JONES LANG LASALLE INC
Form 10-Q
August 08, 2018

United States
Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2018
Or
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number 1-13145
Jones Lang LaSalle Incorporated
(Exact name of registrant as specified in its charter)

Maryland	36-4150422
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Randolph Drive, Chicago, IL	60601
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 312-782-5800
Former name, former address and former fiscal year, if changed since last report: Not Applicable

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 o

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o	Smaller reporting company o
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
The number of shares outstanding of the registrant's common stock (par value $0.01) as of the close of business on August 3, 2018 was 45,536,574.

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Part I. Financial Information
Item 1. Financial Statements
JONES LANG LASALLE INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data) (unaudited)	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$292.8	268.0
Trade receivables, net of allowances of $60.0 and $51.3	1,508.0	1,739.4
Notes and other receivables	296.1	385.3
Reimbursable receivables	1,301.5	1,263.3
Warehouse receivables	456.9	317.5
Short-term contract assets	264.0	178.4
Prepaid & other	350.5	389.1
Total current assets	4,469.8	4,541.0
Property and equipment, net of accumulated depreciation of $563.6 and $514.9	536.4	543.9
Goodwill	2,682.9	2,709.3
Identified intangibles, net of accumulated amortization of $186.3 and $165.9	292.8	305.0
Investments in real estate ventures, including $238.7 and $242.3 at fair value	379.5	376.2
Long-term receivables	175.5	164.7
Deferred tax assets, net	237.7	229.1
Deferred compensation plan	257.2	229.7
Other	155.9	155.5
Total assets	$9,187.7	9,254.4
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$966.4	993.1
Reimbursable payables	899.8	1,022.6
Accrued compensation & benefits	973.8	1,419.1
Short-term borrowings	93.4	77.4
Short-term contract liabilities and deferred income	180.5	155.4
Short-term acquisition-related obligations	70.9	80.1
Warehouse facilities	444.5	309.2
Other	203.1	256.8
Total current liabilities	3,832.4	4,313.7
Credit facility, net of debt issuance costs of $17.8 and $15.3	397.2	(15.3)
Long-term debt, net of debt issuance costs of $4.0 and $4.3	679.7	690.6
Deferred tax liabilities, net	23.9	63.2
Deferred compensation	276.1	259.0
Long-term acquisition-related obligations	182.0	228.9
Other	330.2	332.3
Total liabilities	5,721.5	5,872.4
Redeemable noncontrolling interest	—	3.8
Company shareholders' equity:		
Common stock, $0.01 par value per share, 100,000,000 shares authorized; 45,495,171 and 45,373,817 shares issued and outstanding	0.5	0.5
Additional paid-in capital	1,046.7	1,037.3

Retained earnings	2,778.4	2,649.0
Shares held in trust	(6.0)	(5.9)
Accumulated other comprehensive loss	(391.6)	(340.8)
Total Company shareholders' equity	3,428.0	3,340.1
Noncontrolling interest	38.2	38.1
Total equity	3,466.2	3,378.2
Total liabilities and equity	$9,187.7	9,254.4

See accompanying notes to Condensed Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except share and per share data) (unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Revenue before reimbursements	$2,163.3	1,874.5	$4,054.4	3,490.8
Reimbursements	1,740.4	1,595.8	3,404.5	3,097.2
Total revenue	$3,903.7	3,470.3	$7,458.9	6,588.0
Operating expenses:				
Compensation and benefits	1,240.5	1,066.4	2,337.7	2,044.0
Operating, administrative and other	737.8	630.7	1,435.1	1,210.2
Reimbursed expenses	1,740.4	1,595.8	3,404.5	3,097.2
Depreciation and amortization	46.3	41.2	88.4	80.5
Restructuring and acquisition (credits) charges	(11.1)	5.4	(10.4)	9.9
Total operating expenses	3,753.9	3,339.5	7,255.3	6,441.8
Operating income	149.8	130.8	203.6	146.2
Interest expense, net of interest income	14.3	14.6	28.1	27.6
Equity earnings from real estate ventures	10.2	14.5	23.8	20.1
Other income	1.7	—	4.2	1.0
Income before income taxes and noncontrolling interest	147.4	130.7	203.5	139.7
Provision for income taxes	37.6	35.8	51.1	37.1
Net income	109.8	94.9	152.4	102.6
Net income attributable to noncontrolling interest	1.8	0.4	4.1	0.9
Net income attributable to the Company	108.0	94.5	148.3	101.7
Dividends on unvested common stock, net of tax benefit	0.2	0.2	0.2	0.2
Net income attributable to common shareholders	$107.8	94.3	$148.1	101.5
Basic earnings per common share	$2.37	2.08	$3.26	2.24
Basic weighted average shares outstanding (in 000's)	45,493	45,288	45,468	45,273
Diluted earnings per common share	$2.35	2.06	$3.23	2.22
Diluted weighted average shares outstanding (in 000's)	45,951	45,782	45,922	45,728
Dividends declared per share	$0.41	0.35	$0.41	0.35
Net income attributable to the Company	$108.0	94.5	$148.3	101.7
Change in pension liabilities, net of tax	—	0.8	—	0.8
Foreign currency translation adjustments	(102.6)	68.3	(50.8)	129.5
Comprehensive income attributable to the Company	$5.4	163.6	$97.5	232.0

See accompanying notes to Condensed Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Company Shareholders' Equity							
(in millions, except share and per share data) (unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Shares Held in Trust	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
December 31, 2017	45,373,817	$ 0.5	1,037.3	2,649.0	(5.9)	(340.8)	38.1	$3,378.2
Net income	—	—	—	148.3	—	—	4.1	152.4
Shares issued under stock-based compensation programs	177,234	—	0.4	—	—	—	—	0.4
Shares repurchased for payment of taxes on stock-based compensation	(55,880)	—	(8.8)	—	—	—	—	(8.8)
Amortization of stock-based compensation	—	—	15.5	—	—	—	—	15.5
Dividends paid, $0.41 per share	—	—	—	(18.9)	—	—	—	(18.9)
Shares held in trust	—	—	—	—	(0.1)	—	—	(0.1)
Foreign currency translation adjustments	—	—	—	—	—	(50.8)	—	(50.8)
Decrease in amounts attributable to noncontrolling interest	—	—	—	—	—	—	(4.0)	(4.0)
Acquisition of redeemable noncontrolling interest	—	—	2.3	—	—	—	—	2.3
June 30, 2018	45,495,171	$ 0.5	1,046.7	2,778.4	(6.0)	(391.6)	38.2	$3,466.2

