JONES LANG LASALLE INC
Form 10-Q
November 07, 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 September 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, every Interactive Data File required to be submitted 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 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 November 2, 2018 was 45,566,557.

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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)	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$327.0	268.0
Trade receivables, net of allowances of $57.6 and $51.3	1,610.0	1,739.4
Notes and other receivables	297.6	385.3
Reimbursable receivables	1,400.8	1,263.3
Warehouse receivables	617.7	317.5
Short-term contract assets	293.0	178.4
Prepaid & other	315.2	389.1
Total current assets	4,861.3	4,541.0
Property and equipment, net of accumulated depreciation of $583.7 and $514.9	540.8	543.9
Goodwill	2,689.7	2,709.3
Identified intangibles, net of accumulated amortization of $161.1 and $165.9	291.5	305.0
Investments in real estate ventures, including $246.0 and $242.3 at fair value	371.5	376.2
Long-term receivables	179.6	164.7
Deferred tax assets, net	242.5	229.1
Deferred compensation plan	277.8	229.7
Other	164.4	155.5
Total assets	$9,619.1	9,254.4
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$995.1	993.1
Reimbursable payables	1,012.2	1,022.6
Accrued compensation & benefits	1,205.7	1,419.1
Short-term borrowings	83.7	77.4
Short-term contract liabilities and deferred income	170.9	155.4
Short-term acquisition-related obligations	60.0	80.1
Warehouse facilities	611.9	309.2
Other	195.2	256.8
Total current liabilities	4,334.7	4,313.7
Credit facility, net of debt issuance costs of $16.8 and $15.3	223.2	(15.3)
Long-term debt, net of debt issuance costs of $3.9 and $4.3	677.3	690.6
Deferred tax liabilities, net	24.5	63.2
Deferred compensation	290.2	259.0
Long-term acquisition-related obligations	168.1	228.9
Other	328.3	332.3
Total liabilities	6,046.3	5,872.4
Redeemable noncontrolling interest	—	3.8
Company shareholders' equity:		
Common stock, $0.01 par value per share, 100,000,000 shares authorized; 45,560,315 and 45,373,817 shares issued and outstanding	0.5	0.5
Additional paid-in capital	1,049.5	1,037.3

Retained earnings	2,913.3	2,649.0
Shares held in trust	(6.0)	(5.9)
Accumulated other comprehensive loss	(425.3)	(340.8)
Total Company shareholders’ equity	3,532.0	3,340.1
Noncontrolling interest	40.8	38.1
Total equity	3,572.8	3,378.2
Total liabilities and equity	$9,619.1	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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Revenue before reimbursements	$2,213.7	1,980.7	$6,268.1	5,471.5
Reimbursements	1,756.1	1,541.5	5,160.6	4,638.7
Total revenue	$3,969.8	3,522.2	$11,428.7	10,110.2
Operating expenses:				
Compensation and benefits	1,287.0	1,155.4	3,624.7	3,199.4
Operating, administrative and other	689.4	642.3	2,124.5	1,852.5
Reimbursed expenses	1,756.1	1,541.5	5,160.6	4,638.7
Depreciation and amortization	42.7	41.8	131.1	122.3
Restructuring and acquisition charges (credits)	3.7	3.4	(6.7)	13.3
Total operating expenses	3,778.9	3,384.4	11,034.2	9,826.2
Operating income	190.9	137.8	394.5	284.0
Interest expense, net of interest income	12.3	14.9	40.4	42.5
Equity earnings from real estate ventures	3.4	12.6	27.2	32.7
Other (expense) income	(0.3)	(0.3)	3.9	0.7
Income before income taxes and noncontrolling interest	181.7	135.2	385.2	274.9
Provision for income taxes	45.6	36.0	96.7	73.1
Net income	136.1	99.2	288.5	201.8
Net income attributable to noncontrolling interest	1.2	0.9	5.3	1.8
Net income attributable to the Company	134.9	98.3	283.2	200.0
Dividends on unvested common stock, net of tax benefit	—	—	0.2	0.2
Net income attributable to common shareholders	$134.9	98.3	$283.0	199.8
Basic earnings per common share	$2.96	2.17	$6.22	4.41
Basic weighted average shares outstanding (in 000's)	45,549	45,349	45,495	45,299
Diluted earnings per common share	$2.93	2.15	$6.16	4.37
Diluted weighted average shares outstanding (in 000's)	45,965	45,814	45,930	45,729
Dividends declared per share	$—	—	$0.41	0.35
Net income attributable to the Company	$134.9	98.3	$283.2	200.0
Change in pension liabilities, net of tax	1.2	1.2	1.2	2.0
Foreign currency translation adjustments	(34.9)	46.0	(85.7)	175.5
Comprehensive income attributable to the Company	$101.2	145.5	$198.7	377.5

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 NINE MONTHS ENDED SEPTEMBER 30, 2018

	Company Shareholders' Equity							
(in millions, except share and per share data) (unaudited)	Common Stock		Additional Paid-In	Retained	Shares Held in	Accumulated Other Comprehensive	Noncontrolling	Total
	Shares	Amount	Capital	Earnings	Trust	Loss	Interest	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	—	—	—	283.2	—	—	5.3	288.5
Shares issued under stock-based compensation programs	261,048	—	0.8	—	—	—	—	0.8
Shares repurchased for payment of taxes on stock-based compensation	(74,550)	—	(11.9)	—	—	—	—	(11.9)
Amortization of stock-based compensation	—	—	21.0	—	—	—	—	21.0
Dividends paid, $0.41 per share	—	—	—	(18.9)	—	—	—	(18.9)
Shares held in trust	—	—	—	—	(0.1)	—	—	(0.1)
Change in pension liabilities, net of tax	—	—	—	—	—	1.2	—	1.2
Foreign currency translation adjustments	—	—	—	—	—	(85.7)	—	(85.7)
Decrease in amounts attributable to noncontrolling interest	—	—	—	—	—	—	(2.6)	(2.6)
Acquisition of redeemable noncontrolling interest	—	—	2.3	—	—	—	—	2.3
September 30, 2018	45,560,315	$ 0.5	1,049.5	2,913.3	(6.0)	(425.3)	40.8	$3,572.8

