comments. As you know, we don't make specific forecasts about our own position but take my point that I also made that that's the context in which we're thinking about our business.

Michael Mueller: Sure. OK. And secondly, maybe translating that a little bit to leasing, can you talk a little bit about the leasing business? Because if we take a look at the comps and I know the Americas is a little different because of Staubach, but if we take a look at what the year-over-year local currency comps were from Q3 to Q4, it was some pretty significant improvement that you saw in Europe and saw in Asia.

Can you talk a little bit about what follow through you're seeing thus far in 2010? Does it feel like those Q4 numbers were a little bit more of a blip? Or it was a real pick up in business not just kind of bumping up against better comps.

Colin Dyer: Well, the year-on-year numbers that's 4Q last year compared to 4Q 2008 were down albeit the rates of decline is slowing. So that's the first point to make. The quarter – to quarter numbers are up indeed, but that you have to take with some caution because those are regular annual seasonal trend that you see

with the fourth quarter in the area and practically all of our activities always show a either strong or even storming up tick on Q3. So you have to look at it – you have to combine those together and take a view through them.

As to what was driving that, I made the comments on the market as a whole our clients are regaining confidence. And whether it's undertaking decisions now that doesn't mean that they're expanding, it means they're saying OK we now see our forward picture. We know what space we'll need. We can start to consolidate. We can start to lengthen leases. And in some cases they're expanding. And so you see some major banks who have difficulties in major financial centers out looking for hundreds of thousands of square feet of space currently simply because they want to consolidate and get to a lower cost base and a more rational organization.

And I think that trend is going to continue, a trend of more decision, more decisiveness, more action on the parts of the customers in this market. And lastly I wouldn't comment on the first 33 days of this year but our sense is that that trend – this is a broad market comment, it's a broad cyclical trend comment, that trend is likely to continue through the year.

Michael Mueller: OK. Switching gears for a second...

Lauralee Martin: Just one more comment. If we look back on comparables, probably the two devastating quarters were the fourth quarter of last year and then the first quarter of this year. So the fourth quarter of '08 which is what our comparable is and the first quarter of '09. And then the second half of the year has started to see that confidence that Colin is talking to. So we have the seasonal piece in there. And then we also have some abnormal quarters that we're comparing to and we'll probably have one more of those until it starts to look like a relatively normal sequence of market place events.

Michael Mueller: OK. And switching gears for a second, the facility management - property management growth, can you talk a little bit about some of the drivers behind that and put some numbers out. Maybe, for example, the 25 percent growth over 20 percent growth. Today you have x-number of clients compared to last

year was this, this number of clients. Was there a difference in pricing? To just put some parameters behind it in terms of what's driving the growth.

Colin Dyer: Well, what's driving the growth is the same dynamic as has been driving that part of the market through the recession which is people are looking – companies are looking to lower their cost base by putting their facilities out to professional management, the same logic as you see in information technology. And that coupled with a trend towards the non U.S. part of the market, that's to say Europe and Asia Pacific, also picking up these corporate trends.

So we talked about the Telstra win in Australia. We had several large new pieces of business across Asia Pacific that with international banks and with U.S. multinationals. But also we're seeing European companies, a couple of big Dutch institutions that I can think of just now and French organizations we're talking to as well looking to follow the same trend and professionalize the management of their facilities.

So that's the general background. In terms of numbers, as Lauralee said we secured more than 75 new wins and expansions last year and that gave us an additional 170 million square feet under management and that adds to our total of 1.4 billion of total square feet under management.

Michael Mueller: OK. And last question, can you talk a little bit about when we take a look at by geographic region and segment including investment management margin expectations for 2010 versus 2011, and I know you don't put guidance out there and I appreciate that, but I mean are you operating under the scenario where you think the expense ratios are comparable? Or if we see the pick up in capital markets activity you're talking about, you know maybe a good scenario is that margins improve by a couple of hundred basis points. I mean can you kind of frame out what you think the base case is and the high end and low end?