See accompanying notes to Condensed Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
(in millions) (unaudited)	2018	2017
Cash flows used in operating activities:		
Net income	$152.4	102.6
Adjustments to reconcile net income to net cash used in operating activities:		
Distributions of earnings from real estate ventures	19.1	17.1
Other adjustments, net	60.7	88.6
Changes in working capital, net	(500.1)	(246.9)
Net cash used in operating activities	(267.9)	(38.6)
Cash flows used in investing activities:		
Net capital additions – property and equipment	(71.0)	(63.2)
Acquisition of investment properties (less than wholly-owned)	(34.9)	—
Proceeds from the sale of assets (less than wholly-owned)	24.3	—
Business acquisitions, net of cash acquired	(11.2)	(18.5)
Capital contributions to real estate ventures	(20.6)	(21.8)
Distributions of capital from real estate ventures	27.5	21.9
Other, net	2.2	(2.3)
Net cash used in investing activities	(83.7)	(83.9)
Cash flows provided by financing activities:		
Proceeds from issuance of senior notes	—	395.7
Proceeds from borrowings under credit facility	1,780.0	1,856.0
Repayments of borrowings under credit facility	(1,365.0)	(2,106.0)
Payments of deferred business acquisition obligations and earn-outs	(26.3)	(23.2)
Payment of dividends	(18.9)	(16.1)
Other, net	13.4	(22.1)
Net cash provided by financing activities	383.2	84.3
Effect of currency exchange rate changes on cash and cash equivalents	(14.4)	9.0
Net change in cash, cash equivalents and restricted cash	17.2	(29.2)
Cash, cash equivalents and restricted cash, beginning of the period	471.7	454.0
Cash, cash equivalents and restricted cash, end of the period	$488.9	424.8
Supplemental disclosure of cash flow information:		
Restricted cash, end of the period	$196.1	174.4
Cash paid during the period for:		
Interest	$20.7	24.9
Income taxes, net of refunds	50.6	70.4
Non-cash investing activities:		
Business acquisitions, including contingent consideration	$1.7	10.7
Non-cash financing activities:		
Deferred business acquisition obligations	$—	1.8

See accompanying notes to Condensed Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. INTERIM INFORMATION

Readers of this quarterly report should refer to the audited financial statements of Jones Lang LaSalle Incorporated ("JLL," which may also be referred to as "the Company" or as "we," "us" or "our") for the year ended December 31, 2017, which are included in our 2017 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission ("SEC") and also available on our website (www.jll.com), since we have omitted from this quarterly report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to the "Summary of Critical Accounting Policies and Estimates" section within Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations and to Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for further discussion of our significant accounting policies and estimates.

Our Condensed Consolidated Financial Statements as of June 30, 2018 and December 31, 2017, and for the periods ended June 30, 2018 and 2017, are unaudited. In the opinion of management, we have included all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the Condensed Consolidated Financial Statements for these interim periods. We have reclassified or recast certain prior-year amounts in conjunction with the adoption of new accounting standards and to conform to the current year presentation. Refer to Note 2, New Accounting Standards, for additional information.

Historically, our quarterly revenue and profits have tended to increase from quarter to quarter as the year progresses. This is the result of a general focus in the real estate industry on completing transactions by calendar year end, while certain expenses are recognized evenly throughout the year. Our LaSalle Investment Management ("LaSalle") segment generally earns investment-generated performance fees on clients' real estate investment returns when assets are sold, the timing of which is geared toward the benefit of our clients, as well as co-investment equity gains and losses, primarily dependent on underlying valuations. Within our Real Estate Services ("RES") segments, revenue from capital markets activities is driven by the size and timing of our clients' transactions and can fluctuate significantly from period to period.

A significant portion of our compensation and benefits expense is from incentive compensation plans, which we generally accrue throughout the year based on progress toward annual performance targets. This process can result in significant fluctuations in quarterly compensation and benefits expense from period to period. Non-variable operating expenses, which we recognize when incurred during the year, are relatively constant on a quarterly basis.

We provide for the effects of income taxes on interim financial statements based on our estimate of the effective tax rate for the full year, which we base on forecasted income by country and expected enacted tax rates; as required, we adjust for the impact of discrete items in the quarters in which they occur. Changes in the geographic mix of income can impact our estimated effective tax rate.

As a result of the items mentioned above, the results for the periods ended June 30, 2018 and 2017 are not fully indicative of what our results will be for the full fiscal year.

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2. NEW ACCOUNTING STANDARDS

Recently adopted accounting guidance

Effective January 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires an employer to disaggregate the employer service cost component from the other components of net periodic pension cost. The primary impact for JLL is the requirement to present the components of net periodic pension cost that do not represent the employer service cost outside of the subtotal "Operating income" on the Condensed Consolidated Statements of Comprehensive Income. As full retrospective application is required, we recast our comparative information, reclassifying the components of net periodic pension cost, other than the employer service cost component, from Compensation and benefits expense to Other income on the Condensed Consolidated Statements of Comprehensive Income. For the six months ended June 30, 2017, the amount reclassified was a benefit of $1.0 million. The adoption of ASU 2017-07 had no impact on our Condensed Consolidated Balance Sheets or Condensed Consolidated Statements of Cash Flows. Refer to the table below for the impact of adopting this ASU on our comparative Condensed Consolidated Statement of Comprehensive Income.

