

CBRE GROUP, INC.
Form 10-Q
November 09, 2012
Table of Contents

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, 2012

.. **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 001 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3391143
(I.R.S. Employer Identification Number)

11150 Santa Monica Boulevard, Suite 1600

Los Angeles, California
(Address of principal executive offices)

90025
(Zip Code)

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

(310) 405-8900

(Registrant's telephone number, including area code)

(Former name, former address and

former fiscal year if changed since last report)

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 No .

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The number of shares of Class A common stock outstanding at October 31, 2012 was 329,232,692.

Table of Contents

FORM 10-Q

September 30, 2012

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets at September 30, 2012 (Unaudited) and December 31, 2011</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011 (Unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2012 and 2011 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 (Unaudited)</u>	6
<u>Consolidated Statement of Equity for the nine months ended September 30, 2012 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	65
Item 4. <u>Controls and Procedures</u>	66
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	67
Item 1A. <u>Risk Factors</u>	67
Item 6. <u>Exhibits</u>	68
<u>Signatures</u>	70

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except share data)**

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 776,260	\$ 1,093,182
Restricted cash	64,600	67,138
Receivables, less allowance for doubtful accounts of \$37,421 and \$33,915 at September 30, 2012 and December 31, 2011, respectively	1,127,992	1,135,371
Warehouse receivables	465,794	720,061
Trading securities	97,059	151,484
Income taxes receivable	85,935	
Prepaid expenses	103,794	111,879
Deferred tax assets, net	172,287	168,939
Real estate under development	41,833	30,617
Real estate and other assets held for sale	52,504	26,201
Available for sale securities	1,083	2,790
Other current assets	48,134	42,385
Total Current Assets	3,037,275	3,550,047
Property and equipment, net	334,860	295,488
Goodwill	1,845,387	1,828,407
Other intangible assets, net of accumulated amortization of \$255,929 and \$194,982 at September 30, 2012 and December 31, 2011, respectively	769,640	794,325
Investments in unconsolidated subsidiaries	214,231	166,832
Real estate under development	10,992	3,952
Real estate held for investment	360,040	403,698
Available for sale securities	54,769	34,605
Other assets, net	141,583	141,789
Total Assets	\$ 6,768,777	\$ 7,219,143
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 515,369	\$ 574,136
Compensation and employee benefits payable	387,416	398,688
Accrued bonus and profit sharing	353,048	544,628
Securities sold, not yet purchased	44,829	98,810
Income taxes payable		28,368
Short-term borrowings:		
Warehouse lines of credit	458,306	713,362
Revolving credit facility	72,658	44,825
Other	16	16
Total short-term borrowings	530,980	758,203
Current maturities of long-term debt	71,060	67,838
Notes payable on real estate	154,676	146,120
Liabilities related to real estate and other assets held for sale	43,902	21,482
Other current liabilities	42,976	42,375
Total Current Liabilities	2,144,256	2,680,648
Long-Term Debt:		
Senior secured term loans	1,574,661	1,615,773

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

11.625% senior subordinated notes, net of unamortized discount of \$9,871 and \$10,984 at September 30, 2012 and December 31, 2011, respectively	440,129	439,016
6.625% senior notes	350,000	350,000
Other long-term debt	6,710	59
Total Long-Term Debt	2,371,500	2,404,848
Notes payable on real estate	168,010	206,339
Deferred tax liabilities, net	163,341	148,969
Non-current tax liabilities	85,084	79,927
Pension liability	61,823	60,860
Other liabilities	255,657	220,389
Total Liabilities	5,249,671	5,801,980
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 329,161,194 and 327,972,156 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	3,292	3,280
Additional paid-in capital	940,940	882,141
Accumulated earnings	567,056	424,499
Accumulated other comprehensive loss	(170,856)	(158,439)
Total CBRE Group, Inc. Stockholders' Equity	1,340,432	1,151,481
Non-controlling interests	178,674	265,682
Total Equity	1,519,106	1,417,163
Total Liabilities and Equity	\$ 6,768,777	\$ 7,219,143