See accompanying notes to Condensed Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
(in millions) (unaudited)	2018	2017
Cash flows (used in) provided by operating activities:		
Net income	$288.5	201.8
Adjustments to reconcile net income to net cash used in operating activities:		
Distributions of earnings from real estate ventures	30.2	24.2
Other adjustments, net	114.3	122.4
Changes in working capital, net	(433.3)	(70.7)
Net cash (used in) provided by operating activities	(0.3)	277.7
Cash flows used in investing activities:		
Net capital additions – property and equipment	(110.1)	(98.1)
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	(31.7)	(18.7)
Capital contributions to real estate ventures	(38.3)	(27.0)
Distributions of capital from real estate ventures	40.4	24.9
Other, net	3.1	(3.1)
Net cash used in investing activities	(147.2)	(122.0)
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of senior notes	—	395.7
Proceeds from borrowings under credit facility	2,511.0	2,478.0
Repayments of borrowings under credit facility	(2,271.0)	(2,953.0)
Payments of deferred business acquisition obligations and earn-outs	(47.8)	(41.2)
Payment of dividends	(18.9)	(16.1)
Other, net	(0.8)	(28.8)
Net cash provided by (used in) financing activities	172.5	(165.4)
Effect of currency exchange rate changes on cash and cash equivalents	(20.9)	11.4
Net change in cash, cash equivalents and restricted cash	4.1	1.7
Cash, cash equivalents and restricted cash, beginning of the period	471.7	454.0
Cash, cash equivalents and restricted cash, end of the period	$475.8	455.7
Supplemental disclosure of cash flow information:		
Restricted cash, end of the period	$148.8	177.9
Cash paid during the period for:		
Interest	$33.1	33.6
Income taxes, net of refunds	108.0	112.6
Non-cash activities:		
Business acquisitions, including contingent consideration	$2.7	11.5
Deferred business acquisition obligations	1.9	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 September 30, 2018 and December 31, 2017, and for the periods ended September 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 September 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 three and nine months ended September 30, 2017, the amount reclassified was a cost of $0.3 million and a benefit of $0.7 million, respectively. 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 balances 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 nine months ended September 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 September 30, 2017 (unaudited)	Adjustment due to ASC Topic 606	Adjustment due to ASU 2017-07	As Restated Three months ended September 30, 2017 (unaudited)
Revenue				
Revenue before reimbursements[1]	$ 1,947.0	33.7	—	$ 1,980.7
Reimbursements[1]	n/a	1,541.5	—	1,541.5
Total revenue	1,947.0	1,575.2	—	3,522.2
Operating expenses				
Compensation and benefits[1]	1,132.3	23.4	(0.3)	1,155.4

Operating, administrative and other[1]	651.4	(9.1)	—	642.3
Reimbursed expenses[1]	n/a	1,541.5	—	1,541.5
Operating income	118.1	19.4	0.3	137.8
Other income	—	—	(0.3)	(0.3)
Provision for income taxes	28.2	7.8	—	36.0
Net income	87.5	11.7	—	99.2
Basic earnings per common share	$ 1.91	0.26	—	$ 2.17
Diluted earnings per common share	$ 1.89	0.26	—	$ 2.15

(1) Included in "Adjustments due to ASC Topic 606" is $13.3 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 Nine months ended September 30, 2017 (unaudited)	Adjustment due to ASC Topic 606	Adjustment due to ASU 2017-07	As Restated Nine months ended September 30, 2017 (unaudited)
Revenue				
Revenue before reimbursements[1]	$ 5,396.9	74.6	—	$ 5,471.5
Reimbursements[1]	n/a	4,638.7	—	4,638.7
Total revenue	5,396.9	4,713.3	—	10,110.2
Operating expenses				
Compensation and benefits[1]	3,146.6	52.1	0.7	3,199.4
Operating, administrative and other[1]	1,870.0	(17.5)	—	1,852.5
Reimbursed expenses[1]	n/a	4,638.7	—	4,638.7
Operating income	244.7	40.0	(0.7)	284.0
Other income	—	—	0.7	0.7
Provision for income taxes	57.3	15.8	—	73.1
Net income	177.5	24.3	—	201.8
Basic earnings per common share	$ 3.88	0.53	—	$ 4.41
Diluted earnings per common share	$ 3.84	0.53	—	$ 4.37

(1) Included in "Adjustments due to ASC Topic 606" is $43.5 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 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 will elect the use of this optional transition method.

The adoption of ASC Topic 842 will result in the recognition of additional balances on the Condensed Consolidated Balance Sheet to reflect right-of-use assets and lease liabilities primarily associated with the leases for the corporate real estate we occupy around the globe. We expect the balance of our lease population to comprise vehicle and other equipment leases. As of September 30, 2018, we have substantially completed the identification of our real estate and non-real estate leases population. Our efforts are now directed to compiling and calculating the relevant inputs to derive ASC Topic 842's impact along with designing post-implementation processes and associated internal controls. Based upon current evaluations, we expect to recognize additional assets and liabilities upon implementation of ASC Topic 842 ranging from $500 million to $750 million to reflect right-of-use assets and lease liabilities as of January 1, 2019. However, because our evaluations are ongoing, the expected impact associated with the implementation of ASC Topic 842 is subject to change. Our disclosures related to leases will expand to comply with the requirements of ASC Topic 842; we continue to evaluate other effects ASC Topic 842 will have 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 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

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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 August 2018, the FASB issued ASU No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 when determining which implementation costs to capitalize as intangible assets. This ASU is effective for annual and interim periods 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.

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 a 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 $35.5 million and $101.8 million for the three and nine months ended September 30, 2018, respectively, and $41.2 million and $91.9 million for the three and nine months ended September 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 various other types of 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.

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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.

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 where we assume responsibility for completing a project, 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 September 30, 2018 and December 31, 2017, we had $345.5 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 September 30, 2018 and December 31, 2017, we had $90.4 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 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.

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Remaining Performance Obligations - Remaining performance obligations represent the aggregate transaction price for contracts where our performance obligations have not yet been satisfied. As of September 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.

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 September 30, 2018, we define the Chief Operating Decision Maker collectively as our Global Executive Board, which comprises 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 Administrative Officer

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Summarized financial information by business segment is as follows.