Effective January 1, 2018, we adopted ASU No. 2016-18, Restricted Cash, which addresses classification and presentation of changes in restricted cash on the statement of cash flows. Specifically, this ASU requires a statement of cash flows to explain the changes during the period in cash, cash equivalents, and amounts reported as restricted cash or restricted cash equivalents. The primary effect of the adoption was the inclusion of restricted cash along with cash and cash equivalents in reconciling the beginning and ending total amounts shown on the Condensed Consolidated Statements of Cash Flows. We adopted this ASU on a full retrospective basis. Restricted cash is included in Prepaid and other current assets on the Condensed Consolidated Balance Sheets.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers; in March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations and together with ASU No. 2014-09 (collectively the "ASUs"), amends and comprises ASC Topic 606, Revenue from Contracts with Customers. These ASUs, and other related ASUs, replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles ("U.S. GAAP"). Effective January 1, 2018, we adopted ASC Topic 606 on a full retrospective basis.

The adoption of ASC Topic 606 resulted in an acceleration of the timing of revenue recognition for certain brokerage-related transaction commissions and advisory services. These items include variable consideration or other aspects, such as contingencies, that precluded revenue recognition contemporaneous with the satisfaction of our performance obligations within the previous revenue recognition framework. The acceleration of the timing of revenue recognition also resulted in the acceleration of expense recognition relating to direct commissions expense payable to brokers.

Implementation of the updated principal versus agent considerations in ASC Topic 606 resulted in a significant increase to the proportion of our Property & Facility Management and Project & Development Services contracts presented on a gross basis (hereafter “gross contracts”). Under the previous principal versus agent framework, our evaluations for presentation of a service contract contemplated both performance and payment risk. Contractual provisions with clients and third-party vendors and subcontractors, such as “pay-when-paid”, that substantially mitigate our payment risk with respect to on-site personnel and other expenses incurred on our clients’ behalf have historically resulted in the majority of our service contracts being presented on a net basis. However, within ASC Topic 606, payment risk is not an evaluation factor; instead, control of the service before transfer to the customer is the focal point of current principal versus agent assessments. As a result, we determined that costs associated with all client-dedicated JLL personnel, even when directly reimbursed by clients, and arrangements where we control the services provided by a third-party prior to the transfer to the customer will now be presented on a gross basis. The incremental expenses and corresponding revenue recognized as a result of the adoption of the new principal versus agent framework are presented in new financial statement captions, Reimbursed expenses and Reimbursements, respectively, in our Condensed Consolidated Statements of Comprehensive Income. We have reclassified reimbursable activity in our comparative financial statements.

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Finally, the adoption of ASC Topic 606 resulted in a material increase to total assets and total liabilities to reflect (i) contract assets and accrued commissions payable recognized upon acceleration of the timing of revenue recognition for certain transactions commissions and advisory services and (ii) assets and liabilities relating to service contracts now reported on a gross basis. Balance sheet activity associated with contracts now reported on a gross basis is most prominently reflected within Reimbursable receivables and Reimbursable payables, new financial statement captions established in conjunction with our adoption of ASC Topic 606. We have reclassified reimbursable activity in our comparative financial statements.

The impact of adopting new accounting pronouncements on a retrospective basis to the Consolidated Balance Sheet as of December 31, 2017, and Condensed Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2017, were as follows (for impacted financial statement captions):

(in millions)	Published December 31, 2017 (audited)	Adjustment due to ASC Topic 606	As Restated December 31, 2017 (unaudited)
Assets			
Trade receivables, net of allowances[1]	$2,118.1	(378.7)	$ 1,739.4
Note and other receivables[1]	393.6	(8.3)	385.3
Reimbursable receivables	n/a	1,263.3	1,263.3
Short-term contract assets	n/a	178.4	178.4
Prepaid & other current assets[2]	257.7	131.4	389.1
Long-term receivables	168.6	(3.9)	164.7
Other assets	97.8	57.7	155.5
Liabilities and equity			
Accounts payable and accrued liabilities[1]	$1,011.6	(18.5)	$ 993.1
Reimbursable payables	n/a	1,022.6	1,022.6
Accrued compensation & benefits	1,309.0	110.1	1,419.1
Short-term contract liabilities and deferred income[1]	158.9	(3.5)	155.4
Other current liabilities[1]	263.8	(7.0)	256.8
Deferred tax liabilities, net	23.9	39.3	63.2
Retained earnings	2,552.8	96.2	2,649.0
Accumulated other comprehensive (loss) income	(341.8)	1.0	(340.8)

(1) Adjustments in these captions reflect reclassifications to new financial statement captions, Reimbursable receivables and Reimbursable payables.

(2) Adjustments in this caption reflect an increase to restricted cash held on behalf of clients for contracts now presented on a gross basis.

(in millions)	Published Three months ended June 30, 2017 (unaudited)	Adjustment due to ASC Topic 606	Adjustment due to ASU 2017-07	As Restated Three months ended June 30, 2017 (unaudited)
Revenue				
Revenue before reimbursements[1]	$ 1,834.7	39.8	—	$ 1,874.5
Reimbursements[1]	n/a	1,595.8	—	1,595.8
Total revenue	1,834.7	1,635.6	—	3,470.3
Operating expenses				
Compensation and benefits[1]	1,049.0	17.4	—	1,066.4

Operating, administrative and other[1]	634.8	(4.1	) —	630.7
Reimbursed expenses[1]	n/a	1,595.8	—	1,595.8
Operating income	104.3	26.5	—	130.8
Other income	—	—	—	—
Provision for income taxes	25.5	10.3	—	35.8
Net income	78.7	16.2	—	94.9
Basic earnings per common share	$ 1.73	0.35	—	$ 2.08
Diluted earnings per common share	$ 1.71	0.35	—	$ 2.06

(1) Included in "Adjustments due to ASC Topic 606" is $12.3 million representing the reclassification of historical reimbursed expenses and the corresponding reimbursement revenue into new financial statement captions, Reimbursements and Reimbursed expenses.