Lauralee Martin: Well, we are below the margins of our historical business. And we're below the margins that we've targeted for you in the past, particularly if you think

about EMEA where we're significantly under historical margins. The answer to how those come back will be the pace of the market recoveries.

If we think about the U.S. we're you know very pleased with the dynamics happening in the leasing markets and in the annuity businesses but our capital markets business is not a contributor at this point in time.

EMEA, being strongly transactional both on leasing and capital markets, definitely is not performing on a normal trend line. You don't have to go back to the peaks but just a normal trend line as well as having a couple of really tough developing markets that we've identified throughout the year such as Russia where we've had actually fairly extensive losses and have now, because of right sizing, have brought it back to an operating expense level where we can perform at a breakeven or better even if the market doesn't improve.

So I'd love to give you an answer but it's really the pace. And it's the pace of where it happens which is really the message we're trying to say. This is not an even recovery globally, country, product line. But each of our businesses has been charged that we've got a good cost structure. And we expect as our markets come back to normal to get to historical margins if not better margins than what we've had in the past.

Michael Mueller: OK. I appreciate it, thank you.

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

David Gold: Hi, good morning. I was hoping Lauralee, you could frame out a little bit more than the cost cuts. So essentially I guess all told between discretionary and sort of non-discretionary, I guess, we have about 170 million and I just wanted to get a better sense for as business recovers, as revenue recovers how much of that presumably needs to come up. Obviously to scale as revenue comes back versus how much of it sort of cost cuts of us being say more efficient and having changed the model a little bit.

Lauralee Martin: Well, everything's been leaned down but there's no question that when business activity picks up people travel more to go see clients. They entertain more because they can translate that entertainment into revenues very quickly. There will be a certain amount of professional fees that come back, for example, in LaSalle Investment Management as the lawyers prepare new fund documents and things like that.

So it was taken out more dramatically than what it will come back but there's no question that you'll want to see some increase in those expense lines because that's a good sign that, in fact, there will be revenue growth and then a leveraging of that business as we go forward.

David Gold: OK. So, is there a good way to think about that by way of in other words maybe 20 percent of it is you folks being more efficient and sort of the rest of it a function of business coming back? Or can you sort of give some sense of you know gates around that? I know it's hard.

Lauralee Martin: Well, we watch – probably the best way to describe it -- we watch our total compensation cost to revenue quite tightly. And clearly, we'll be watching that very closely as we think about where we want to put people back in, and then people drive every part of our business. So if you add a person then you need technology support and there's some travel that goes with them. But there are parts of our business such as most of our facilities that, in fact you know we will crowd people back in and get leveraging around that until it goes through.

So at the end of the day we're a people business David and we're going to watch the productivity of our people and then manage that as aggressively as we can.

David Gold: OK. That's helpful. And just one other positively surprised by the facilities side of EMEA between project development and facilities management. And just curious if you can comment if there's anything sort of specific, any large projects in there.

Lauralee Martin: Well, actually, there is. We made an acquisition in France that is a project in development business that has performed extraordinarily well and actually is one of the contributors to the market share gains that we talked about in France because we have successfully been integrating the products which is really a theme of Jones Lang LaSalle, I think, in our uniqueness of going to market that we integrate the different services that we have and the combination of those become more appealing to the marketplace.

So we've had a healthy growth in the business even though activity levels have been down. We've been able to adapt to the owners as they want to make their space more attractive, and then as the occupiers come in be able to provide them the service around their new space.

David Gold: Perfect. Perfect. Very much appreciated. Thank you both.

Colin Dyer: Thanks, David.

Operator: Your next question comes from the line of Vikram Malhotra with Morgan Stanley.

Vikram Malhotra: Hi, thank you. Colin, just one question. Looking at your priorities for 2010, you mentioned one of the priorities is to build annuity revenue. I'm just wondering, are there any particular regions that you'd like to focus? You mentioned Europe as a lot of transaction activity. Is that a region you're focusing on to build the annuity base?