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Americas - Real Estate Services				
Leasing	$424.0	370.1	$1,151.4	1,057.5
Capital Markets	115.6	115.4	344.4	319.2
Property & Facility Management	1,271.5	1,077.0	3,713.4	3,230.7
Project & Development Services	304.7	288.2	848.8	843.7
Advisory, Consulting and Other	85.8	69.9	237.1	201.9
Revenue	2,201.6	1,920.6	6,295.1	5,653.0
Reimbursements	(1,251.5)	(1,094.9)	(3,659.6)	(3,283.4)
Revenue before reimbursements	950.1	825.7	2,635.5	2,369.6
Gross contract costs	(170.7)	(124.9)	(460.4)	(387.1)
Net non-cash MSR and mortgage banking derivative activity	(5.3)	(7.1)	(9.3)	(11.1)
Fee revenue	774.1	693.7	2,165.8	1,971.4
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	821.2	710.2	2,306.8	2,078.2
Depreciation and amortization	24.5	24.2	77.1	71.4
Segment operating expenses, excluding reimbursed expenses	845.7	734.4	2,383.9	2,149.6
Gross contract costs	(170.7)	(124.9)	(460.4)	(387.1)
Fee-based segment operating expenses	675.0	609.5	1,923.5	1,762.5
Segment operating income	$104.4	91.3	$251.6	220.0
Equity earnings	0.1	0.1	0.6	0.5
Segment income	$104.5	91.4	$252.2	220.5
EMEA - Real Estate Services				
Leasing	$80.1	71.0	$211.9	186.6
Capital Markets	108.9	107.2	288.1	263.7
Property & Facility Management	336.3	335.9	1,078.9	975.0
Project & Development Services	220.1	170.3	663.5	472.0
Advisory, Consulting and Other	60.2	65.6	193.4	177.1
Revenue	805.6	750.0	2,435.8	2,074.4
Reimbursements	(171.0)	(108.5)	(480.0)	(335.9)
Revenue before reimbursements	634.6	641.5	1,955.8	1,738.5
Gross contract costs	(237.9)	(258.9)	(820.4)	(739.2)
Fee revenue	396.7	382.6	1,135.4	999.3
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	611.7	625.9	1,931.4	1,723.5
Depreciation and amortization	11.8	11.6	34.7	33.0
Segment operating expenses, excluding reimbursed expenses	623.5	637.5	1,966.1	1,756.5
Gross contract costs	(237.9)	(258.9)	(820.4)	(739.2)
Fee-based segment operating expenses	385.6	378.6	1,145.7	1,017.3
Segment operating income (loss)	$11.1	4.0	$(10.3)	(18.0)
Equity earnings	—	—	—	—
Segment income (loss)	$11.1	4.0	$(10.3)	(18.0)

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

(in millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Asia Pacific - Real Estate Services				
Leasing	$69.3	51.9	$165.2	133.7
Capital Markets	39.5	55.7	122.2	121.5
Property & Facility Management	529.2	490.0	1,590.6	1,449.4
Project & Development Services	108.7	109.5	309.8	297.4
Advisory, Consulting and Other	43.3	42.3	126.4	117.4
Revenue	790.0	749.4	2,314.2	2,119.4
Reimbursements	(330.0)	(333.5)	(1,007.8)	(1,005.9)
Revenue before reimbursements	460.0	415.9	1,306.4	1,113.5
Gross contract costs	(207.7)	(169.1)	(608.4)	(462.5)
Fee revenue	252.3	246.8	698.0	651.0
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	432.6	386.5	1,245.1	1,047.2
Depreciation and amortization	5.6	5.2	17.0	15.7
Segment operating expenses, excluding reimbursed expenses	438.2	391.7	1,262.1	1,062.9
Gross contract costs	(207.7)	(169.1)	(608.4)	(462.5)
Fee-based segment operating expenses	230.5	222.6	653.7	600.4
Segment operating income	$21.8	24.2	$44.3	50.6
Equity earnings	1.0	0.9	2.0	2.3
Segment income	$22.8	25.1	$46.3	52.9
LaSalle				
Advisory fees	$68.0	63.4	$205.0	190.0
Transaction fees & other	9.8	5.6	33.2	24.9
Incentive fees	94.8	33.2	145.4	48.5
Revenue	172.6	102.2	383.6	263.4
Reimbursements	(3.6)	(4.6)	(13.2)	(13.5)
Revenue before reimbursements	169.0	97.6	370.4	249.9
Gross contract costs	(0.7)	(1.2)	(3.2)	(3.8)
Fee revenue	168.3	96.4	367.2	246.1
Operating expenses, excluding reimbursed expenses:				
Compensation, operating and administrative expenses	110.9	75.1	265.9	203.0
Depreciation and amortization	0.8	0.8	2.3	2.2
Segment operating expenses, excluding reimbursed expenses	111.7	75.9	268.2	205.2
Gross contract costs	(0.7)	(1.2)	(3.2)	(3.8)
Fee-based segment operating expenses	111.0	74.7	265.0	201.4
Segment operating income	$57.3	21.7	$102.2	44.7
Equity earnings	2.3	11.6	24.6	29.9
Segment income	$59.6	33.3	$126.8	74.6

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(in millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Segment Reconciling Items				
Fee revenue	$1,591.4	1,419.5	$4,366.4	3,867.8
Gross contract costs	617.0	554.1	1,892.4	1,592.6
Net non-cash MSR and mortgage banking derivative activity	5.3	7.1	9.3	11.1
Revenue before reimbursements	2,213.7	1,980.7	6,268.1	5,471.5
Reimbursements	1,756.1	1,541.5	5,160.6	4,638.7
Revenue	$3,969.8	3,522.2	$11,428.7	10,110.2
Total segment operating expenses, excluding reimbursed expenses & before restructuring and acquisition charges	$2,019.1	1,839.5	$5,880.3	5,174.2
Reimbursed expenses	1,756.1	1,541.5	5,160.6	4,638.7
Total segment operating expenses before restructuring and acquisition charges	$3,775.2	3,381.0	$11,040.9	9,812.9
Operating income before restructuring and acquisition charges	$194.6	141.2	$387.8	297.3
Restructuring and acquisition charges (credits)	3.7	3.4	(6.7)	13.3
Operating income	$190.9	137.8	$394.5	284.0

The following table reconciles segment identifiable assets to consolidated amounts.

