

JONES LANG LASALLE INC  
Form 10-K  
February 25, 2011  
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**United States**

**Securities and Exchange Commission**

**Washington, D.C. 20549**

**Form 10-K**

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Act of 1934

For the fiscal year ended December 31, 2010

Commission File Number 1-13145

**Jones Lang LaSalle Incorporated**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**200 East Randolph Drive, Chicago, IL**

(Address of principal executive offices)

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

**36-4150422**

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

**60601**

(Zip Code)

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

**Name of each exchange on**

**Title of each class**

Common Stock (\$.01 par value)

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

**which registered**

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ X ] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [ X ]

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes [ X ] No [ ]

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

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Part III of this Form 10-K or any amendment to this Form 10-K [  ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer [  ] Accelerated filer [  ] Non-accelerated filer [  ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [  ] No [  ]

The aggregate market value of the voting stock (common stock) held by non-affiliates of the registrant as of the close of business on June 30, 2010 was \$2,730,358,027.

The number of shares outstanding of the registrant's common stock (par value \$0.01) as of the close of business on February 17, 2011 was 42,864,484.

Portions of the Registrant's Proxy Statement for its 2011 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

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**ITEM 1. BUSINESS  
COMPANY OVERVIEW**

Jones Lang LaSalle Incorporated (*Jones Lang LaSalle*, which we may refer to as *we, us, our*, the *Company* or the *Firm*) was incorporated in 1997. We have 185 corporate offices worldwide and operations in more than 1,000 locations in 60 countries. We have approximately 40,300 employees, including 24,800 employees whose costs our clients reimburse. We offer comprehensive integrated real estate and investment management services on a local, regional and global basis to owner, occupier and investor clients. We are an industry leader in property and corporate facilities management services, with a portfolio of approximately 1.8 billion square feet worldwide. We deliver an array of Real Estate Services (*RES*) across our three geographic business segments: (1) the Americas, (2) Europe, Middle East and Africa (*EMEA*), and (3) Asia Pacific. LaSalle Investment Management, a wholly-owned member of the Jones Lang LaSalle group that comprises our fourth business segment, is one of the world's largest and most diversified real estate investment management firms with over \$41 billion of assets under management.

In 2010, we generated record-setting revenue of \$2.9 billion across our four business segments, an 18% increase from 2009. We are encouraged by our strong performance in 2010. We believe that we are well positioned to take advantage of the opportunities in a consolidating industry that we anticipate will arise as market conditions continue to improve. Throughout the global recession, we strengthened our business and redefined our cost base across our transactional businesses.

For discussion of our segment results please see Results of Operations and Market Risks within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as Note 3 of the Notes to Consolidated Financial Statements.

We won numerous awards during 2010, reflecting the quality of the services we provide to our clients, the integrity of our people and our desirability as a place to work. Among others we were named:

The highest ranking real estate services firm in the Leaders category of the Global Outsourcing 100 by the International Association of Outsourcing Professionals;

Euromoney's Global Best Investment Manager and Best Investment Manager in Asia;

ENERGY STAR's Partner of the Year by the U.S. Environmental Protection Agency;

The winner of P&G's Top Global Performing Partners Excellence Award;

One of the World's Most Ethical Companies per the Ethisphere Institute;

Best property consultancy in Australia, India, Thailand, Mexico, Italy, Turkey, Central and Eastern Europe, Russia and Dubai; and

One of the best places to work in, among others, Germany, Spain, Ireland, Atlanta, Denver, Phoenix, Los Angeles and Washington D.C. The broad range of real estate services we offer includes:

Agency leasing

Tenant representation

Property management

Capital markets

Real estate investment banking / merchant banking

Corporate finance

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Facilities management / outsourcing

Project and development management / construction

Valuations

Consulting

Hotel advisory

Energy and sustainability services

Value recovery and receivership services

Investment management

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

Offices

Hotels

Industrial properties

Retail properties

Multi-family residential

Critical environments and data centers

Sports facilities

Cultural institutions

Transportation centers

Healthcare facilities

Individual regions and markets may focus on different property types to a greater or lesser extent depending on local requirements, market conditions and the opportunities we perceive.

We work for a broad range of clients who represent a wide variety of industries and are based in markets throughout the world. Our clients vary greatly in size and include for-profit and not-for-profit entities of all kinds, public-private partnerships and governmental (public

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sector) entities. Increasingly, we are offering services to middle-market companies that are looking to outsource real estate services. We provide real estate investment management services on a global basis for both public real estate securities and private real estate assets through our LaSalle Investment Management subsidiary.

The attributes that enhance our services include our:

Integrated global business model;

Industry-leading research capabilities;

Focus on client relationship management;

Consistent worldwide service delivery and integrity;

Ability to deliver innovative solutions to assist our clients in maximizing the value of their real estate portfolios;

Strong brand; and

Strong financial position.

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

### **Jones Lang LaSalle History**

Prior to our incorporation in Maryland in April 1997 and our initial public offering (the *Offering*) of 4,000,000 shares of common stock in July 1997, Jones Lang LaSalle conducted business as LaSalle Partners Limited Partnership and LaSalle Partners Management Limited Partnership (collectively, the *Predecessor Partnerships*). Immediately prior to the Offering, the general and limited partners of the Predecessor Partnerships contributed all of their partnership interests in the Predecessor Partnerships in exchange for an aggregate of 12,200,000 shares of common stock.