Colin Dyer: Yes is the answer. We've done a very good job in Asia Pacific of building a corporate business, an annuity base business around facilities management, property management for investors and that's a model which we are working on bolstering. I mean we already have those activities in Europe. We're bolstering our corporate business in Europe and we've been investing behind that.

Vikram Malhotra: Good. Thanks. And then just one follow up – you've seen some strength in some of the leading markets, I know it's still lagging, but how would you – are you likely to see an impact on the project development side of the business

– of outsourcing as you know as things pick up in especially Q4 has seen a pick up and these things. Is that likely to flow through over the next couple of quarters?

Colin Dyer: A couple of quarters may be a little optimistic from the project development side. It does follow – obviously the up tick in the leasing activity does drive some more project work but the delays could be up to a year in our sense.

Vikram Malhotra: OK. Thanks. Thank you very much.

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

Will Marks: Thank you. Good morning, Colin. Good morning, Lauralee. I wanted to ask first on your comments regarding capital markets growth in 2010. I thought I heard you say that activity it's going to be up 40 percent but still below 2008 levels?

Colin Dyer: Yes, that was for Asia Pacific, Will, I think.

Will Marks: OK. And just in looking at – I mean that would put – I know you're referring to the market, in general, but it seems to me that would put – 40 percent growth would put you well above – you JLL well above 2008 levels. And is it just that you performed so much above the market in 2009?

Colin Dyer: Again, that market was aimed at the Asia Pacific region. We think that the rates of growth will vary by market. The biggest jump we'd said was perhaps 50 percent in the U.S. market. That's off a small U.S. number this year in terms of total market. But our representation in the U.S. is obviously very small as well. So that won't move a big needle. The critical thing for us is what happens in Europe. And there we said the market could move up 20 percent.

There's a mixture of things there. What's happened in London is the volumes have been quite strong, same as Paris, this year and we've picked up as we described earlier a significant market share in those tough recovering markets. But with the lack of available product to be sold in London in particular, but Paris as well, as sellers wait for the markets to recover even further, the actual

volumes of transactions could sort of stabilize in those markets. But then gradually the pick up spreading around Germany, Holland and other parts of Northern Europe.

So there's a lot of moving pieces there. And what we try to do is just say – our researchers are saying indicatively we believe that the total European market will be up. It will be of the order of 20 percent. We've very pleased having gained market share in 2009.

Will Marks: Great. OK. Thank you. And next question that I have is really on the operating expense line. And I'm wondering the one number that really stood out, there were all sorts of great positive numbers, but the one that kind of surprised me was the operating, administrative and other line at \$184 million for the fourth quarter.

And it was a big jump as normally over the previous three quarters but it was also a big jump over fourth quarter '08. And we had been seeing that number declining and I realize your revenues have turned the corner. But is there anything in that number that's a one time? Or is this a run rate going forward?

Lauralee Martin: Actually, in that number Will and it's geography. As we normally do, we establish reserves for any form of bad debt in our operations. The last two years actually have been very abnormally challenging years in that area whether it's been landlords that find themselves in financial difficulties and then all of a sudden decide not to pay or can't pay, or developing markets such as a Russia or a Middle East where either they can't pay or have a different view of debt obligations than maybe other parts of the world. So we did take additional reserves in the fourth quarter for that on a year-over-year basis. And we will disclose all of this in the K when you are able to see the schedules in our reserves. But if we look at it fourth quarter over fourth quarter that was about \$9 million on a variance.

It gets offset in compensation almost completely because unfortunately for our colleagues if their revenues aren't collected they don't get paid. It doesn't completely true up if you're in a country such as Russia where there is no compensation in terms of bonuses to get it back. But most of it gets adjusted

back. So you'll see there's – also a little bit of a percent improvement in the compensation in the fourth quarter that you know really shows that geographic movement, if that's helpful.

Will Marks: Yes.

Lauralee Martin: We think that at this point these are receivables that were significantly earlier in the year and our people are extremely careful as they go forward because of the pain it puts in their personal pocketbook as to who they do business with and how quickly that money gets collected such that we think that this should not be a big issue going forward.