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 1,557,147	\$ 1,534,463	\$ 4,508,253	\$ 4,141,786
Costs and expenses:				
Cost of services	915,245	894,607	2,610,944	2,448,184
Operating, administrative and other	482,362	469,138	1,405,461	1,279,019
Depreciation and amortization	40,102	31,308	124,895	79,871
Non-amortizable intangible asset impairment	19,826		19,826	
Total costs and expenses	1,457,535	1,395,053	4,161,126	3,807,074
Gain on disposition of real estate	3,983	3,595	5,231	11,594
Operating income	103,595	143,005	352,358	346,306
Equity income from unconsolidated subsidiaries	2,875	6,714	19,870	38,961
Other income (loss)	151	(5,809)	4,635	(5,809)
Interest income	1,895	2,493	5,783	7,063
Interest expense	43,651	39,080	132,043	107,014
Income from continuing operations before provision for income taxes	64,865	107,323	250,603	279,507
Provision for income taxes	22,160	47,290	102,353	117,032
Income from continuing operations	42,705	60,033	148,250	162,475
Income from discontinued operations, net of income taxes				16,911
Net income	42,705	60,033	148,250	179,386
Less: Net income (loss) attributable to non-controlling interests	2,996	(3,774)	5,693	19,987
Net income attributable to CBRE Group, Inc.	\$ 39,709	\$ 63,807	\$ 142,557	\$ 159,399
<i>Basic income per share attributable to CBRE Group, Inc. shareholders</i>				
Income from continuing operations attributable to CBRE Group, Inc.	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.50
Income from discontinued operations attributable to CBRE Group, Inc.				
Net income attributable to CBRE Group, Inc.	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.50
Weighted average shares outstanding for basic income per share	322,331,850	318,867,447	321,289,017	317,718,150

Diluted income per share attributable to CBRE Group, Inc. shareholders

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Income from continuing operations attributable to CBRE Group, Inc.	\$	0.12	\$	0.20	\$	0.44	\$	0.49
Income from discontinued operations attributable to CBRE Group, Inc.								
Net income attributable to CBRE Group, Inc.	\$	0.12	\$	0.20	\$	0.44	\$	0.49
Weighted average shares outstanding for diluted income per share		327,309,341		323,714,703		326,380,448		323,584,637
<i>Amounts attributable to CBRE Group, Inc. shareholders</i>								
Income from continuing operations, net of tax	\$	39,709	\$	63,807	\$	142,557	\$	159,399
Income from discontinued operations, net of tax								
Net income	\$	39,709	\$	63,807	\$	142,557	\$	159,399

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(Dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 42,705	\$ 60,033	\$ 148,250	\$ 179,386
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	15,422	(67,922)	(6,237)	(22,377)
Unrealized losses on interest rate swaps and interest rate caps, net	(1,938)	(16,285)	(6,298)	(23,062)
Unrealized gains (losses) on available for sale securities, net	323	(49)	137	134
Other, net	(164)	1,508	(331)	1,831
Total other comprehensive income (loss)	13,643	(82,748)	(12,729)	(43,474)
Comprehensive income (loss)	56,348	(22,715)	135,521	135,912
Less: Comprehensive income (loss) attributable to non-controlling interests	3,071	(5,785)	5,381	18,806
Comprehensive income (loss) attributable to CBRE Group, Inc.	\$ 53,277	\$ (16,930)	\$ 130,140	\$ 117,106