In October 1998, we acquired all of the common stock of the COMPASS group of real estate service companies (collectively, *COMPASS*) from Lend Lease Corporation Limited. The acquisition of COMPASS made us the largest property management services company in the United States and expanded our international presence into Australia and South America.

In March 1999, LaSalle Partners merged its business with that of JLW and changed its name to Jones Lang LaSalle Incorporated. In connection with the merger, we issued 14,300,000 shares of common stock and paid cash consideration of \$6.2 million.

During the period from 2005 through 2008, we acquired or merged with 33 companies as part of our global growth strategy. These strategic acquisitions have given us additional market share in key markets, expanded our capabilities in certain service areas and further broadened the global platform we make available to our clients. These acquisitions took place in England, Scotland, Finland, France, Germany, the Netherlands, Spain, Turkey, Dubai, Hong Kong, Japan, India, the Philippines, Australia, Canada, Brazil and the United States.

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In January 2006, we merged operations with Spaulding & Slye, a privately held real estate services and investment company with offices in Boston and Washington, D.C. We integrated Spaulding & Slye's 500 employees into the Jones Lang LaSalle organization, significantly increasing the Firm's market presence in New England and Washington, D.C.

In a multi-step acquisition starting in 2007, we acquired the former Trammell Crow Meghraj (*TCM*), one of the largest privately held real estate services companies in India. TCM's operations were combined with our Indian operations and we now operate under the Jones Lang LaSalle brand name throughout India.

In May 2008, we acquired Kemper's Holding GmbH (*Kemper's*), a Germany-based retail specialist, making us the largest property advisory business in Germany and providing us with new offices in Leipzig, Cologne and Hannover.

In July 2008, we acquired Staubach Holdings Inc. (*Staubach*), a U.S. real estate services firm specializing in tenant representation. Staubach, with 1,000 employees, significantly enhanced our presence in key markets across the United States and made us an industry leader in local, national and global tenant representation. The Staubach acquisition also established us as the market leader in public sector services and added scale to our industrial brokerage, investment sales, corporate finance and project and development services.

We made no material new acquisitions in 2009 or 2010 due to market conditions and our focus on maintaining a healthy balance sheet. In light of the continuing broad market recovery that we experienced during 2010, we expect increasing acquisition opportunities to emerge and we may increase our acquisition activity compared to recent years. We are considering, and will continue to consider, acquisitions that we believe will strengthen our market positions, increase our profitability and supplement our organic growth. However, there is no assurance that we will engage in acquisition activity in the future at the same pace as we have in the past.

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### **Seven Value Drivers for Growth and Superior Client Service**

Our mission is to deliver exceptional strategic, fully integrated services and solutions for real estate owners, occupiers and investors worldwide. We deliver a combination of services, skills and expertise on an integrated global platform that we own (and do not franchise), which we believe sets us apart from our competitors. While we face high-quality competition, we also believe that we have a unique set of attributes that makes us the best choice for clients seeking real estate and investment management services. We have the size and scale of resources necessary to provide the expertise of the firm wherever they need it. And our culture of teamwork and collaboration means that we can marshal those resources to deliver the greatest possible value and results

Consultancy practices typically do not share our implementation expertise or local market awareness. Investment banking and investment management competitors generally possess neither our local market knowledge nor our real estate service capabilities. Traditional real estate firms lack our financial expertise and operating consistency. Other global competitors, which we believe often franchise their offices through separate owners, do not have the same level of business coordination or consistency of delivery that we can provide through our network of wholly owned offices, directly employed personnel and integrated IT, human resources and financial systems. That network also permits us to promote a high level of integrity throughout the organization and to use our diverse and welcoming culture as a competitive advantage in developing clients, recruiting employees and acquiring businesses.

Seven key value drivers distinguish our business activities:

Our integrated global services platform;

The quality and worldwide reach of our research function;

Our focus on client relationship management as a means to provide superior client service;

Our reputation for consistent and trust-worthy worldwide service delivery, as measured by our creation of best practices and by the skills, experience, collaborative nature and integrity of our people;

Our ability to deliver innovative solutions to assist our clients in maximizing the value of their real estate portfolios;

The strength of our brand; and

The strength of our financial position.

We have designed our business model to create value for our clients, our shareholders and our employees. Based on our established presence in, and intimate knowledge of, real estate and capital markets worldwide, and supported by our investments in thought leadership and technology, we believe that we create value for clients by addressing their local, regional and global real estate needs as well as their broader business, strategic, operating and financial goals. Our financial position, which we believe is the strongest in our industry, and our reputation for integrity, which we also believe is the strongest in the industry, give our clients confidence in our long-term ability to meet our obligations to them. We also believe that the ability to create and deliver value drives our own ability to grow our business and improve profitability and shareholder value. In doing so, we enable our people to demonstrate their technical competence and advance their careers by taking on new and increased responsibilities within a dynamic environment as our business expands geographically and develops in sophistication.

### **GLOBAL STRATEGY**

To continue to create new value for our clients, shareholders and employees, we have identified five strategic priorities, which we call the G5.