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(in millions)	Published Six months ended June 30, 2017 (unaudited)	Adjustment due to ASC Topic 606	Adjustment due to ASU 2017-07	As Restated Six months ended June 30, 2017 (unaudited)
Revenue				
Revenue before reimbursements[(1)]	$ 3,449.9	40.9	—	$ 3,490.8
Reimbursements[(1)]	n/a	3,097.2	—	3,097.2
Total revenue	3,449.9	3,138.1	—	6,588.0
Operating expenses				
Compensation and benefits[(1)]	2,014.3	28.7	1.0	2,044.0
Operating, administrative and other[(1)]	1,218.6	(8.4)	—	1,210.2
Reimbursed expenses[(1)]	n/a	3,097.2	—	3,097.2
Operating income	126.6	20.6	(1.0)	146.2
Other income	—	—	1.0	1.0
Provision for income taxes	29.1	8.0	—	37.1
Net income	90.0	12.6	—	102.6
Basic earnings per common share	$ 1.97	0.27	—	$ 2.24
Diluted earnings per common share	$ 1.95	0.27	—	$ 2.22

(1) Included in "Adjustments due to ASC Topic 606" is $30.2 million representing the reclassification of historical reimbursed expenses and the corresponding reimbursement revenue into new financial statement captions, Reimbursements and Reimbursed expenses.

The cumulative impact to our retained earnings and Condensed Consolidated Statement of Comprehensive Income includes certain direct expenses, such as accrued commissions and deferred income taxes, resulting from the changes in accounting principle in accordance with ASC Topic 250, which partially offset the impact of the acceleration of revenue. The cumulative impact to our retained earnings from the adoption of ASC Topic 606, as of January 1, 2016, was $62.6 million.

Recently issued accounting guidance, not yet adopted

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which eliminates Step 2 from the goodwill impairment test. The annual goodwill impairment test will require companies to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge when the carrying amount exceeds the fair value of the reporting unit. This ASU is effective for annual and interim goodwill impairment tests beginning after December 15, 2019, with early adoption permitted. We do not believe this guidance will have a material impact on our financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), which creates a new framework to evaluate financial instruments, such as trade receivables, for expected credit losses. This new framework replaces the existing incurred loss approach and is expected to result in more timely recognition of credit losses. ASU No. 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is not permitted until years beginning after December 15, 2018. We are evaluating the effect this guidance will have on our financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which increases transparency and comparability by requiring the recognition of lease assets and lease liabilities on the balance sheet as well as requiring the disclosure of key information about leasing arrangements. This ASU is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB codified an alternative (and optional) transition method via ASU No. 2018-11, Leases (Topic 842): Targeted Improvements; we anticipate electing the use of this optional transition method.

The adoption of this ASU will result in an increase to the Condensed Consolidated Balance Sheet to reflect right-of-use assets and lease liabilities primarily associated with our real estate leases. We are currently in the process of inventorying our population of real estate and non-real estate leases. For each lease, we are also in the process of compiling and calculating the relevant inputs to derive the ASU's impact. However, we have not completed the quantification of the impact. In addition, we anticipate our disclosures related to leases will expand with the requirements of this ASU and we continue to evaluate other effects the guidance will have on our financial statements and related disclosures.

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3. REVENUE RECOGNITION

We earn revenue from the following:

- Leasing;
- Capital Markets;
- Property & Facility Management;
- Project & Development Services;
- Advisory, Consulting and Other; and
- LaSalle.

Leasing

Leasing revenue is earned from brokerage commissions as we represent tenants and/or landlords in connection with real estate leases. Our performance obligation is to facilitate the execution of a lease agreement which is satisfied at a point in time, upon lease execution. Generally, we are either entitled to the full consideration upon lease execution or in part upon lease execution with the remainder upon the occurrence of a future event outside of our control (e.g. tenant occupancy, lease commencement, or rent commencement). The majority of the events that preclude our entitlement to the full consideration upon lease execution are considered to be “normal course of business” and, as a result, do not result in a constraint upon the recognition of revenue. In the infrequent instance our fee entitlement in a contract with a customer is predicated on the occurrence of future events that are uncertain of occurring, we constrain the recognition of revenue until the uncertainty is resolved or the future event occurs. Generally, less than 5% of our Leasing revenue recognized in the current period had previously been constrained.

Capital Markets

Capital Markets provides brokerage and other services for capital transactions, such as real estate sales or loan originations and refinancings. Our performance obligation is to facilitate the execution of capital transactions and we are generally entitled to the full consideration at the point in time upon which our performance obligation is satisfied, at which time we recognize revenue. Our mortgage banking and servicing operations - such as MSR-related activity, loan origination fees, and servicing income - are excluded from the scope of ASC Topic 606. Such out-of-scope revenue was $35.1 million and $66.3 million for the three and six months ended June 30, 2018, respectively, and $15.8 million and $50.7 million for the three and six months ended June 30, 2017, respectively.

Property & Facility Management

Property Management provides on-site day-to-day real estate management services for owners of office, industrial, retail, multifamily residential and specialty properties, representing a series of daily performance obligations delivered over time. Pricing is generally in the form of a monthly management fee based upon property-level cash receipts, square footage under management or some other variable metric.

Although we are principal in limited situations, we generally act as agent on behalf of our Property Management clients in relation to third-party vendors and subcontractors engaged to deliver operational services to our clients' properties. In these situations, we arrange but do not control the services provided by third-party vendors and subcontractors prior to the transfer of the services to the client. As a result, the costs incurred on behalf of clients, along with the corresponding revenue, are presented net on our Condensed Consolidated Statements of Comprehensive Income.

Facilities Management primarily provides comprehensive, on-site day-to-day real estate management services to corporations and institutions across a broad range of industries that outsource the management of the real estate they occupy, representing a series of daily performance obligations delivered over time. Pricing generally includes a management fee and, in many instances, an incentive fee or other form of variable consideration.

Although we may act as agent on behalf of our clients with respect to certain mandates, we generally act as principal for our Facilities Management contracts with respect to third-party vendors and subcontractors engaged to deliver operational services to our clients' facilities. In these situations, we control the services provided by such third-party vendors and subcontractors prior to the transfer of the services to the client. As a result, the costs incurred on behalf of our clients, along with the corresponding reimbursement revenue, are presented gross on our Condensed Consolidated Statements of Comprehensive Income.

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Project & Development Services

Project & Development Services provides short-term construction-related services ranging from general contracting to project management for owners and occupiers of real estate. Depending on the terms of our engagement, our performance obligation is either to arrange for the completion of a project or to assume responsibility for completing a project on behalf of a client. Our obligations to clients are satisfied over time due to the continuous transfer of control of the underlying asset. Therefore, we recognize revenue over time, primarily using input measures (e.g. to-date costs incurred relative to total estimated costs at completion). Typically, we are entitled to consideration at distinct milestones over the term of an engagement.