(in millions)	September 30, 2018	December 31, 2017
Real Estate Services:		
Americas	$ 5,292.8	4,745.4
EMEA	2,168.3	2,367.5
Asia Pacific	1,287.9	1,305.0
LaSalle	584.3	548.6
Corporate	285.8	287.9
Consolidated	$ 9,619.1	9,254.4

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5. BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

2018 Business Combinations Activity

Aggregate terms of our acquisitions included: (1) cash paid at closing of $31.7 million, (2) guaranteed deferred consideration of $1.9 million, and (3) contingent earn-out consideration of $2.7 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 $30.1 million, identifiable intangibles of $5.7 million, and other net assets (acquired assets less assumed liabilities) of $0.5 million. As of September 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 nine months ended September 30, 2018, we paid $63.3 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.

Within the 2018 acquisition activity, we completed four new strategic acquisitions, expanding our capabilities and increasing our presence in key regional markets. These strategic acquisitions are presented below.

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
Northwest Atlantic	Q3	Canada	Leasing

2017 Business Combination Activity

During the nine months ended September 30, 2018, we made no adjustments to our preliminary allocation of the purchase consideration for certain acquisitions completed in 2017. As of September 30, 2018, we have completed our analysis to assign fair values to all the identifiable intangible and tangible assets acquired for our 2017 acquisitions.

Earn-Out Payments

($ in millions)	September 30, 2018	December 31, 2017
Number of acquisitions with earn-out payments subject to the achievement of certain performance criteria	55	56
Maximum earn-out payments (undiscounted)	$ 382.9	436.2
Short-term earn-out liabilities (fair value)[1]	32.6	49.6
Long-term earn-out liabilities (fair value)[1]	130.7	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 September 30, 2018 consisted of: (1) goodwill of $2,689.7 million, (2) identifiable intangibles of $282.7 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	21.0	—	9.1	—	30.1
Impact of exchange rate movements	(0.5)	(39.5)	(9.2)	(0.5)	(49.7)
Balance as of September 30, 2018	$ 1,432.7	918.1	322.9	16.0	$ 2,689.7

	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	5.2	17.9	6.5	—	29.6
Impact of exchange rate movements	0.9	80.5	10.0	1.0	92.4
Balance as of September 30, 2017	$ 1,412.2	950.1	322.6	16.4	$ 2,701.3

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)]	36.8	3.6	—	2.1	—	42.5
Adjustment for fully amortized intangibles	(17.2)	(36.2)	(1.7)	(0.7)	—	(55.8)
Impact of exchange rate movements	—	0.3	(3.3)	(2.0)	—	(5.0)
Balance as of September 30, 2018	$ 261.4	84.7	83.8	22.7	—	$ 452.6
Accumulated Amortization						
Balance as of December 31, 2017	$ (55.1)	(61.3)	(43.1)	(6.4)	—	$ (165.9)
Amortization, net [(2)]	(32.2)	(10.2)	(9.5)	(1.9)	—	(53.8)
Adjustment for fully amortized intangibles	17.2	36.2	1.7	0.7	—	55.8
Impact of exchange rate movements	—	—	1.8	1.0	—	2.8
Balance as of September 30, 2018	$ (70.1)	(35.3)	(49.1)	(6.6)	—	$ (161.1)
Net book value as of September 30, 2018	$ 191.3	49.4	34.7	16.1	—	$ 291.5

(1) Included in this amount for MSRs was $8.7 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)]	50.7	0.4	3.1	5.8	—	60.0
Adjustment for fully amortized intangibles	(12.5)	(50.0)	(7.7)	(8.0)	(0.1)	(78.3)
Impact of exchange rate movements	—	0.2	7.6	1.3	—	9.1
Balance as of September 30, 2017	$ 231.3	117.7	94.1	23.3	—	$ 466.4
Accumulated Amortization						
Balance as of December 31, 2016	$ (32.3)	(98.7)	(38.0)	(11.5)	(0.1)	$ (180.6)
Amortization, net [(2)]	(29.8)	(10.3)	(11.2)	(1.9)	—	(53.2)
Adjustment for fully amortized intangibles	12.5	50.0	7.7	8.0	0.1	78.3
Impact of exchange rate movements	—	0.3	(3.6)	(0.2)	—	(3.5)
Balance as of September 30, 2017	$ (49.6)	(58.7)	(45.1)	(5.6)	—	$ (159.0)
Net book value as of September 30, 2017	$ 181.7	59.0	49.0	17.7	—	$ 307.4

(1) Included in this amount for MSRs was $7.7 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 September 30, 2018, is presented in the following table.

(in millions)	MSRs	Other Intangibles	Total
2018 (3 months)	$ 6.7	9.7	$ 16.4
2019	30.3	23.7	54.0
2020	28.4	19.2	47.6
2021	25.4	12.4	37.8
2022	22.5	6.5	29.0
2023	19.1	4.3	23.4
Thereafter	58.9	15.6	74.5
Total	$ 191.3	91.4	$ 282.7

6. INVESTMENTS IN REAL ESTATE VENTURES

As of September 30, 2018 and December 31, 2017, we had Investments in real estate ventures of $371.5 million and $376.2 million, respectively.