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollars in thousands)**

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 148,250	\$ 179,386
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	124,895	80,396
Amortization of financing costs	7,135	5,141
Non-amortizable intangible asset impairment	19,826	
Write-down of impaired real estate		1,625
Gain on sale of loans, servicing rights and other assets	(71,969)	(50,913)
Net realized and unrealized (gains) losses from investments	(4,635)	5,809
Gain on disposition of real estate held for investment	(1,539)	(20,383)
Equity income from unconsolidated subsidiaries	(19,870)	(38,961)
Provision for doubtful accounts	5,305	6,996
Compensation expense related to stock options and non-vested stock awards	37,867	32,866
Incremental tax benefit from stock options exercised	(167)	(15,266)
Distribution of earnings from unconsolidated subsidiaries	11,124	15,441
Tenant concessions received	16,140	38,669
Purchase of trading securities	(172,200)	(63,449)
Proceeds from sale of trading securities	160,029	156,876
Proceeds from securities sold, not yet purchased	126,675	108,206
Securities purchased to cover short sales	(134,696)	(90,364)
Increase in receivables	(2,345)	(35,810)
Increase in prepaid expenses and other assets	(8,840)	(15,561)
(Increase) decrease in real estate held for sale and under development	(8,637)	25,502
Decrease in accounts payable and accrued expenses	(47,990)	(32,471)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(231,961)	(160,634)
Increase in income taxes receivable/payable	(81,526)	(30,449)
Increase in other liabilities	8,549	5,856
Other operating activities, net	644	(4,384)
Net cash (used in) provided by operating activities	(119,936)	104,124
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(80,587)	(95,398)
Acquisition of Clarion Real Estate Securities, including net assets acquired, intangibles and goodwill, net of cash acquired		(215,865)
Acquisition of businesses (other than Clarion Real Estate Securities), including net assets acquired, intangibles and goodwill, net of cash acquired	(17,595)	(49,790)
Contributions to unconsolidated subsidiaries	(55,000)	(22,245)
Distributions from unconsolidated subsidiaries	14,655	42,048
Net proceeds from disposition of real estate held for investment	32,200	115,514
Additions to real estate held for investment	(5,783)	(7,454)
Proceeds from the sale of servicing rights and other assets	23,930	16,958
Decrease (increase) in restricted cash	3,698	(328,344)
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)	(73,187)	
Other investing activities, net	4,157	(1,965)
Net cash used in investing activities	(153,512)	(546,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans		800,000
Repayment of senior secured term loans	(51,032)	(30,500)
Proceeds from revolving credit facility	41,270	993,733

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Repayment of revolving credit facility	(15,230)	(967,414)
Proceeds from notes payable on real estate held for investment	4,652	5,697
Repayment of notes payable on real estate held for investment	(36,613)	(98,964)
Proceeds from notes payable on real estate held for sale and under development	14,711	4,684
Repayment of notes payable on real estate held for sale and under development	(7,625)	(26,594)
Proceeds from exercise of stock options	16,401	7,059
Incremental tax benefit from stock options exercised	167	15,266
Non-controlling interests contributions	15,956	9,400
Non-controlling interests distributions	(29,211)	(90,584)
Payment of financing costs	(199)	(22,150)
Other financing activities, net	(1,022)	(112)
Net cash (used in) provided by financing activities	(47,775)	599,521
Effect of currency exchange rate changes on cash and cash equivalents	4,301	(1,084)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(316,922)	156,020
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,093,182	506,574
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 776,260	\$ 662,594
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 102,973	\$ 79,077
Income tax payments, net	\$ 180,911	\$ 144,877

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENT OF EQUITY****(Unaudited)****(Dollars in thousands)**

	CBRE Group, Inc. Shareholders				Non-controlling interests	Total
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss		
Balance at December 31, 2011	\$ 3,280	\$ 882,141	\$ 424,499	\$ (158,439)	\$ 265,682	\$ 1,417,163
Net income			142,557		5,693	148,250
Stock options exercised (including tax benefit)	13	16,555				16,568
Compensation expense for stock options and non-vested stock awards		37,867				37,867
Foreign currency translation loss				(5,925)	(312)	(6,237)
Unrealized losses on interest rate swaps and interest rate caps, net				(6,298)		(6,298)
Unrealized gains on available for sale securities, net				137		137
Contributions from non-controlling interests					15,956	15,956
Distributions to non-controlling interests					(29,211)	(29,211)
Deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)					(91,580)	(91,580)
Other	(1)	4,377		(331)	12,446	16,491
Balance at September 30, 2012	\$ 3,292	\$ 940,940	\$ 567,056	\$ (170,856)	\$ 178,674	\$ 1,519,106