For certain contracts, we control the services provided by third-party vendors and subcontractors prior to transfer of the assets to the client. In these situations, the costs incurred on behalf of clients, along with the associated reimbursement revenue are presented gross on our Condensed Consolidated Statements of Comprehensive Income. For situations in which we act as agent on behalf of clients, costs incurred and the associated revenue are presented net on our Condensed Consolidated Statements of Comprehensive Income.

Advisory, Consulting and Other

Advisory, Consulting and Other includes a variety of different service offerings, whereby our performance obligation is to provide services as specified in the contract. Occasionally, our entitlement to consideration is predicated on the occurrence of an event such as the delivery of a report for which client acceptance is required. However, except for event-driven point-in-time transactions, the majority of services provided within this service line are delivered over time due to the continuous transfer of control to our clients.

LaSalle

LaSalle provides real estate investment management services to clients and earns consideration in the form of advisory fees, transaction fees, and incentive fees. Typically, our performance obligation is to manage clients' capital for a specified period of time and is delivered as a series of daily performance obligations over time. Revenue recognition for transaction and incentive fees is generally constrained until all contingencies have cleared due to the possibility of a significant reversal until completion of the events necessary to realize the associated consideration. Substantially all incentive fees recognized as revenue were previously constrained.

Contract Assets - Contract assets include amounts recognized as revenue for which we are not yet entitled to payment for reasons other than the passage of time, but that do not constrain revenue recognition. As of June 30, 2018 and December 31, 2017, we had $310.0 million and $236.0 million of contract assets, respectively, which are included in Short-term contract assets and Other assets on the Condensed Consolidated Balance Sheets.

Contract Liabilities - Contract liabilities include advance payments related to performance obligations that have not yet been satisfied. As of June 30, 2018 and December 31, 2017, we had $87.2 million and $73.7 million of contract liabilities, respectively, which are included in Short-term contract liabilities and deferred income on our Condensed Consolidated Balance Sheets. The significant majority of contract liabilities are recognized as revenue within 90 days.

Deferred Income - Deferred income includes payments received from customers for which we have satisfied our performance obligations but are not yet able to recognize the related revenue because of contractual requirements.

Remaining Performance Obligations - Remaining performance obligations represent the aggregate transaction prices for contracts where our performance obligations have not yet been satisfied. As of June 30, 2018, the aggregate amount of transaction price allocated to remaining performance obligations represented approximately 5% of our total revenue. In accordance with ASC Topic 606, excluded from the aforementioned remaining performance obligations are (i) amounts attributable to contracts expected to be completed within 12 months and (ii) variable consideration for services performed as a series of daily performance obligations, such as facilities management, property management, and LaSalle contracts. Contracts within these businesses represent a significant portion of our contracts with customers not expected to be completed within 12 months.

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4. BUSINESS SEGMENTS

We manage and report our operations as four business segments:

The three geographic regions of RES including:

(1) Americas,

(2) Europe, Middle East and Africa ("EMEA"), and

(3) Asia Pacific;

and

(4) LaSalle, which offers investment management services on a global basis.

Each geographic region offers our full range of real estate services, including agency leasing and tenant representation, capital markets, property and facility management, project and development management, energy management and sustainability, construction management, and advisory, consulting and valuation services. LaSalle provides investment management services to institutional investors and high-net-worth individuals.

Operating income represents total revenue less direct and allocated indirect expenses. We allocate all indirect expenses to our segments, other than interest and income taxes, as nearly all expenses incurred benefit one or more of the segments. Allocated expenses primarily consist of corporate global overhead, which we allocate to the business segments based on the budgeted operating expenses of each segment.

For segment reporting, (a) gross contract costs and (b) net non-cash mortgage servicing rights ("MSR") and mortgage banking derivative activity are both excluded from revenue in determining "fee revenue". Gross contract costs are excluded from operating expenses in determining "fee-based operating expenses." Excluding these costs from revenue and expenses results in a net presentation which we believe more accurately reflects how we manage our expense base, operating margins, and performance. Refer to Results of Operations, included in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, for a full description of gross contract costs. In addition, our measure of segment results excludes Restructuring and acquisition charges.

Effective January 1, 2018, management expanded the types of costs we include within gross contract costs. Most notably, this refinement includes the compensation and benefits associated with client-dedicated employees. Comparative periods were recast for consistency. This change in gross contract costs resulted in a decrease to fee revenue and was prompted by (i) the increase in compensation and benefits associated with client-dedicated personnel presented on a gross basis as a result of the adoption of ASC Topic 606 and (ii) the continued changes in our business mix, reflecting expansion of businesses that most commonly incorporate client-dedicated employees in the delivery of services. The most significant impacts are within Property & Facility Management and Project & Development Services.

The Chief Operating Decision Maker of JLL measures and evaluates the segment results excluding (a) gross contract costs, (b) net non-cash MSR and mortgage banking derivative activity, and (c) Restructuring and acquisition charges. As of June 30, 2018, we define the Chief Operating Decision Maker collectively as our Global Executive Board, which is comprised of the following:

- Global Chief Executive Officer
- Global Chief Financial Officer
- Chief Executive Officers of each of our four business segments
- Global Chief Executive Officer of Corporate Solutions
- Global Chief Executive Officer of Capital Markets
- Global Chief Human Resources Officer