**G1: BUILD OUR LEADING LOCAL AND REGIONAL SERVICE OPERATIONS.** Our strength in local and regional markets determines the strength of our global service capabilities. Our financial performance also depends, in great part, on the business we source and execute locally from our 185 wholly owned offices around the world. We continually seek to leverage our established business presence in the world's principal real estate markets in order to provide expanded local and regional services without a proportionate increase in infrastructure costs. We believe that these capabilities will continue to set us apart and make us more attractive to current and prospective clients as well as to revenue generating employees such as brokers and client relationship managers.

**G2: STRENGTHEN OUR LEADING POSITION IN CORPORATE SOLUTIONS.** The accelerating trends of globalization, cost cutting, energy management and the outsourcing of real estate services by corporate occupiers support our decision to emphasize a truly global Corporate Solutions business to serve their needs comprehensively. This service delivery capability helps us create new client relationships, particularly as companies turn to the outsourcing of their real estate as a way to manage expenses and enhance sustainability. These services have proved to be counter-cyclical as we have seen demand for them strengthen when the economy has weakened. In addition, corporate clients are demanding the multi-regional capabilities that we can deliver.

**G3: CAPTURE THE LEADING SHARE OF GLOBAL CAPITAL FLOWS FOR INVESTMENT SALES.** Our focus on further developing our ability to provide global Capital Markets services reflects the increasingly international nature of cross-border money flows into real estate and the global marketing of real estate assets. Our real estate investment banking capability helps provide capital and other financial solutions by which our clients

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can maximize the value of their real estate. In response to volatile market conditions we have established Value Recovery Services to help owners, investors and occupiers value their assets and identify solutions that will allow them to respond decisively.

**G4: STRENGTHEN LASALLE INVESTMENT MANAGEMENT'S LEADERSHIP POSITION.** With its integrated global platform, LaSalle Investment Management is well positioned to serve institutional real estate investors looking for attractive opportunities around the world. Our investments in LaSalle Investment Management help the business develop and offer new products quickly, and extend its portfolio capabilities into promising new markets in order to enhance that position.

**G5: CONNECTIONS: DIFFERENTIATE BY CONNECTING ACROSS THE FIRM AND WITH CLIENTS.** To create real value and new opportunities for our clients, shareholders and employees, we are working to strengthen and fully leverage the links between our people, service lines and geographies worldwide to better connect with our clients and put the firm's global expertise and experience to work for them.

We have committed resources to each of the G5 priorities in past years and expect we will continue to do so in the future. This strategy helped us to weather the recent economic downturn, continue to grow market share and take advantage of new opportunities as they arose. By continuing to invest in the future based on how our strengths can support the needs of our clients, we intend to maintain and expand our position as an industry leader. Although our fundamental business strategies remain intact, each of our businesses continually reevaluates how it can best serve our clients as their needs change and real estate markets, credit markets and economies continue to exhibit dramatic and often unpredictable changes.

## **BUSINESS SEGMENTS**

We report our operations as four business segments. We manage our Real Estate Services (*RES*) product offerings geographically as (1) the Americas, (2) Europe, Middle East and Africa (*EMEA*), and (3) Asia Pacific, and our investment management business globally as (4) LaSalle Investment Management. See Results of Operations within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as Note 3 of the Notes to Consolidated Financial Statements, for financial information discussed by segment.

### **REAL ESTATE SERVICES (RES): AMERICAS, EMEA AND ASIA PACIFIC**

To address the needs of real estate owners and occupiers, we provide a full range of integrated property, project management and transaction services locally, regionally and globally through our Americas, EMEA and Asia Pacific operating segments. We categorize our RES in five major product categories:

Leasing Services;

Property and Facilities Management;

Project and Development Services;

Capital Markets and Hotels; and

Advisory, Consulting and Other Services.

Across these five broad RES categories, we leverage our deep real estate expertise and experience within the firm to provide innovative solutions for our clients. A description of these product categories and the services within them follows:

#### **1. Leasing Services**

*Agency Leasing Services* executes marketing and leasing programs on behalf of investors, developers, property companies and public entities to secure tenants and negotiate leases with terms that reflect our clients' best interests. In 2010, we completed approximately 19,400 agency leasing

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transactions representing approximately 323 million square feet of space. We typically base our agency leasing fees on a percentage of the value of the lease revenue commitment for consummated leases.

**Tenant Representation Services** establishes strategic alliances with clients to deliver ongoing assistance to meet their real estate needs, and to help them evaluate and execute transactions to meet their occupancy requirements. Tenant Representation Services is also an important component of our local market services. We assist clients by defining space requirements, identifying suitable alternatives, recommending appropriate occupancy solutions, and negotiating lease and ownership terms with landlords. We help our clients lower their real estate costs, minimize real estate occupancy risks, improve occupancy control and flexibility, and create more productive office environments. We employ a multi-disciplinary approach to develop occupancy strategies linked to our clients' core business objectives.

We determine Tenant Representation Services fees on a negotiated fee basis and landlords are typically responsible for paying them. Fees often reflect performance measures related to targets that we and our clients establish prior to engagement or, in the case of strategic alliances, at future annual intervals. We use quantitative and qualitative measurements to assess performance relative to these goals, and incentive fees may be awarded for superior performance. In 2010, we completed approximately 8,400 tenant representation transactions representing approximately 159 million square feet of space.