Approximately 75% of our investments are in 45 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 September 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 $212.5 million as of September 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)	September 30, 2018	December 31, 2017
Property and equipment, net	$ 36.6	15.7
Investments in real estate ventures	13.9	12.6
Other assets [1]	11.1	44.4
Total assets	$ 61.6	72.7
Other current liabilities [1]	$ 1.0	30.9
Mortgage indebtedness (included in Other liabilities)	26.0	9.2
Total liabilities	27.0	40.1
Members' equity (included in Noncontrolling interest)	34.6	32.6
Total liabilities and members' equity	$ 61.6	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 September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Revenue	$1.6	1.8	$4.3	4.4
Operating and other expenses	(1.4)	(1.6)	(3.8)	(3.6)
Net gains on sale of investments	—	—	2.0	—
Net income	$0.2	0.2	$2.5	0.8

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 nine months ended September 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	27.7	21.2
Distributions	(31.0)	(22.5)
Change in fair value	8.2	17.9
Foreign currency translation adjustments, net	(1.2)	4.9
Fair value investments as of September 30,	$246.0	234.2

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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 June 30, 2018	750.3	$ 131.09	2.36
Granted	5.8	144.43	
Vested	(81.2)	123.08	
Forfeited	(35.5)	136.07	
Unvested as of September 30, 2018	639.4	$ 131.93	2.21
Unvested as of June 30, 2017	775.9	$ 117.74	1.61
Granted	5.1	115.47	
Vested	(70.9)	112.64	
Forfeited	(0.8)	130.32	
Unvested as of September 30, 2017	709.3	$ 118.22	1.43

	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	225.8	161.87	
Vested	(259.3)	122.63	
Forfeited	(54.8)	132.64	
Unvested as of September 30, 2018	639.4	$ 131.93	2.21
Unvested as of December 31, 2016	750.9	$ 113.97	1.71
Granted	157.0	116.50	
Vested	(177.3)	99.24	
Forfeited	(21.3)	113.18	
Unvested as of September 30, 2017	709.3	$ 118.22	1.43

We determine the fair value of RSUs, subject only to service requirements, based on the closing market price of our common stock on the grant date. PSUs are subject to service requirements and one or more performance measures, including (i) performance conditions (e.g. achievement against earnings per share targets) and (ii) for certain awards, a market condition (e.g. total shareholder return performance against a peer group). We determine the fair value of PSUs based on the closing market price of our common stock on the grant date taking into consideration the likelihood of achieving each performance condition and the market condition valuation, as applicable, based on the output of a Monte Carlo simulation.

As of September 30, 2018, we had $34.7 million of unamortized deferred compensation related to unvested restricted stock units, which we anticipate recognizing over varying periods into 2022.

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8. FAIR VALUE MEASUREMENTS

We measure certain assets and liabilities in accordance with ASC 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received for an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date. In addition, it establishes a framework for measuring fair value according to the following three-tier fair value hierarchy:

- Level 1 - Quoted prices for identical assets or liabilities in active markets accessible as of the measurement date;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

We had no transfers among levels of the fair value hierarchy during the nine months ended September 30, 2018 and 2017. Our policy is to recognize transfers at the end of quarterly reporting periods.

Financial Instruments

Our financial instruments include Cash and cash equivalents, Trade receivables, Notes and other receivables, Reimbursable receivables, Warehouse receivables, restricted cash, contract assets, Accounts payable, Reimbursable payables, Short-term borrowings, contract liabilities, Warehouse facilities, Credit facility, Long-term debt, and foreign currency forward contracts. The carrying amounts of Cash and cash equivalents, Trade receivables, Notes and other receivables, Reimbursable receivables, restricted cash, contract assets, Accounts payable, Reimbursable payables, contract liabilities, and the Warehouse facilities approximate their estimated fair values due to the short-term nature of these instruments. The carrying values of our Credit facility and Short-term borrowings approximate their estimated fair values given the variable interest rate terms and market spreads.

We estimated the fair value of our Long-term debt as $686.2 million and $712.6 million as of September 30, 2018 and December 31, 2017, respectively, using dealer quotes that are Level 2 inputs in the fair value hierarchy. The carrying value of our Long-term debt was $677.3 million and $690.6 million as of September 30, 2018 and December 31, 2017, respectively, and included debt issuance costs of $3.9 million and $4.3 million, respectively.

Investments in Real Estate Ventures at Fair Value - Net Asset Value ("NAV")

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.

Of our investments reported at fair value, we generally estimate the fair value using the NAV per share (or its equivalent) our investees provide. Critical inputs to NAV estimates included valuations of the underlying real estate assets and borrowings, which incorporate investment-specific assumptions such as discount rates, capitalization rates, rental and expense growth rates, and asset-specific market borrowing rates. We did not consider adjustments to NAV estimates provided by investees, including adjustments for any restrictions to the transferability of ownership interests embedded within investment agreements to which we are a party, to be necessary based upon (1) our understanding of the methodology utilized and inputs incorporated to estimate NAV at the investee level derived through LaSalle's role as advisor or manager of these ventures, (2) consideration of market demand for the specific types of real estate assets held by each venture, and (3) contemplation of real estate and capital markets conditions in the localities in which these ventures operate. As of September 30, 2018 and December 31, 2017, investments in real estate ventures at fair value using NAV were $203.6 million and $195.0 million, respectively. As these investments are not required to be classified in the fair value hierarchy, they have been excluded from the following table.

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Recurring Fair Value Measurements

The following table categorizes by level in the fair value hierarchy the estimated fair value of our assets and liabilities measured at fair value on a recurring basis.

	September 30, 2018			December 31, 2017		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investments in real estate ventures - fair value	$42.4	—	—	47.3	—	—
Foreign currency forward contracts receivable	—	5.8	—	—	13.2	—
Warehouse receivables	—	617.7	—	—	317.5	—
Deferred compensation plan assets	—	277.8	—	—	229.7	—
Mortgage banking derivative assets	—	—	47.2	—	—	19.0
Total assets at fair value	$42.4	901.3	47.2	47.3	560.4	19.0
Liabilities						
Foreign currency forward contracts payable	$—	3.7	—	—	1.9	—
Deferred compensation plan liabilities	—	268.3	—	—	228.4	—
Earn-out liabilities	—	—	163.3	—	—	227.1
Mortgage banking derivative liabilities	—	—	28.5	—	—	10.3
Total liabilities at fair value	$—	272.0	191.8	—	230.3	237.4

Investments in Real Estate Ventures

We classify one investment as Level 1 in the fair value hierarchy as quoted prices are readily available. We increase or decrease our investment each reporting period by the change in the fair value of the investment. We report these fair value adjustments in our Condensed Consolidated Statements of Comprehensive Income within Equity earnings from real estate ventures.