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements of CBRE Group, Inc., a Delaware corporation (which may be referred to in these financial statements as the company, we, us and our), have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation, but do not include all disclosures required under accounting principles generally accepted in the United States (GAAP) for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, except as otherwise noted) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amounts of revenue and expenses. Such estimates include the value of real estate assets, accounts receivable, investments in unconsolidated subsidiaries and assumptions used in the calculation of income taxes, retirement and other post-employment benefits, among others. These estimates and assumptions are based on management's best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2012. The consolidated financial statements and notes to consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2011.

2. New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate – a Scope Clarification*. This ASU requires that a reporting entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt would apply FASB Accounting Standards Codification (ASC) Subtopic 360-20, *Property, Plant, and Equipment – Real Estate Sales*, to determine whether to derecognize assets and liabilities of that subsidiary. ASU 2011-10 is effective prospectively for a deconsolidation event that takes place in fiscal years, and interim periods within those years, beginning on or after June 15, 2012. We do not believe the adoption of this update will have a material effect on our consolidated financial position or results of operations.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This ASU adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013, with retrospective application required. We do not believe the adoption of this update will have a material impact on the disclosure requirements for our consolidated financial statements.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****3. REIM Acquisitions**

On February 15, 2011, we announced that we had entered into definitive agreements to acquire the majority of the real estate investment management business of Netherlands-based ING Group N.V. (ING) for approximately \$940 million in cash. The acquisitions included substantially all of ING's Real Estate Investment Management (REIM) operations in Europe and Asia, as well as substantially all of Clarion Real Estate Securities (CRES), its U.S.-based global real estate listed securities business (collectively referred to as ING REIM). On February 15, 2011, we also announced that we expected to acquire approximately \$55 million of CRES co-investments from ING and potentially additional interests in other funds managed by ING REIM Europe and ING REIM Asia. Upon completion of the acquisitions (collectively referred to as the REIM Acquisitions), ING REIM became part of our Global Investment Management segment (which conducts business through our indirect wholly-owned subsidiary, CBRE Global Investors, an independently operated business segment). We completed the REIM Acquisitions in order to significantly enhance our ability to meet the needs of institutional investors across global markets with a full spectrum of investment programs and strategies.

We secured borrowings of \$800.0 million of term loans to finance the REIM Acquisitions (see Note 10). Of this amount, \$400.0 million was drawn on June 30, 2011 to finance the CRES portion of the REIM Acquisitions, which closed on July 1, 2011. On August 31, 2011, we drew down the remaining \$400.0 million, part of which was used to finance the ING REIM Asia portion of the REIM Acquisitions, which closed on October 3, 2011, and the remainder, along with cash on hand and borrowings under our revolving credit facility, was used to finance the ING REIM Europe portion of the REIM Acquisitions, which closed on October 31, 2011.

The following represents a summary of the purchase price for the REIM Acquisitions (dollars in thousands):

Purchase of CRES on July 1, 2011	\$ 332,916
Purchase of CRES co-investments on July 1, 2011	58,566
Purchase of ING REIM Asia on October 3, 2011	45,315
Purchase of ING REIM Europe on October 31, 2011	442,543
Total purchase price	\$ 879,340

Our initial estimate of \$940 million in total purchase price for the REIM Acquisitions has been reduced by approximately \$47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. As of September 30, 2012, there is a possibility of an additional closing of approximately \$80 million and further co-investments of up to \$20 million in the future related to our acquisition of ING REIM Europe.