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Summarized financial information by business segment is as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Americas - Real Estate Services				
Leasing	$422.9	388.4	$727.4	687.4
Capital Markets	117.8	104.7	228.8	203.8
Property & Facility Management	1,258.4	1,104.6	2,441.9	2,153.7
Project & Development Services	274.5	265.0	544.1	555.5
Advisory, Consulting and Other	78.9	69.8	151.3	132.0
Revenue	2,152.5	1,932.5	4,093.5	3,732.4
Reimbursements	(1,226.4)	(1,110.0)	(2,408.1)	(2,188.5)
Revenue before reimbursements	926.1	822.5	1,685.4	1,543.9
Gross contract costs	(156.6)	(130.4)	(289.7)	(262.2)
Net non-cash MSR and mortgage banking derivative activity	(1.3)	(6.7)	(4.0)	(4.0)
Fee revenue	768.2	685.4	1,391.7	1,277.7
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	796.9	702.4	1,485.6	1,368.0
Depreciation and amortization	28.3	23.7	52.6	47.2
Segment operating expenses, excluding reimbursed expenses	825.2	726.1	1,538.2	1,415.2
Gross contract costs	(156.6)	(130.4)	(289.7)	(262.2)
Fee-based segment operating expenses	668.6	595.7	1,248.5	1,153.0
Segment operating income	$100.9	96.4	$147.2	128.7
Equity earnings	0.4	0.2	0.5	0.4
Segment income	$101.3	96.6	$147.7	129.1
EMEA - Real Estate Services				
Leasing	$72.9	66.8	$131.8	115.6
Capital Markets	89.9	96.5	179.2	156.5
Property & Facility Management	392.3	335.2	742.6	639.1
Project & Development Services	220.8	160.0	443.4	301.7
Advisory, Consulting and Other	70.7	62.7	133.2	111.5
Revenue	846.6	721.2	1,630.2	1,324.4
Reimbursements	(153.0)	(125.5)	(309.0)	(227.4)
Revenue before reimbursements	693.6	595.7	1,321.2	1,097.0
Gross contract costs	(305.3)	(248.9)	(582.5)	(480.3)
Fee revenue	388.3	346.8	738.7	616.7
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	683.5	574.6	1,319.7	1,097.6
Depreciation and amortization	11.5	11.1	22.9	21.4
Segment operating expenses, excluding reimbursed expenses	695.0	585.7	1,342.6	1,119.0
Gross contract costs	(305.3)	(248.9)	(582.5)	(480.3)
Fee-based segment operating expenses	389.7	336.8	760.1	638.7
Segment operating (loss) income	$(1.4)	10.0	$(21.4)	(22.0)
Equity earnings	—	—	—	—
Segment (loss) income	$(1.4)	10.0	$(21.4)	(22.0)

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Continued: Summarized financial information by business segment is as follows.

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Asia Pacific - Real Estate Services				
Leasing	$58.1	51.2	$95.9	81.8
Capital Markets	50.3	36.2	82.7	65.8
Property & Facility Management	541.6	505.4	1,061.4	959.4
Project & Development Services	114.1	110.2	201.1	187.9
Advisory, Consulting and Other	48.8	40.7	83.1	75.1
Revenue	812.9	743.7	1,524.2	1,370.0
Reimbursements	(356.2)	(355.9)	(677.8)	(672.4)
Revenue before reimbursements	456.7	387.8	846.4	697.6
Gross contract costs	(205.4)	(163.0)	(400.7)	(293.4)
Fee revenue	251.3	224.8	445.7	404.2
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	427.5	360.7	812.5	660.7
Depreciation and amortization	5.8	5.7	11.4	10.5
Segment operating expenses, excluding reimbursed expenses	433.3	366.4	823.9	671.2
Gross contract costs	(205.4)	(163.0)	(400.7)	(293.4)
Fee-based segment operating expenses	227.9	203.4	423.2	377.8
Segment operating income	$23.4	21.4	$22.5	26.4
Equity earnings	0.7	0.6	1.0	1.4
Segment income	$24.1	22.0	$23.5	27.8
LaSalle				
Advisory fees	$67.1	64.4	$137.0	126.6
Transaction fees & other	6.7	5.1	23.4	19.3
Incentive fees	17.9	3.4	50.6	15.3
Revenue	91.7	72.9	211.0	161.2
Reimbursements	(4.8)	(4.4)	(9.6)	(8.9)
Revenue before reimbursements	86.9	68.5	201.4	152.3
Gross Contract Costs	(1.2)	(1.2)	(2.5)	(2.6)
Fee revenue	85.7	67.3	198.9	149.7
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	70.4	59.4	155.0	127.9
Depreciation and amortization	0.7	0.7	1.5	1.4
Segment operating expenses, excluding reimbursed expenses	71.1	60.1	156.5	129.3
Gross contract costs	(1.2)	(1.2)	(2.5)	(2.6)
Fee-based segment operating expenses	69.9	58.9	154.0	126.7
Segment operating income	$15.8	8.4	$44.9	23.0
Equity earnings	9.1	13.7	22.3	18.3
Segment income	$24.9	22.1	$67.2	41.3

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(in millions)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Segment Reconciling Items				
Fee revenue	$1,493.5	1,324.3	$2,775.0	2,448.3
Gross contract costs	668.5	543.5	1,275.4	1,038.5
Net non-cash MSR and mortgage banking derivative activity	1.3	6.7	4.0	4.0
Revenue before reimbursements	2,163.3	1,874.5	4,054.4	3,490.8
Reimbursements	1,740.4	1,595.8	3,404.5	3,097.2
Revenue	$3,903.7	3,470.3	$7,458.9	6,588.0
Total segment operating expenses, excluding reimbursed expenses & before restructuring and acquisition charges	$2,024.6	1,738.3	$3,861.2	3,334.7
Reimbursed expenses	1,740.4	1,595.8	3,404.5	3,097.2
Total segment operating expenses before restructuring and acquisition charges	$3,765.0	3,334.1	$7,265.7	6,431.9
Operating income before restructuring and acquisition charges	$138.7	136.2	$193.2	156.1
Restructuring and acquisition (credits) charges	(11.1)	5.4	(10.4)	9.9
Operating income	$149.8	130.8	$203.6	146.2

The following table reconciles segment identifiable assets to consolidated amounts.

(in millions)	June 30, 2018	December 31, 2017
Real Estate Services:		
Americas	$5,027.8	4,745.4
EMEA	2,129.0	2,367.5
Asia Pacific	1,227.2	1,305.0
LaSalle	528.4	548.6
Corporate	275.3	287.9
Consolidated	$9,187.7	9,254.4

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5. BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

2018 Business Combinations Activity

During the six months ended June 30, 2018, we completed three new strategic acquisitions, as presented in the table below. These acquisitions continued to expand our capabilities and increase our presence in key regional markets.