Will Marks: OK. And if you think about, this is bordering on guidance so answer it however you want, but the first three quarters, you know \$138 to \$148 million average, and if we look ahead I assume if your revenues grow your operating administrative line will grow a little bit but I mean getting back to the \$184 million number should we expect to see that in the first three quarters of next year? Or anything close to that?

Lauralee Martin: You know, Will, it's hard for me to give you that answer on a dollar basis even if we did give guidance because we tend to manage things on a relationship to revenue and that is how it correlates generally. So you are going to have movement around things like travel and entertainment. You're probably going to have as much movement around things like training. That will continue to be slow until you know with us doing what we need to do but not excessive.

So there will be movements in it but clearly we will be managing that line in totality very aggressively as both Colin and I have said throughout this call as we go forward. And the instructions to our people worldwide is - we really want to hold expenses very close to flat in those categories. We will revisit those as we see revenues take their course, whether that's first quarter or second quarter. And then determine where we have more confidence in terms of being able to commit to expanding those areas.

Will Marks: OK. Thank you. Let me ask just a couple of other quick questions hopefully on – you mentioned that you'll have your normal increase in debt level in the first quarter -- how should we think about relative to the first quarter of '09? And I assume – I think you paid bonuses a little bit later in '09 than normal, is that going to happen in 2010?

Lauralee Martin: No. We will be paying bonuses in the first quarter. And you can see our accrued compensation on the balance sheet so you can see it's fairly comparable to last year. And then so we will be paying out that compensation offset by normal receivable collections which will obviously result in the net number.

We will continue to be aggressive on our cap ex expenses. We were just under \$45 million this year. We plan to be about the same kind of number next year. And co-investment takes its course as LaSalle Investment Management invests but they have been cautious in that. So although we hope to see that money go out during the course of the year, it's probably going to be towards the second half rather than the beginning unless they see more opportunity coming through quickly.

Will Marks: And you do – I saw that there's a short term liability, the deferred business obligation of \$106 million. So that's money that you'll pay from Staubach.

Lauralee Martin: Yes. We have our first installment for the Staubach transaction that we hope to pay in August.

Will Marks: OK. And just one final question on the discussion in trade rags about the CalEast portfolio. Can you quantify the size of that? And I realize that you're probably not willing to give that much information but what – if you can tell us a little bit of what's going on with CalPERS and Cal East?

Lauralee Martin: Yes. CalPERS has been very public that they are reviewing all of their large advisors and we are a large advisor. So yes we, like the others, are under view. CalPERS has also requested that their advisors make no comment during the review about that review and so therefore we can't make a comment.

Relative to Jones Lang LaSalle, however, on a financial basis unfortunately the valuation changes that have occurred in the portfolio have resulted in us all ready having lower advisory fees in our operating results for at least the second half of the year. And historically this has been an account where our biggest opportunity was incentive fees, as you know received a large incentive fee in 2006. Relative to incentive fees across the board, we've advised that we don't expect incentive fees of any magnitude and probably any of accounts for a period of time until we see marketplaces stabilize and improve.

So I guess that's sort of a comment that says that financially it's all ready hit – the majority of it has all ready hit our financial results in what you're looking at.

Will Marks: OK. Thanks, Lauralee.

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

Brandon Dobell: Hi. Thanks. You guys talked a little bit about the outsourcing business relative to 2008 and the average and a new deal size being up, I think, 60 percent. Following on that comment, have you seen an increase or a decrease, I guess, in terms of leveraging those outsourcing agreements into a follow on business in transaction management either sales or leasing?

Or are you seeing a greater tie between different parts of the business? And if you could compare that kind of now to where you were in 2008 that would be kind of helpful, too, thanks.

Colin Dyer: Thanks, Brandon. The couple of trends we're seeing, firstly, as we said the overall size is going up and one of the reasons for that is that there's a trend towards global outsourcing apart from – away from just regional outsourcing or national outsourcing.