In connection with our acquisition of CRES, we acquired CRES co-investments from ING in three funds (CRES Funds) for an aggregate purchase price of \$58.6 million, which has been included above. We determined that the CRES Funds were not variable interest entities and accordingly determined the method of accounting based upon voting control. The limited partners/members of the CRES Funds lack substantive rights that would overcome our presumption of control. Accordingly, we began consolidating the CRES Funds as of the acquisition date of July 1, 2011. Included in the consolidation of the CRES Funds on July 1, 2011 was \$182.9 million of non-controlling interests. In connection with the REIM Acquisitions, we also acquired three ING REIM Asia co-investments from ING for an aggregate amount of \$13.9 million on October 3, 2011 and several ING REIM Europe co-investments, including one for \$7.4 million on October 31, 2011, and nine additional co-investments for an aggregate amount of \$35.2 million during the nine months ended September 30, 2012.

In January 2012, one of the CRES Funds (CBRE Clarion U.S., L.P.) was converted to a registered mutual fund, the CBRE Clarion Long/Short Fund (the Fund). As a result of this triggering event, we determined that the

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Fund became a variable interest entity and that we were not the primary beneficiary. Accordingly, in the first quarter of 2012, the Fund was deconsolidated from our consolidated financial statements and we recorded an investment in available for sale securities of \$14.3 million. No gain or loss was recognized in our consolidated statement of operations as a result of this deconsolidation. We continue to act as the Fund's adviser, make investment decisions for the Fund and review, supervise and administer the Fund's investment program.

The purchase accounting for the CRES and ING REIM Asia portions of the REIM Acquisitions has been finalized. The preliminary purchase accounting adjustments related to the ING REIM Europe portion of the REIM Acquisitions has been recorded in the accompanying consolidated financial statements. The excess purchase price over the estimated fair value of net assets acquired has been recorded to goodwill. The purchase price allocation is expected to be completed as soon as practicable, but no later than one year from the acquisition date.

Unaudited pro forma results, assuming the REIM Acquisitions had occurred as of January 1, 2011 for purposes of the 2011 pro forma disclosures, are presented below. They include certain adjustments for the three and nine months ended September 30, 2011, including \$3.3 million and \$16.1 million, respectively, of increased amortization expense as a result of intangible assets acquired in the REIM Acquisitions, \$2.5 million and \$18.7 million, respectively, of additional interest expense as a result of debt incurred to finance the REIM Acquisitions, the removal of \$14.9 million and \$27.6 million, respectively, of direct costs incurred by us and ING related to the REIM Acquisitions, and the tax impact of the pro forma adjustments. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the REIM Acquisitions occurred on January 1, 2011 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Revenue	\$ 1,593,226	\$ 4,360,982
Operating income	\$ 158,192	\$ 394,434
Net income attributable to CBRE Group, Inc.	\$ 73,291	\$ 185,983
Basic income per share	\$ 0.23	\$ 0.59
Weighted average shares outstanding for basic income per share	318,867,447	317,718,150
Diluted income per share	\$ 0.23	\$ 0.57
Weighted average shares outstanding for diluted income per share	323,714,703	323,584,637

4. Variable Interest Entities (VIEs)

A consolidated subsidiary (the Venture) in our Global Investment Management segment has sponsored investments by third-party investors in certain commercial properties through the formation of tenant-in-common limited liability companies and Delaware Statutory Trusts (collectively referred to as the Entities) that are owned by the third-party investors. The Venture also has formed and is a member of a limited liability company for each property that serves as master tenant (Master Tenant). Each Master Tenant leases the property from the Entities through a master lease agreement. Pursuant to the master lease agreements, the Master Tenant has the power to direct the day-to-day asset management activities that most significantly impact the economic performance of the Entities. As a result, the Entities were deemed to be VIEs since the third-party investors holding the equity investment at risk in the Entities do not direct the day-to-day activities that most significantly impact the economic performance of the properties held by the Entities. The Venture has made and may continue to make voluntary contributions to each of these properties to support their operations beyond the cash flow generated by

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

the properties themselves. As of the most recent reconsideration date, such financial support has been significant enough that the Venture was deemed to be the primary beneficiary of each Entity.