Foreign Currency Forward Contracts

We regularly use foreign currency forward contracts to manage our currency exchange rate risk related to intercompany lending and cash management practices. These contracts are on our Condensed Consolidated Balance Sheets as current assets and current liabilities. We determine the fair values of these contracts based on current market rates. The inputs for these valuations are Level 2 inputs in the fair value hierarchy. As of September 30, 2018 and December 31, 2017, these contracts had a gross notional value of $2.07 billion ($0.91 billion on a net basis) and $2.43 billion ($1.82 billion on a net basis), respectively.

We recognize gains and losses from revaluation of these contracts as a component of Operating, administrative and other expense. They are offset by the gains and losses we recognize on the revaluation of intercompany loans and other foreign currency balances. The impact to net income was not significant for either of the three or nine months ended September 30, 2018 or 2017.

We record the asset and liability positions for our foreign currency forward contracts based on the net payable or net receivable position with the financial institutions from which we purchase these contracts. The $5.8 million asset as of September 30, 2018, was composed of gross contracts with receivable positions of $7.5 million and payable positions of $1.7 million. The $3.7 million liability as of September 30, 2018, was composed of gross contracts with receivable positions of $1.1 million and payable positions of $4.8 million. As of December 31, 2017, the $13.2 million asset was composed of gross contracts with receivable positions of $14.4 million and payable positions of $1.2 million. The $1.9 million liability as of December 31, 2017, was composed of gross contracts with receivable positions of $2.3 million and payable positions of $4.2 million.

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Warehouse Receivables

The fair value of the Warehouse receivables is based on already locked-in security-buy prices. As of September 30, 2018 and December 31, 2017, all of our Warehouse receivables included in our Condensed Consolidated Balance Sheet were under commitment to be purchased by government-sponsored enterprises ("GSEs") or by a qualifying investor as part of a U.S. government or GSE mortgage-backed security program. The Warehouse receivables are classified as Level 2 in the fair value hierarchy as all significant inputs are readily observable.

Deferred Compensation Plan

We maintain a deferred compensation plan for certain of our U.S. employees that allows them to defer portions of their compensation. We invest directly in insurance contracts which yield returns to fund these deferred compensation obligations. We recognize an asset for the amount that could be realized under these insurance contracts as of the balance sheet date, and we adjust the deferred compensation obligation to reflect the changes in the fair value of the amount owed to the employees. The inputs for this valuation are Level 2 inputs in the fair value hierarchy. We recorded this plan on our Condensed Consolidated Balance Sheet as of September 30, 2018, as Deferred compensation plan assets of $277.8 million, long-term deferred compensation plan liabilities of $268.3 million, included in Deferred compensation, and as a reduction of equity, Shares held in trust, of $6.0 million. We recorded this plan on our Condensed Consolidated Balance Sheet as of December 31, 2017, as Deferred compensation plan assets of $229.7 million, long-term deferred compensation plan liabilities of $228.4 million, included in Deferred compensation, and as a reduction of equity, Shares held in trust, of $5.9 million.

Earn-Out Liabilities

We classify our earn-out liabilities within Level 3 in the fair value hierarchy because the inputs we use to develop the estimated fair value include unobservable inputs. We base the fair value of our earn-out liabilities on the present value of probability-weighted future cash flows related to the earn-out performance criteria on each reporting date. We determine the probability of achievement we assign to the performance criteria based on the due diligence we performed at the time of acquisition as well as actual performance achieved subsequent to acquisition. An increase to the probability of achievement would result in a higher fair value measurement. See Note 5, Business Combinations, Goodwill and Intangibles, for additional discussion of our earn-out liabilities.

Mortgage Banking Derivatives

The fair value of our rate lock commitments to prospective borrowers and the related inputs primarily include, as applicable, the expected net cash flows associated with closing and servicing the loan and the effects of interest rate movements between the date of the interest rate lock commitment ("IRLC") and the balance sheet date based on applicable published U.S. Treasury rates.

The fair value of our forward sales contracts with prospective investors considers the market price movement of a similar security between the trade date and the balance sheet date. The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

Both the rate lock commitments to prospective borrowers and the forward sale contracts with prospective investors are undesignated derivatives and considered Level 3 valuations due to significant unobservable inputs related to counterparty credit risk. An increase in counterparty credit risk assumptions would result in a lower fair value measurement. The fair valuation is determined using discounted cash flow techniques, and the derivatives are marked to fair value through Revenue before reimbursements in the Condensed Consolidated Statements on Comprehensive Income.

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The tables below present a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

(in millions)	Balance as of June 30, 2018	Net change in fair value	Foreign CTA[1]	Purchases / Additions	Settlements[2]	Balance as of September 30, 2018
Mortgage banking derivative assets and liabilities, net	$ 8.1	8.0	—	18.7	(16.1)	$ 18.7
Earn-out liabilities	179.6	(2.7)	(1.1)	1.1	(13.6)	163.3

(in millions)	Balance as of June 30, 2017	Net change in fair value	Foreign CTA[1]	Purchases / Additions	Settlements	Balance as of September 30, 2017
Mortgage banking derivative assets and liabilities, net	$ 14.1	3.4	—	25.5	(31.5)	$ 11.5
Earn-out liabilities	225.6	(0.6)	2.9	0.7	(5.1)	223.5

(in millions)	Balance as of December 31, 2017	Net change in fair value	Foreign CTA[1]	Purchases / Additions	Settlements[2]	Balance as of September 30, 2018
Mortgage banking derivative assets and liabilities, net	$ 8.7	4.6	—	53.4	(48.0)	$ 18.7
Earn-out liabilities	227.1	(17.5)	(3.6)	2.7	(45.4)	163.3

(in millions)	Balance as of December 31, 2016	Net change in fair value	Foreign CTA[1]	Purchases / Additions	Settlements	Balance as of September 30, 2017
Mortgage banking derivative assets and liabilities, net	$ 15.5	11.8	—	56.6	(72.4)	$ 11.5
Earn-out liabilities	229.6	(2.7)	7.4	11.4	(22.2)	223.5

[1] CTA: Currency translation adjustments

[2] In the third quarter of 2018, earn-out liabilities of $9.1 million were reclassified to guaranteed deferred acquisition obligations.

Net change in fair value, included in the tables above, is reported in Net income as follows.