Acquired Company	Quarter of Acquisition	Country	Primary Service Line
Stessa Inc.	Q1	United States	Advisory, Consulting and Other
Raymond Chabot Grant Thornton & Co. LLP	Q1	Canada	Advisory, Consulting and Other
JCL International Inc.	Q1	Philippines	Project & Development Services

Aggregate terms of our acquisitions included: (1) cash paid at closing of $11.2 million and (2) contingent earn-out consideration of $1.7 million, which we will pay upon satisfaction of certain performance conditions and which we have initially recorded at their respective acquisition date fair value.

A preliminary allocation of purchase consideration resulted in goodwill of $10.7 million, identifiable intangibles of $2.1 million, and other net assets (acquired assets less assumed liabilities) of $0.1 million. As of June 30, 2018, we have not completed our analysis to assign fair values to all of the identifiable intangible and tangible assets acquired and, therefore, we may further refine the purchase price allocations for our 2018 acquisitions during their open measurement periods.

During the six months ended June 30, 2018, we paid $40.8 million for deferred business acquisition and earn-out obligations for acquisitions completed in prior years. We also paid $1.5 million to acquire the final portion of the redeemable noncontrolling interest related to our 2014 acquisition of Tenzing AB, a Swedish real estate services provider.

2017 Business Combination Activity

During the six months ended June 30, 2018, we made no adjustments to our preliminary allocation of the purchase consideration for certain acquisitions completed in 2017. As of June 30, 2018, we have not completed our analysis to assign fair values to all the identifiable intangible and tangible assets acquired and, therefore, we may further refine the purchase price allocations for our 2017 acquisitions with open measurement periods.

Earn-Out Payments

($ in millions)	June 30, 2018	December 31, 2017
Number of acquisitions with earn-out payments subject to the achievement of certain performance criteria	54	56
Maximum earn-out payments (undiscounted)	$ 393.7	436.2
Short-term earn-out liabilities (fair value)[1]	41.9	49.6
Long-term earn-out liabilities (fair value)[1]	137.7	177.5

[1] Included in Short-term and Long-term acquisition obligations on the Condensed Consolidated Balance Sheets

Assuming the achievement of the applicable performance criteria, we anticipate making these earn-out payments over the next six years. Refer to Note 8, Fair Value Measurements, and Note 11, Restructuring and Acquisition Charges, for additional discussion of our earn-out liabilities.

Goodwill and Other Intangible Assets

Goodwill and unamortized intangibles as of June 30, 2018 consisted of: (1) goodwill of $2,682.9 million, (2) identifiable intangibles of $284.0 million amortized over their remaining finite useful lives, and (3) $8.8 million of identifiable intangibles with indefinite useful lives that are not amortized. Significant portions of our goodwill and unamortized intangibles are denominated in currencies other than the U.S. dollar, which means a portion of the movements in the reported book value of these balances is attributable to movements in foreign currency exchange rates.

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The following tables detail, by reporting segment, movements in goodwill.

	Real Estate Services				
(in millions)	Americas	EMEA	Asia Pacific	LaSalle	Consolidated
Balance as of December 31, 2017	$ 1,412.2	957.6	323.0	16.5	$ 2,709.3
Additions, net of adjustments	6.9	0.1	1.9	—	8.9
Impact of exchange rate movements	(0.8)	(27.7)	(6.5)	(0.3)	(35.3)
Balance as of June 30, 2018	$ 1,418.3	930.0	318.4	16.2	$ 2,682.9

	Real Estate Services				
(in millions)	Americas	EMEA	Asia Pacific	LaSalle	Consolidated
Balance as of December 31, 2016	$ 1,406.1	851.7	306.1	15.4	$ 2,579.3
Additions, net of adjustments	4.5	18.2	6.5	—	29.2
Impact of exchange rate movements	0.4	52.1	7.2	0.7	60.4
Balance as of June 30, 2017	$ 1,411.0	922.0	319.8	16.1	$ 2,668.9

The following tables detail, by reporting segment, movements in the gross carrying amount and accumulated amortization of our identifiable intangibles.

	MSRs	Other Intangibles				
(in millions)	Americas	Americas	EMEA	Asia Pacific	LaSalle	Consolidated
Gross Carrying Amount						
Balance as of December 31, 2017	$ 241.8	117.0	88.8	23.3	—	$ 470.9
Additions, net of adjustments (1)	24.0	0.6	—	1.4	—	26.0
Adjustment for fully amortized intangibles	(11.9)	(0.4)	(1.3)	(0.7)	—	(14.3)
Impact of exchange rate movements	—	(0.1)	(1.9)	(1.5)	—	(3.5)
Balance as of June 30, 2018	$ 253.9	117.1	85.6	22.5	—	$ 479.1
Accumulated Amortization						
Balance as of December 31, 2017	$ (55.1)	(61.3)	(43.1)	(6.4)	—	$ (165.9)
Amortization, net (2)	(22.2)	(6.9)	(6.4)	(1.3)	—	(36.8)
Adjustment for fully amortized intangibles	11.9	0.4	1.3	0.7	—	14.3
Impact of exchange rate movements	—	0.3	0.9	0.9	—	2.1
Balance as of June 30, 2018	$ (65.4)	(67.5)	(47.3)	(6.1)	—	$ (186.3)
Net book value as of June 30, 2018	$ 188.5	49.6	38.3	16.4	—	$ 292.8

(1) Included in this amount for MSRs was $6.5 million relating to prepayments/write-offs due to prepayments of sold warehouse receivables for which we retained the servicing rights.

(2) Amortization of MSRs is included in Revenue before reimbursements within the Condensed Consolidated Statements of Comprehensive Income.