And the drivers for that are an increasing realization by companies who are multinationals, international businesses, that if they're going to go through the trouble of outsourcing to save money, then the ultimate way of saying is to

have a uniform system and a uniform provider around the world giving standardization, easy comparability of results and a more even process through out their business. And it's a lot easier to deliver that when dealing with one global provider as opposed to two or three.

And then when you get to that position, the market gets quite small. It's really just a very small handful of players who are able to operate credibly in a global way. And then we put that together with the other tests we apply around ethics where we score very highly. You may remember we've been named as one of the Ethisphere 100 most ethical companies on a world basis.

They look at our financial position and, of course, as Lauralee said that's above reproach because they're dealing with us on a five-year basis. So we think those are some of the drivers for the reasons that we've been seeing such good training in that area. And at the moment we see no moment for a break in that trend either in the market or our own performance.

As to the point you made about other services. Whenever we go into a new account often we'll go in for one service. I mean it may be facilities, it may be transactions on a worldwide basis. And, of course, once we're there we then work to expand the relationship with that client and we believe that to be in our interest, obviously but it's also in the client's interest because we have great confidence in the quality of our services, across the whole platform and across the whole of our service ranges. So yes we then start to move it up and increase the number of X's we have in the boxes against that client. And so we'll move from facilities to projects to transactions to lease management to portfolio advice. And we have no set pattern for that. It just depends on how we start with the client.

Brandon Dobell: OK. Shifting gears a bit, fourth quarter leasing -- any sense of how much of the out performance or the strength in the quarter was either kind of a catch up or lets get things done before year end? Or is it a true, kind of shift in confidence that's driving as kind of a higher sustainable base level of activity?

Colin Dyer: I think all of the above. More confidence, higher base level. There was no urgency at the end of '08 to get anything done. People were absolutely like

rabbits in the headlights with the freight train coming down the line. And nobody was taking a decision in capital markets, in corporate leasing space. We had a complete freeze of the market for six months, Q4 '08 and Q1 '09.

What the big difference is people are now taking decisions. They're sort of all alive, the results coming through pretty well in lots of sectors. They've managed to get their liquidity sorted out. And people are moving on and working out how to get back to normal business again. So that's a big driver. And that enabled the kind of usual year end pressure to come back into the market to get things done on the '09 budgets.

Within that we've seen, particularly in the Americas resurgence in large transactions and that was responsible for a healthy proportion of what we did in the U.S. and that's encouraging too because it means that the larger deals, which requires the more confidence to do, are also back in the market.

Brandon Dobell: OK. And then finally, just a couple of housekeeping ones. Lauralee, how should we think about D&A and the tax rate for 2010, any general comments there?

Lauralee Martin: The depreciation level in the fourth quarter is fairly close to a run rate at this point. As I think you're aware, the majority of the Staubach amortization fell off midyear. There still is some that's going run through but it's modest numbers and it runs for a period of time. And the balance of the depreciation tends to be in our technology areas and we will have sort of a normal run rate there.

Brandon Dobell: OK.

Lauralee Martin: The tax rate in the fourth quarter did increase to about a 23 percent level due to the nice results in the fourth quarter coupled with really a significant change in mix about where things happened.

We have guided that a more normal run rate for us is in that 25 percent range. I would guess in 2010 will run between a 20 to 25 percent run rate. It's still to

be determined when we see where income around the world comes from and how that blends.

Brandon Dobell: OK.

Colin Dyer: Brandon, you're going to have trouble if you associate Lauralee with housekeeping.

Brandon Dobell: Well, not a good way to put it.

Colin Dyer: A better choices of words next time, please.

Brandon Dobell: Duly noted. Thank you.

Colin Dyer: Are there any more questions, Operator?

Operator: There are no further questions.

Colin Dyer: OK. Well, we'll respect your time and draw the events to a close today. Thanks everybody for joining us on the call and for your interest in Jones Lang LaSalle and we're very much looking forward to speaking to you again at the end of the first quarter. Thank you everyone.

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

END