Category of Assets/Liabilities using Unobservable Inputs	Condensed Consolidated Statements of Comprehensive Income Account Caption
Earn-out liabilities (Short-term and Long-term)	Restructuring and acquisition charges
Other current assets - Mortgage banking derivative assets	Revenue before reimbursements
Other current liabilities - Mortgage banking derivative liabilities	Revenue before reimbursements

Non-Recurring Fair Value Measurements

We review our investments in real estate ventures, except those investments otherwise reported at fair value, on a quarterly basis, or as otherwise deemed necessary, for indications of whether we may be unable to recover the carrying value of our investments and whether such investments are other-than-temporarily impaired. When the carrying amount of the investment is in excess of the estimated future undiscounted cash flows, we use a discounted cash flow approach or other acceptable method to determine the fair value of the investment in computing the amount of the impairment. Our determination of fair value primarily relies on Level 3 inputs. We did not recognize any significant investment-level impairment losses during either of the three or nine months ended September 30, 2018 or 2017. See Note 6, Investments in Real Estate Ventures, for additional information, including information related to impairment charges recorded at the investee level.

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9. DEBT

Short-term borrowings and long-term debt obligations are composed of the following.

(in millions)	September 30, 2018	December 31, 2017
Short-term borrowings:		
Local overdraft facilities	$ 35.4	45.4
Other short-term borrowings	48.3	32.0
Total short-term borrowings	$ 83.7	77.4
Credit facility, net of debt issuance costs of $16.8 and $15.3	223.2	(15.3)
Long-term senior notes, 4.4%, face amount of $275.0, due November 2022, net of debt issuance costs of $1.7 and $2.0	273.3	273.0
Long-term senior notes, 1.96%, face amount of €175.0, due June 2027, net of debt issuance costs of $1.1 and $1.2	202.0	208.8
Long-term senior notes, 2.21%, face amount of €175.0, due June 2029, net of debt issuance costs of $1.1 and $1.1	202.0	208.8
Total debt	$ 984.2	752.7

Credit Facility

On May 17, 2018, we amended our $2.75 billion unsecured revolving credit facility (the "Facility"), which improved pricing and extended the maturity date from June 21, 2021 to May 17, 2023. Pricing on the Facility ranges from LIBOR plus 0.875% to 1.35%, with pricing as of September 30, 2018, at LIBOR plus 1.00%. In addition to outstanding borrowings under the Facility presented in the above table, we had outstanding letters of credit under the Facility of $8.6 million and $9.0 million as of September 30, 2018 and December 31, 2017, respectively.

The following tables provides additional information on our Facility.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2018	2017	2018	2017
Average outstanding borrowings under the Facility	$461.5	712.3	$396.5	1,042.7
Effective interest rate on the Facility	3.0 %	2.3 %	2.8 %	2.0 %

We will continue to use the Facility for, but not limited to, business acquisitions, working capital needs (including payment of accrued incentive compensation), co-investment activities, dividend payments, share repurchases and capital expenditures.

Short-Term Borrowings and Long-Term Debt

In addition to our Facility, we have the capacity to borrow up to an additional $61.5 million under local overdraft facilities. Amounts outstanding are presented in the debt table above.

As of September 30, 2018, our issuer and senior unsecured ratings are investment grade: BBB+ (stable outlook) from Standard & Poor’s Ratings Services and Baa1 (stable outlook) from Moody’s Investors Service, Inc.

Covenants

Our Facility and senior notes are subject to customary financial and other covenants, including cash interest coverage ratios and leverage ratios, as well as event of default conditions. We remained in compliance with all covenants as of September 30, 2018.

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Warehouse Facilities

($ in millions)	September 30, 2018		December 31, 2017	
	Outstanding Balance	Maximum Capacity	Outstanding Balance	Maximum Capacity
Warehouse Facilities:				
LIBOR plus 1.3%, expires September 23, 2019[1]	$292.5	375.0	156.4	375.0
LIBOR plus 1.25%, expires September 20, 2019[2]	226.3	775.0	74.8	375.0
LIBOR plus 1.3%, expires August 31, 2019[3]	54.0	100.0	—	100.0
Fannie Mae ASAP program, LIBOR plus 1.30% to 1.45%	40.7	n/a	79.2	n/a
Gross warehouse facilities	$613.5	1,250.0	310.4	850.0
Debt issuance costs	(1.6)	n/a	(1.2)	n/a
Total warehouse facilities	$611.9	1,250.0	309.2	850.0

[1] In the third quarter of 2018, JLL extended the Warehouse facility; previously, the facility had a maturity date of September 29, 2018.

[2] In the third quarter of 2018, JLL extended the Warehouse facility, increased the maximum capacity, and negotiated a decrease to the interest rate; previously, the facility had a maturity date of September 24, 2018, a maximum capacity of $375.0 million, and an interest rate of LIBOR plus 1.35%.

[3] In the third quarter of 2018, JLL extended the Warehouse facility and negotiated a decrease to the interest rate; previously, the facility had a maturity date of August 31, 2018 and an interest rate of LIBOR plus 1.5%.

We have lines of credit established for the sole purpose of funding our Warehouse receivables. These lines of credit exist with financial institutions and are secured by the related warehouse receivables. Pursuant to these warehouse facilities, we are required to comply with certain financial covenants regarding (1) minimum net worth, (2) minimum servicing-related loans, and (3) minimum adjusted leverage ratios. We remained in compliance with all covenants under our Warehouse facilities as of September 30, 2018.

As a supplement to our lines of credit, we have an uncommitted facility with Fannie Mae under its As Soon As Pooled ("ASAP") funding program. After origination, we sell certain warehouse receivables to Fannie Mae; the proceeds are used to repay the original lines of credit used to fund the loan. The ASAP funding program requires us to repurchase these loans, generally within 45 days, followed by an immediate, ultimate, sale back to Fannie Mae. The difference between the price paid upon the original sale to Fannie Mae and the ultimate sale reflects borrowing costs.