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### **2. Property and Facilities Management**

**Property Management Services** provides on-site management services to real estate owners for office, industrial, retail and specialty properties. We seek to leverage our market share and buying power to deliver superior service to clients. Our goal is to enhance our clients' property values through aggressive day-to-day management. We may provide services through our own employees or through contracts with third-party providers (with whom we may act in a principal capacity or hire as an agent for our clients). We focus on maintaining high levels of occupancy and tenant satisfaction while lowering property operating costs. During 2010, we provided on-site property management services for properties totaling approximately 1.1 billion square feet.

We typically provide property management services through an on-site general manager and staff. We support them with regional supervisory teams and central resources in such areas as training, technical and environmental services, accounting, marketing and human resources. Our general managers are responsible for property management activities, client satisfaction and financial results. We do not compensate them with commissions, but rather with a combination of base salary and a performance bonus that is directly linked to results they produce for their clients. Increasingly, management agreements provide for incentive compensation relating to operating expense reductions, gross revenue or occupancy objectives or tenant satisfaction levels. Consistent with industry custom, management contract terms typically range from one to three years, but may be canceled at any time following a short notice period, usually 30 to 60 days.

**Integrated Facilities Management Services** provides comprehensive portfolio and property management services to corporations and institutions that outsource the management of the real estate they occupy. Properties under management range from corporate headquarters to industrial complexes. During 2010, Integrated Facilities Management Services managed approximately 721 million square feet of real estate for its clients. Our target clients typically have large portfolios (usually over 1 million square feet) that offer significant opportunities to reduce costs and improve service delivery. The competitive trends of globalization, outsourcing and offshoring have prompted many of these clients to demand consistent service delivery worldwide and a single point of contact from their real estate service providers. We generally develop performance measures to quantify the progress we make toward goals and objectives that we have mutually determined. Depending on client needs, our Integrated Facilities Management Services units, either alone or partnering with other business units, provide services that include portfolio planning, property management, agency leasing, tenant representation, acquisition, finance, disposition, project management, development management, energy and sustainability services and land advisory services. We may provide services through our own employees or through contracts with third-party providers (with which we may act in a principal capacity or which we may hire as an agent for our clients).

Our Integrated Facilities Management Services units are compensated on the basis of negotiated fees that we typically structure to include a base fee and performance bonus. We base performance bonus compensation on a quantitative evaluation of progress toward performance measures and regularly scheduled client satisfaction surveys. Integrated Facilities Management Services agreements are typically three to five years in duration, but also are cancelable at any time upon a short notice period, usually 30 to 60 days, as is typical in the industry.

We also provide lease administration and auditing services, helping clients to centralize their lease management processes. Whether clients have a small number of leases or a global portfolio, we assist them by reducing costs associated with incorrect lease charges, right-sizing their portfolios through lease options, identifying underutilized assets and ensuring Sarbanes-Oxley compliance to mitigate risk.

In the United States, we provide **Mobile Engineering Services** to banks and specialty retailers with large portfolios of retail sites. Rather than using multiple vendors to perform facility services, these companies hire Jones Lang LaSalle to provide HVAC, electrical and plumbing services, and general interior repair and maintenance. Our multi-disciplined mobile engineers serve numerous clients in a specified geographic area, performing multiple tasks in a single visit and taking ownership of the operational success of the sites they service. This service delivery model reduces clients' operating costs by bundling on-site services and reducing travel time between sites.

### **3. Project and Development Services**

**Project and Development Services** provides a variety of services to tenants of leased space, owners in self-occupied buildings and owners of real estate investments. These include conversion management, move management, construction management and strategic occupancy planning services. Project and Development Services frequently manages relocation and build-out initiatives for clients of our Property Management Services, Integrated Facilities Management Services and Tenant Representation Services units. Project and Development Services also manages all aspects of development and renovation of commercial projects for our clients. Additionally, we provide these services to public-sector clients, particularly to military and government entities and educational institutions, primarily in the United States and to a more limited but growing extent in other countries.

Our Project and Development Services business is generally compensated on the basis of negotiated fees. Client contracts are typically multi-year in duration and may govern a number of discrete projects, with individual projects being completed in less than one year.

**4. Capital Markets and Hotels**

*Capital Markets Services* includes institutional property sales and acquisitions, real estate financings, private equity placements, portfolio advisory activities, and corporate finance advice and execution. Real Estate Investment Banking Services includes sourcing capital, both in

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the form of equity and debt, derivatives structuring and other traditional investment banking services designed to assist corporate clients in maximizing the value of their real estate. To meet client demands to market real estate assets internationally and to invest outside of their home markets, our Capital Markets Services teams combine local market knowledge with our access to global capital sources to provide superior execution in raising capital for real estate assets. By researching, developing and introducing innovative new financial products and strategies, Capital Markets Services is also integral to the business development efforts of our other businesses.

Clients typically compensate Capital Markets Services units on the basis of the value of transactions completed or securities placed. In certain circumstances, we receive retainer fees for portfolio advisory services. Real Estate Investment Banking fees are generally transaction-specific and conditioned upon the successful completion of the transaction.

