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Jones Lang LaSalle Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question comes from the line of Mark Biffert of Oppenheimer.

Mark Biffert - Oppenheimer

Good morning. Colin, questions for you on the advisory business that you talked about, we've been hearing a lot about banks or lenders offering extensions on loans and instead of taking back assets. And I am wondering what you are hearing from your clients that you are dealing with and how does that delay your business and what are the opportunities of the catalyst that would drive the advisory as well as the outsourcing business as we look into 2009?

Colin Dyer

Good question, Mark. Thank you. There is a broad range of responses from banks and financiers around the world. Let me give you a flavor. I talked about that shopping center portfolio in Australia which we've been trying to settle here. That was an early foreclosure by banks against non-performing loans, or rather loans which could not be refinanced. And I think what the banks have learned and the entire market learned was that it's just very tough to sell assets into this market and it's very tough to sell them at anything like prices people would hope to achieve.

So what we've seen is a general prudence on the part of lending institutions to over hasty foreclosure and liquidation of assets. What you see is a range of activity that (inaudible) banks first in general where loans are being serviced, in another word, where the interest costs are being covered from the cash flow of an asset or a portfolio of assets, the banks are very reluctant to foreclose on the basis of any other breaches in covenants. So as long as there is cash flowing, they are generally happy.

And what we are seeing is the banks being very tolerant and letting their clients to borrow to extend loan terms to loosen covenants where appropriate, and to be generally accommodating in order not to go down the route of putting assets into distress markets.

Having said that, the rate of breach of covenants has been relatively slow in 2008 and that process could accelerate into 2009 and beyond, as will the phenomenon of debt needing to be rolled over and loans needed to be renewed and those are likely to be obviously break points, which will cause lenders and borrowers to have to get together and work through new arrangements on loans.

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