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10. COMMITMENTS AND CONTINGENCIES

We are a defendant in various litigation matters arising in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Many of these litigation matters are covered by insurance (including insurance provided through a consolidated captive insurance company as further discussed below), but they may nevertheless be subject to large deductibles and the amounts being claimed may exceed the available insurance. Although we cannot determine the ultimate liability for these matters, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

In order to better manage our global insurance program and support our risk management efforts, we supplement our traditional insurance coverage for certain types of claims by using a wholly-owned captive insurance company. The level of risk retained by our captive insurance company, with respect to professional indemnity claims, is up to $2.5 million per claim, inclusive of the deductible. We contract third-party insurance companies to provide coverage of risk in excess of this amount. When a potential loss event occurs, we estimate the ultimate cost of the claim and accrue the amount in Other current and long-term liabilities on our Condensed Consolidated Balance Sheets when probable and estimable. In addition, we have established receivables from third-party insurance providers for claim amounts in excess of the risk retained by our captive insurance company. In total, these receivables were $32.1 million and $22.0 million as of September 30, 2018 and December 31, 2017, respectively, and are included in Notes and other receivables and Long-term receivables on our Condensed Consolidated Balance Sheets.

The following table shows the professional indemnity accrual activity and related payments.

(in millions)	
December 31, 2017	$26.7
New claims	2.3
Prior year claims adjustments	12.3
Claims paid	(7.3)
September 30, 2018	$34.0
December 31, 2016	$7.3
New claims	0.7
Prior year claims adjustments	1.5
Claims paid	(3.0)
September 30, 2017	$6.5

As a lender in the Fannie Mae Delegated Underwriting and Servicing ("DUS") program, we retain a portion of the risk of loss for loans we originate and sell under the DUS program. The net loss on defaulted loans are shared with Fannie Mae based upon established loss-sharing ratios. Generally, our share of losses is capped at 20% of the principal balance of the mortgage at origination. As of September 30, 2018 and December 31, 2017, we had loans, funded and sold, subject to such loss-sharing arrangements with an aggregate unpaid principal balance of $8.4 billion and $8.0 billion, respectively.

For all DUS program loans with loss-sharing obligations, we record a loan loss accrual equal to the estimated fair value of the guarantee obligations undertaken upon sale of the loan, which reduces our gain on sale of the loan. Subsequently, this accrual is amortized over the life of the loan and recorded as an increase in Revenue before reimbursements on the Statements of Comprehensive Income. At least semi-annually, we perform an analysis of the servicing portfolio with loss-sharing obligations to determine estimated probable losses. If estimated probable losses exceed the existing unamortized guarantee obligation, we record an expense to increase the loan loss accrual for this difference. As of September 30, 2018 and December 31, 2017, loan loss accruals were $17.2 million and $16.0 million, respectively, and are included in Other liabilities on our Condensed Consolidated Balance Sheets.

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11. RESTRUCTURING AND ACQUISITION CHARGES

For the three and nine months ended September 30, 2018, we recognized Restructuring and acquisition charges of $3.7 million and credits of $6.7 million, respectively. For the three and nine months ended September 30, 2017, we recognized Restructuring and acquisition charges of $3.4 million and $13.3 million, respectively.

For the three and nine months ended September 30, 2018, we recognized $2.7 million and $17.5 million, respectively, related to net decreases to earn-out liabilities that arose from prior period acquisition activity, reflecting changes to our expectations of performance against contracted earn-out payment criteria. For the three and nine months ended September 30, 2017, we recognized $0.6 million and $2.7 million, respectively, related to net decreases to earn-out liabilities that arose from prior period acquisition activity.

In all periods, the remaining charges primarily consist of (1) severance and employment-related charges, including those related to external service providers, incurred in conjunction with a structural business shift, which can be represented by a notable change in headcount, change in leadership, or transformation of business processes, (2) lease exit charges, and (3) other acquisition and integration-related charges. The following tables show the restructuring and acquisition accrual activity and related payments, which are exclusive of the adjustments individually noted above.

(in millions)	Severance & Employment-Related	Lease Exit	Other Acquisition	Total
December 31, 2017	$ 14.2	5.7	1.4	$21.3
Accruals	9.8	0.2	0.8	10.8
Payments made	(16.1)	(0.5)	(2.2)	(18.8)
September 30, 2018	$ 7.9	5.4	—	$13.3

(in millions)	Severance & Employment-Related	Lease Exit	Other Acquisition	Total
December 31, 2016	$ 19.7	5.5	5.8	$31.0
Accruals	10.6	0.7	4.7	16.0
Payments made	(19.0)	(0.6)	(6.5)	(26.1)
September 30, 2017	$ 11.3	5.6	4.0	$20.9

We expect the majority of accrued severance and other accrued acquisition costs as of September 30, 2018 will be paid during the next twelve months. Lease exit payments depend on the terms of various leases, which extend as far out as 2022.

12. NONCONTROLLING INTEREST

We reflect changes in amounts attributable to noncontrolling interests in the Condensed Consolidated Statement of Changes in Equity. We present changes in amounts attributable to redeemable noncontrolling interests in the following table.

(in millions)	
Redeemable noncontrolling interests as of December 31, 2017	$3.8
Acquisition of redeemable noncontrolling interest [1]	(3.8)
Redeemable noncontrolling interests as of September 30, 2018	$—

(1) Reflects our redemption of the final portion of the redeemable noncontrolling interest related to our 2014 acquisition of Tenzing AB and includes $2.3 million representing the difference between the redemption value and the carrying value of the acquired interest.

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13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

The tables below present the changes in Accumulated other comprehensive income (loss) ("AOCI") by component. For pension and postretirement benefits, we report amounts reclassified from AOCI relating to employer service cost in Compensation and benefits within the Condensed Consolidated Statements of Comprehensive Income. All other reclassifications relating to pension and postretirement benefits are reported within Other income.

(in millions)	Pension and postretirement benefit	Cumulative foreign currency translation adjustment	Total
Balance as of June 30, 2018	$ (60.5)	(331.1)	$(391.6)
Other comprehensive loss before reclassification	—	(34.9)	(34.9)
Amounts reclassified from AOCI after tax expense of $ - , $ - and $ -	1.2	—	1.2
Other comprehensive loss after tax expense of $ - , $ - and $ -	1.2	(34.9)	(33.7)
Balance as of September 30, 2018	$ (59.3)	(366.0)	$(425.3)

(in millions)	Pension and postretirement benefit