We also deliver Capital Markets Services for hotel and hospitality assets and portfolios on a global basis including investment sales, mergers and acquisitions, and financing. We provide services to assets that span the hospitality spectrum: luxury properties; resorts; select service and budget hotels; golf courses; theme parks; casinos; spas; and pubs.

We provide *Value Recovery Services* to owners, investors and occupiers to help them analyze the impact of a financial downturn on their assets and identify solutions to respond decisively. In this area, we address the operational and occupancy needs of banks and insurance companies that are merging with or acquiring other institutions. We assist banks and insurance companies with challenged assets and liabilities on their balance sheets by providing valuations, asset management, loan servicing and disposition services. We provide receivership services to lenders, loan servicers and financial institutions that need help managing defaulted real estate assets. In addition, we provide valuation, asset management and disposition services to government entities to maximize the value of owned securities and assets acquired from failed financial institutions or from government relief programs. We also assist owners by identifying potentially distressed properties and the major occupiers who are facing challenges.

### **5. Advisory, Consulting and Other Services**

*Valuation Services* provides clients with professional valuation services and helps them determine market values for office, retail, industrial and mixed-use properties. Such services may involve valuing a single property or a global portfolio of multiple property types. We conduct valuations, which typically involve commercial property, for a variety of purposes, including acquisitions, dispositions, debt and equity financings, mergers and acquisitions, securities offerings (including initial public offerings) and privatization initiatives. Clients include occupiers, investors and financing sources from the public and private sectors. For the most part, our valuation specialists provide services outside of the United States. During 2010, we performed nearly 48,200 valuations of commercial properties with an aggregate value of approximately \$718 billion.

We usually negotiate compensation for valuation services for each assignment based on its scale and complexity, and our fees typically relate in part to the value of the underlying assets.

*Consulting Services* delivers innovative, results-driven real estate solutions that align strategically and tactically with clients' business objectives. We provide clients with specialized, value-added real estate consulting services in such areas as mergers and acquisitions, occupier portfolio strategy, workplace solutions, location advisory, financial optimization strategies, organizational strategy and Six Sigma real estate solutions. Our professionals focus on translating global best practices into local real estate solutions, creating optimal financial results for our clients.

We also provide *Advisory Services* for hotel assets including hotel valuations and appraisals, acquisition advice, asset management, strategic planning, management contract negotiation, consulting, industry research and project and development services for asset types spanning the hospitality spectrum.

We typically negotiate compensation for Consulting Services based on work plans developed for advisory services that vary based on scope and complexity of projects. For transaction services, we base compensation on the value of transactions we complete.

We provide *Energy and Sustainability Services* to occupiers and investors to assist them in developing their corporate sustainability strategies, greening their real estate portfolios, upgrading building performance by managing Leadership in Energy and Environmental Design (LEED) construction or retrofits and providing sustainable building operations management. With over 585 LEED-accredited professionals, our experience includes over 100 LEED projects representing over 45 million square feet. In 2010, we documented \$128 million in energy savings for our clients and reduced their greenhouse gas emissions by 563,000 tons.

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

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### INVESTMENT MANAGEMENT

Our global real estate investment management business, a member of the Jones Lang LaSalle group that we operate under the name of LaSalle Investment Management, has three priorities:

Develop and execute customized investment strategies that meet the specific investment objectives of each of our clients;

Provide superior investment performance; and

Deliver uniformly high levels of service on a global basis.

We provide investment management services to institutional investors and high-net-worth individuals. We seek to establish and maintain relationships with sophisticated investors who value our global platform and extensive local market knowledge. As of December 31, 2010, LaSalle Investment Management managed over \$41 billion of public real estate securities and private real estate assets, making us one of the world's largest managers of institutional capital invested in real estate assets and securities.

LaSalle Investment Management provides clients with a broad range of real estate investment products and services in the public and private capital markets. We design these products and services to meet the differing strategic, risk/return and liquidity requirements of individual clients. The range of investment alternatives includes private investments in multiple real estate property types (including office, retail, industrial, health care and multi-family residential) either through investment funds that LaSalle Investment Management manages or through single client account relationships (separate accounts). We also offer indirect public investments, primarily in publicly traded real estate investment trusts (REITs) and other real estate equities.

We believe the success of our investment management business comes from our industry-leading research capabilities, experienced investment professionals, innovative investment strategies, global presence, local market knowledge and strong client focus. We maintain an extensive real estate research department whose dedicated professionals monitor real estate and capital market conditions around the world to enhance current investment decisions and identify future opportunities. In addition to drawing on public sources for information, our research department utilizes the extensive local presence of Jones Lang LaSalle professionals throughout the world to gather and share proprietary insight into local market conditions.

The investment and capital origination activities of our investment management business have grown increasingly global. We have invested in direct real estate assets in 18 countries across the globe, as well as in public real estate companies traded on all major stock exchanges. We expect that cross-border investment management activities, both fund raising and investing, will continue to grow.