An additional Entity was consolidated during the nine months ended September 30, 2012. The related real estate assets held for investment were \$26.3 million, nonrecourse mortgage notes payable were \$15.8 million and non-controlling interests were \$10.6 million as of September 30, 2012.

During both the nine months ended September 30, 2012 and 2011, the Venture funded \$0.2 million of financial support to the Entities.

Operating results relating to the Entities for the three and nine months ended September 30, 2012 and 2011 include the following (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 3,791	\$ 7,055	\$ 10,385	\$ 22,873
Operating, administrative and other expenses	\$ 2,121	\$ 4,057	\$ 6,146	\$ 11,689
Income from discontinued operations, net of income taxes	\$	\$	\$	\$ 16,911
Net (loss) income attributable to non-controlling interests	\$ (887)	\$ (1,914)	\$ (2,904)	\$ 11,154

Investments in real estate of \$85.7 million and \$61.3 million and nonrecourse mortgage notes payable of \$77.4 million (\$17.1 million of which is current) and \$60.9 million (\$1.2 million of which is current) are included in real estate held for investment and notes payable on real estate, respectively, in the accompanying consolidated balance sheets as of September 30, 2012 and December 31, 2011, respectively. In addition, non-controlling interests of \$9.9 million and \$1.6 million in the accompanying consolidated balance sheets as of September 30, 2012 and December 31, 2011, respectively, are attributable to the Entities.

We hold variable interests in certain VIEs in our Global Investment Management and Development Services segments which are not consolidated as it was determined that we are not the primary beneficiary. Our involvement with these entities is in the form of equity co-investments and fee arrangements.

As of September 30, 2012 and December 31, 2011, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
Investments in unconsolidated subsidiaries	\$ 48,309	\$ 15,483
Available for sale securities	14,205	
Other assets, current	3,099	
Co-investment commitments	7,649	37,019
Maximum exposure to loss	\$ 73,262	\$ 52,502

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****5. Fair Value Measurements**

The *Fair Value Measurements and Disclosures* Topic of the FASB ASC (Topic 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There were no significant transfers in and out of Level 1 and Level 2 during the three and nine months ended September 30, 2012 and 2011.

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011 (dollars in thousands):

	As of September 30, 2012			Total
	Level 1	Level 2	Level 3	
<i>Assets</i>				
Available for sale securities:				
U.S. treasury securities	\$ 9,834	\$	\$	\$ 9,834
Debt securities issued by U.S. federal agencies		2,210		2,210
Corporate debt securities		9,001		9,001
Asset-backed securities		5,307		5,307
Collateralized mortgage obligations		2,931		2,931
Total debt securities	9,834	19,449		29,283
Equity securities	26,569			26,569
Total available for sale securities	36,403	19,449		55,852
Trading securities	97,059			97,059
Warehouse receivables		465,794		465,794

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Total assets at fair value	\$ 133,462	\$ 485,243	\$	\$ 618,705
<i>Liabilities</i>				
Securities sold, not yet purchased	\$ 44,829	\$	\$	\$ 44,829
Interest rate swaps		50,199		50,199
Total liabilities at fair value	\$ 44,829	\$ 50,199	\$	\$ 95,028

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

	As of December 31, 2011			Total
	Fair Value Measured and Recorded Using Level 1	Level 2	Level 3	
<i>Assets</i>				
Available for sale securities:				
U.S. treasury securities	\$ 6,838	\$	\$	\$ 6,838
Debt securities issued by U.S. federal agencies		6,024		6,024
Corporate debt securities		9,969		9,969
Asset-backed securities		5,226		5,226
Collateralized mortgage obligations		3,037		3,037
Total debt securities	6,838	24,256		31,094
Equity securities	6,301			6,301
Total available for sale securities	13,139	24,256		37,395
Trading securities	151,484			151,484
Warehouse receivables		720,061		720,061
Total assets at fair value	\$ 164,623	\$ 744,317	\$	\$ 908,940
<i>Liabilities</i>				
Securities sold, not yet purchased	\$ 98,810	\$	\$	\$ 98,810
Interest rate swaps		39,872		39,872
Total liabilities at fair value	\$ 98,810	\$ 39,872	\$	\$ 138,682