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	MSRs	Other Intangibles				
(in millions)	Americas	Americas	EMEA	Asia Pacific	LaSalle	Consolidated
Gross Carrying Amount						
Balance as of December 31, 2016	$ 193.1	167.1	91.1	24.2	0.1	$ 475.6
Additions, net of adjustments [1]	29.0	0.2	3.1	5.8	—	38.1
Adjustment for fully amortized intangibles	(6.0)	(50.0)	(7.7)	(8.0)	(0.1)	(71.8)
Impact of exchange rate movements	—	—	4.8	0.9	—	5.7
Balance as of June 30, 2017	$ 216.1	117.3	91.3	22.9	—	$ 447.6
Accumulated Amortization						
Balance as of December 31, 2016	$ (32.3)	(98.7)	(38.0)	(11.5)	(0.1)	$ (180.6)
Amortization, net [2]	(18.9)	(6.9)	(7.6)	(1.2)	—	(34.6)
Adjustment for fully amortized intangibles	6.0	50.0	7.7	8.0	0.1	71.8
Impact of exchange rate movements	—	0.2	(2.2)	(0.2)	—	(2.2)
Balance as of June 30, 2017	$ (45.2)	(55.4)	(40.1)	(4.9)	—	$ (145.6)
Net book value as of June 30, 2017	$ 170.9	61.9	51.2	18.0	—	$ 302.0

(1) Included in this amount for MSRs was $4.3 million relating to prepayments/write-offs due to prepayments of sold warehouse receivables for which we retained the servicing rights.
(2) Amortization of MSRs is included in Revenue before reimbursements within the Condensed Consolidated Statements of Comprehensive Income.

The remaining estimated future amortization expense of MSRs and other identifiable intangible assets, by year, as of June 30, 2018, is presented in the following table.

(in millions)	MSRs	Other Intangibles	Total
2018 (6 months)	$15.8	13.8	$29.6
2019	29.3	23.7	53.0
2020	27.1	19.2	46.3
2021	23.8	12.4	36.2
2022	21.0	6.5	27.5
2023	17.7	4.3	22.0
Thereafter	53.8	15.6	69.4
Total	$188.5	95.5	$284.0

6. INVESTMENTS IN REAL ESTATE VENTURES

As of June 30, 2018 and December 31, 2017, we had Investments in real estate ventures of $379.5 million and $376.2 million, respectively.

Approximately 75% of our investments are in 43 separate property or commingled funds, where we co-invest alongside our clients and for which we also have an advisory agreement. Our investment ownership percentages in these funds generally range from less than 1% to 10%. The remaining 25% of our Investments in real estate ventures, as of June 30, 2018, were attributable to investment vehicles that use our capital and outside capital primarily provided by institutional investors to invest in certain real estate ventures that own and operate real estate. Of our investments attributable to investment vehicles, the majority was invested in LaSalle Investment Company II ("LIC II"), in which we held an effective ownership interest of 48.78%.

We have maximum potential unfunded commitments to direct investments or investment vehicles of $197.5 million as of June 30, 2018, of which $60.4 million relates to our commitment to LIC II.

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We evaluate our less-than-wholly-owned investments to determine whether the underlying entities are classified as variable interest entities ("VIEs"); we assess each identified VIE to determine whether we are the primary beneficiary. We have determined that we are the primary beneficiary of certain VIEs and accordingly, we have consolidated such entities. The assets of the consolidated VIEs are available only for the settlement of the obligations of the respective entities and the mortgage loans of the consolidated VIEs are non-recourse to JLL.

Summarized financial information for our consolidated VIEs is presented in the following tables.

(in millions)	June 30, 2018	December 31, 2017
Property and equipment, net	$ 36.8	15.7
Investment in real estate ventures	13.8	12.6
Other assets [(1)]	8.8	44.4
Total assets	$ 59.4	72.7
Other current liabilities [(1)]	$ 1.1	30.9
Mortgage indebtedness (included in Other liabilities)	26.0	9.2
Total liabilities	27.1	40.1
Members' equity (included in Noncontrolling interest)	32.3	32.6
Total liabilities and members' equity	$ 59.4	72.7

(1) Balances as of December 31, 2017, primarily represent investment properties and their corresponding liabilities, classified as held for sale.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Revenue	$1.7	1.0	$2.7	2.6
Operating and other expenses	(1.6)	(0.8)	(2.4)	(2.0)
Net gains on sale of investments	0.5	—	2.0	—
Net income	$0.6	0.2	$2.3	0.6

We allocate the members' equity and net income of the consolidated VIEs to the noncontrolling interest holders as Noncontrolling interest on our Condensed Consolidated Balance Sheets and as Net income attributable to noncontrolling interest in our Condensed Consolidated Statements of Comprehensive Income, respectively.

Impairment

There were no significant other-than-temporary impairment charges on Investments in real estate ventures for the six months ended June 30, 2018 and 2017.

Fair Value

We report a majority of our investments in real estate ventures at fair value. For such investments, we increase or decrease our investment each reporting period by the change in the fair value and we report these fair value adjustments in our Condensed Consolidated Statements of Comprehensive Income within Equity earnings from real estate ventures. The table below shows the movement in our investments in real estate ventures reported at fair value.

(in millions)	2018	2017
Fair value investments as of January 1,	$242.3	212.7
Investments	11.1	19.2
Distributions	(29.0)	(18.6)
Change in fair value	13.6	10.7
Foreign currency translation adjustments, net	0.7	4.0
Fair value investments as of June 30,	$238.7	228.0

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7. STOCK-BASED COMPENSATION

Stock Unit Awards

Along with cash-based salaries and performance-based annual cash incentive awards, stock unit awards represent an important element of compensation to our employees. During the second quarter of 2018, we issued performance stock unit ("PSU") awards to certain employees under the Jones Lang LaSalle 2017 Stock Award and Incentive Plan, a supplement to the continued issuance of restricted stock unit ("RSU") awards. RSU and PSU activity is presented in the following tables.

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (in years)
Unvested as of March 31, 2018	658.0	$ 126.31	2.20
Granted	100.7	164.04	
Vested	(4.3)	172.95	
Forfeited	(4.1)	129.03	
Unvested as of June 30, 2018	750.3	$ 131.09	2.36
Unvested as of March 31, 2017	785.7	$ 117.62	1.82
Granted	11.1	118.00	
Vested	(3.3)	117.81	
Forfeited	(17.6)	112.71	
Unvested as of June 30, 2017	775.9	$ 117.74	1.61

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (in years)
Unvested as of December 31, 2017	727.7	$ 118.96	1.24
Granted	220.0	162.33	
Vested	(178.1)	122.42	