**Private Investments in Real Estate Properties.** In serving our investment management clients, LaSalle Investment Management is responsible for the acquisition, management, leasing, financing and divestiture of real estate investments across a broad range of real estate property types. LaSalle Investment Management launched its first institutional investment fund in 1979 and currently has a series of commingled investment funds, including 14 funds that invest in assets in the Americas, 10 funds that invest in assets located in Europe and five funds that invest in assets in Asia Pacific. LaSalle Investment Management also maintains separate account relationships with investors for whom LaSalle Investment Management manages private real estate investments. As of December 31, 2010, LaSalle Investment Management had approximately \$32.6 billion in assets under management in these funds and separate accounts.

Some investors prefer to partner with investment managers willing to co-invest their own funds to more closely align the interests of the investor and the investment manager. We believe that our ability to co-invest funds alongside the investments of clients' funds will continue to be an important factor in maintaining and continually improving our competitive position. We believe our co-investment strategy strengthens our ability to continue to raise capital for new investment funds. At December 31, 2010, we had a total of \$174.6 million of investments in co-investments.

We may engage in merchant banking activities in appropriate circumstances. These involve making investments of the firm's capital to acquire properties in order to seed investment management funds (typically within the LaSalle Investment Company structures described in Note 5 of the Notes to Consolidated Financial Statements) before they have been offered to clients.



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LaSalle Investment Management conducts its operations with teams of professionals dedicated to achieving specific client objectives. We establish investment committees within each region whose members have specialized knowledge applicable to underlying investment strategies. These committees must approve all investment decisions for private market investments. We utilize the investment committee approval process for LaSalle Investment Management's investment funds and for all separate account relationships.

LaSalle Investment Management is generally compensated for money management services for private equity investments based on initial capital invested and managed, with additional fees tied to investment performance above benchmark levels. The terms of contracts vary by the form of investment vehicle involved and the type of service we provide. Our investment funds have various life spans, typically ranging between five and 10 years. Separate account advisory agreements generally have three-year terms with at will termination provisions, and they may include compensation arrangements that are linked to the market value of the assets under management.

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**Investments in Public Equity.** LaSalle Investment Management also offers clients the ability to invest in separate accounts focused on public real estate equity. We invest the capital of these clients principally in publicly traded securities of REITs and property company equities. As of December 31, 2010, LaSalle Investment Management had approximately \$8.7 billion of assets under management in these types of investments. LaSalle Investment Management is typically compensated by securities investment clients on the basis of the market value of assets under management.

## **COMPETITION**

As the result of our significant growth over the previous decade, we are now one of the two largest real estate services and investment management providers on a global basis. We believe that the other similarly situated firms that have positioned themselves as similar global providers are significantly smaller in terms of revenues than are either we or CB Richard Ellis Group, Inc., the other largest firm in the industry. We believe that our geographic reach, scope of services and scale of resources have become sufficient to provide substantially all of the services our clients need, wherever they need them.

Since we provide a broad range of commercial real estate and investment management services, we face significant competition on an international, regional and local level. Depending on the service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers, accounting firms, technology firms, firms providing outsourcing services of various types (including technology or building products) and companies bringing their real estate services in-house. While these competitors may be global, many are local or regional firms, which, although substantially smaller in overall size, may be larger in a specific local or regional market.

We are also subject to competition from large national and multinational firms that have service competencies similar to ours.

## **COMPETITIVE DIFFERENTIATORS**

We believe that the seven key value drivers we list above and more specifically describe below create several competitive differentiators. These form the basis of our market positioning as the leading firm of choice for clients seeking an integrated financial and professional services firm specializing in real estate on a global basis.

**Integrated Global Services.** By combining a wide range of high-quality, complementary services and delivering them at consistently high service levels globally through wholly owned offices with directly employed personnel we can develop and implement real estate strategies that meet the increasingly complex and far-reaching needs of our clients. We also believe that we have secured an established business presence in the world's principal real estate markets, with the result that we can grow revenue without a proportionate increase in infrastructure costs. With operations in more than 1,000 locations in 60 countries on six continents, we have in-depth knowledge of local and regional markets and can provide a full range of real estate services around the globe. This geographic coverage, combined with the ability and willingness of our people to communicate and connect with each other across a common infrastructure platform, positions us to serve the needs of our multinational clients and manage investment capital on a global basis. In addition, we anticipate that our cross-selling potential across geographies and product lines will continue to develop new revenue sources for multiple business units within Jones Lang LaSalle.

**Industry-Leading Research and Knowledge Building.** We invest in and rely on comprehensive top-down and bottom-up research to support and guide the development of real estate and investment strategy for our clients. We have approximately 300 research professionals who gather data and cover market and economic conditions around the world. Research also plays a key role in keeping colleagues throughout the organization attuned to important events and changing conditions in world markets. We facilitate the dissemination of this information to colleagues through our company-wide intranet. We are also devising new approaches through technology, including the use of developing social media techniques, to make our research more readily available to clients.

**Client Relationship Management.** We support our ability to deliver superior service to our clients through our ongoing investments in client relationship management and account management. Our goal is to provide each client with a single point of contact at our firm, an individual who is answerable to, and accountable for, all the activities we undertake for the client. We believe that we enhance superior client service through best practices in client relationship management, the practice of seeking and acting on regular client feedback, and recognizing each client's own definition of excellence.

Our client-driven focus enables us to develop long-term relationships with real estate investors and occupiers. By developing these relationships, we are able to generate repeat business and create recurring revenue sources. In many cases, we establish strategic alliances with clients whose ongoing service needs mesh with our ability to deliver fully integrated real estate services across multiple business units and office locations. We support our relationship focus with an employee compensation system designed to reward client relationship building, teamwork and quality

performance, in addition to revenue development.

**Consistent Service Delivery and Culture.** We believe that our globally coordinated investments in research, technology, people and innovation, combined with the fact that our offices are wholly owned (rather than franchised) and our people are directly employed, enable us to develop, share and continually evaluate best practices across our global organization. We also believe these attributes allow us to promote a culture of internal communication and connectivity and of integrity that is unparalleled in our industry. As a result, we are able to deliver the same consistently high levels of client service and operational excellence substantially wherever our clients' real estate investment and services needs exist.

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Based on our general industry knowledge and specific client feedback, we believe we are recognized as an industry leader in technology. We possess the capability to provide sophisticated information technology systems on a global basis to serve our clients and support our employees. In 2009, we developed and introduced a proprietary tool called FutureView (sm), an innovation in portfolio optimization. This global tool allows corporate real estate teams with geographically diverse portfolios to identify potential rent savings by comparing their lease obligations to our firm's sophisticated local market forecasts. OneView by Jones Lang LaSalle (sm), our client extranet technology, provides clients with detailed and comprehensive insight into their portfolios, the markets in which they operate and the services we provide to them. For our Energy and Sustainability Services business we have developed four industry leading technology platforms designed to help our clients to reduce their environmental footprint and to reduce energy costs: (1) our Upstream platform is a tool for benchmarking overall energy and environmental performance relative to similar buildings in a similar geography, (2) our Building Energy Allocation Tool (BEAT) enables a quick assessment of building energy consumption leading to opportunities for performance improvement, (3) our Portfolio Energy and Environmental Reporting (PEER) tool provides a web-based platform for ongoing energy and environmental measurement and reporting including carbon footprint assessment, and (4) our Environmental Sustainability Platform (ESP) is a real time metering and monitoring program that enables on-line, real time monitoring of building energy consumption. Connect (sm), our intranet technology, offers our employees easy access to the Firm's policies, news and collective thinking regarding our experience, skills and best practices. We have also recently implemented, or are in the process of implementing, global integrated systems for finance, human resources, client relationship management and securities management and trading systems for our investment management business.

We believe that our investments in research, technology, people and thought leadership position our firm as a leading innovator in our industry. Our various research initiatives investigate emerging trends and help us anticipate future conditions and shape new services to benefit our clients. Professionals in our Consulting Services practices identify and respond to shifting market and business trends to address changing client needs and opportunities. LaSalle Investment Management relies on our comprehensive investigation of global real estate and capital markets to develop new investment products and services tailored to the specific investment goals and risk/return objectives of our clients. We believe that our commitment to innovation helps us secure and maintain profitable long-term relationships with the clients we target: the world's leading real estate owners, occupiers and investors.

We have a patented process for a System and Method for Evaluating Real Estate Financing Structures that assists clients with determining the optimal financing structure for controlling their real estate assets, including, for example, whether a client should own a particular asset, lease the asset, or control the asset by means of some other financing structure.

**Maximizing Values of Real Estate Portfolios.** To maximize the values of our real estate investments, LaSalle Investment Management capitalizes on its strategic research insights and local market knowledge to develop an integrated approach that leads to innovative solutions and value enhancement. Our global strategic perspective allows us to assess pricing trends for real estate and know which investors worldwide are investing actively. This gives us an advantageous perspective on implementing buying and selling strategies. During hold periods, our local market research allows us to assess the potential for cash flow enhancement in our assets based on an informed opinion of rental-rate trends. When combined, these two perspectives provide us with an optimal view that leads to timely execution and translates into superior investment performance.

**Strong Brand.** In 2008, we introduced a new global brand positioning and visual identity to further differentiate us from our competitors. Based on evidence provided by marketing surveys we have commissioned, the extensive coverage we receive in top-tier business publications, the major awards we receive in many categories of real estate and our significant, long-standing client relationships, we believe that large corporations and institutional investors and occupiers of real estate recognize Jones Lang LaSalle's ability to create value in changing market conditions. Our reputation is based on our deep industry knowledge, excellence in service delivery, integrity and our global provision of high-quality, professional real estate and investment management services. We believe that the combined strength of the Jones Lang LaSalle and LaSalle Investment Management brands represents a significant advantage when we pursue new business opportunities and is also a major motivation for talented people to join us around the world.

We believe we hold the necessary trademarks worldwide with respect to the Jones Lang LaSalle and LaSalle Investment Management names and the related logo, which we would expect to continue to renew as necessary.

**Financial Strength.** We focus on maintaining financial performance metrics, particularly our leverage and interest coverage ratios, that will allow us to maintain investment grade ratings. We believe that the confidence in the financial strength of long-term service providers has become increasingly important to our clients, particularly in light of the global recession and the volatility of the capital markets in its aftermath, and that they are increasingly making this one of the more important criteria when they are selecting real estate service providers. Accordingly, our ability to present a superior balance sheet distinguishes us as we compete for business.

## **INDUSTRY TRENDS**

**Recovering Economic Conditions.** During 2010, commercial real estate markets generally began to recover around the world, although at different speeds and different levels of strength. As a result, there has been increasing confidence that this growth trend will continue as long as there are no more significant external shocks such as those that created the global recession in the 2008-2009 period. By the end of 2010, commercial values in most markets were rising or had bottomed out. Cross-border transaction volumes have increased broadly and

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are nearly back to the levels of the previous cycle. A significant weight of equity capital is still targeting prime real estate assets across all sectors, and with the low supply of high quality assets to meet investor demand, prime yields are continuing to compress. Prime capital values are rising most notably in many of the world's top office markets. Leasing conditions are also improving worldwide although progress continues to trail the recovery in global capital markets.

**Increasing Demand for Global Services and Globalization of Capital Flows.** Many corporations based in countries around the world have pursued growth opportunities in international markets. Many are striving to control costs by outsourcing or offshoring non-core business activities. Both trends have increased the demand for global real estate services, including facilities management, tenant representation and leasing, property and energy management services. We believe that these trends will favor real estate service providers with the capability to provide services and consistently high service levels in multiple markets around the world.

Additionally, real estate capital flows have become increasingly global, as more assets are marketed internationally and as more investors seek real estate investment opportunities beyond their own borders. This trend has created new markets for investment managers equipped to facilitate international real estate capital flows and execute cross-border real estate transactions.

**Growth of Outsourcing.** In recent years outsourcing of professional real estate services has increased substantially, as corporations have focused corporate resources on core competencies. Large users of commercial real estate services continue to demonstrate a preference for working with single-source service providers able to operate locally, regionally and globally. The ability to offer a full range of services on this scale requires significant corporate infrastructure investment, including information technology and personnel training. Smaller regional and local real estate service firms, with limited resources, are less able to make such investments. In addition, public and other non-corporate users of real estate, including government agencies and health and educational institutions, have begun to outsource real estate activities as a means of reducing costs. As a result, we believe there continue to be significant growth opportunities for firms like ours that can provide integrated real estate services across many geographic markets.

**Alignment of Interests of Investors and Investment Managers.** Institutional investors continue to allocate significant portions of their investment capital to real estate. Many investors have shown a desire to commit their capital to investment managers willing to co-invest their own funds in specific real estate investments or real estate funds. In addition, investors are increasingly requiring that fees paid to investment managers be more closely aligned with investment performance. As a result, we believe that investment managers with co-investment capital, such as LaSalle Investment Management, will have an advantage in attracting real estate investment capital. In addition, co-investment may bring the opportunity to provide additional services related to the acquisition, financing, property management, leasing and disposition of such investments.

We expect institutional capital to continue to flow into real estate as many institutional funds are currently under-allocated to real estate as an asset class. We also are seeing institutional investors begin to consolidate their real estate portfolios, moving away from the spread of smaller managers assembled over the last cycle and towards larger managers such as LaSalle Investment Management.

**Industry Consolidation and Other Trends.** We believe that the recovering market conditions will again prompt consolidation in our industry as the larger, more financially and operationally stable companies will gain market share and become increasingly more capable of servicing the needs of global clients. We also believe that developed countries will be favored for new investment as the risk appetite by investors remains conservative. Additionally, governance and ethics will become increasingly important factors as operators and investors will seek to avoid the significant potential costs and reputational issues associated with compliance missteps, such as violations of the U.S. Foreign Corrupt Practices Act.

## EMPLOYEES

With the help of aggressive goal and performance measurement systems, we attempt to instill the commitment to be the best in all our people. Our goal is to be the real estate advisor of choice for clients and the employer of choice in our industry. To achieve that, we intend to continue to promote human resources techniques that will attract, motivate and retain high quality employees. The following table details our respective headcounts at December 31, 2010 and 2009 (rounded to the nearest hundred):

	2010	2009
Professional non reimbursable employees	15,500	13,800
Directly reimbursable employees	24,800	22,800

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Total employees	40,300	36,600
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Reimbursable employees include our property and integrated facilities management professionals and our building maintenance employees. The cost of these employees is generally reimbursable by our clients. Our employees are not members of any labor unions with the exception of approximately 990 directly reimbursable property maintenance employees in the United States. Approximately 27,600 and 24,800 of our employees at December 31, 2010 and 2009, respectively, were based in countries other than the United States. We have generally had satisfactory relations with our employees.

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**COMPANY WEB SITE, CORPORATE GOVERNANCE AND OTHER AVAILABLE INFORMATION**

Jones Lang LaSalle's Website address is [www.joneslanglasalle.com](http://www.joneslanglasalle.com). We make available, free of charge, our Form 10-K, 10-Q and 8-K reports, and our proxy statements, as soon as reasonably practicable after we file them electronically with the U.S. Securities and Exchange Commission (SEC). You also may read and copy any document we file with the SEC at its public reference room at 100 F Street, NE, Washington, D.C. 20549. Information about its public reference room can be obtained by calling the SEC at 1.800.SEC.0330. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy statements and other information that we file electronically with the SEC. The SEC's Website address is [www.sec.gov](http://www.sec.gov).

The Company's **Code of Business Ethics**, which applies to all employees of the Company, including our Chief Executive Officer, Chief Operating and Financial Officer, Global Controller and the members of our Board of Directors, can also be fo