Fair value measurements for our available for sale securities are obtained from independent pricing services which utilize observable market data that may include quoted market prices, dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

The trading securities and securities sold, not yet purchased are primarily in the United States (U.S.) and are generally valued at the last reported sales price on the day of valuation or, if no sales occurred on the valuation date, at the mean of the bid and asked prices on such date.

The fair values of the warehouse receivables are calculated based on already locked in security buy prices. At September 30, 2012 and December 31, 2011, all of the warehouse receivables included in the accompanying consolidated balance sheets were either under commitment to be purchased by Freddie Mac or had confirmed forward trade commitments for the issuance and purchase of Fannie Mae mortgage backed securities that will be secured by the underlying warehouse lines of credit. These assets are classified as Level 2 in the fair value hierarchy as all inputs are readily observable.

The valuation of interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves. To comply with the provisions of Topic 820, we incorporate

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with our adoption of ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of September 30, 2012, we have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

The following non-recurring fair value measurements were recorded during the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

	Net Carrying Value as of September 30, 2012	Fair Value Measured and Recorded Using			Total Impairment Charges for the Three and Nine Months Ended September 30, 2012
		Level 1	Level 2	Level 3	
Other intangible assets	\$	\$	\$	\$	\$ 19,826

	Net Carrying Value as of September 30, 2011	Fair Value Measured and Recorded Using			Total Impairment Charges for the Three and Nine Months Ended September 30, 2011
		Level 1	Level 2	Level 3	
Investments in unconsolidated subsidiaries	\$ 22,054	\$	\$	\$ 22,054	\$ 4,601
Real estate	\$ 31,619	\$	\$	\$ 31,619	1,625
Total impairment charges					\$ 6,226

Other Intangible Assets

During the three and nine months ended September 30, 2012, we recorded a non-amortizable intangible asset impairment of \$19.8 million in our EMEA segment. This non-cash write-off related to the discontinuation of the use of a trade name in the United Kingdom (U.K.).

Investments in Unconsolidated Subsidiaries

During the three and nine months ended September 30, 2011, we recorded write-downs of \$4.6 million, of which \$4.5 million was reported in our Global Investment Management segment and \$0.1 million was reported in our Development Services segment. These write-downs were primarily driven by a decrease in the estimated holding period of certain assets.

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

All of our impairment charges related to investments in unconsolidated subsidiaries were included in equity income from unconsolidated subsidiaries in the accompanying consolidated statements of operations. When we

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

performed our impairment analysis, the assumptions utilized reflected our outlook for the commercial real estate industry and the expected impact on our business. This outlook incorporated our belief that market conditions deteriorated and that these challenging conditions could persist for some time.

Real Estate

During the three and nine months ended September 30, 2011, we recorded a \$1.3 million provision for losses on real estate held for sale. This charge reduced the carrying value of certain assets to their fair value, less cost to sell, primarily due to reduced expected selling prices resulting from continued challenging market conditions. In addition, during the three and nine months ended September 30, 2011, we recorded an impairment charge of \$0.3 million related to real estate held for investment, the majority of which was attributable to non-controlling interests. This investment write-down was attributable to slower than expected leasing.

All of our impairment charges related to real estate were included in operating, administrative and other expenses in the accompanying consolidated statements of operations within our Development Services segment. If conditions in the broader economy, commercial real estate industry, specific markets or product types in which we operate worsen, we may be required to evaluate additional projects or re-evaluate previously impaired projects for potential impairment. These evaluations could result in additional impairment charges, which may be material.

FASB ASC Topic 825, *Financial Instruments* requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets. Our financial instruments, excluding those included in the preceding fair value tables above, are as follows:

Cash and Cash Equivalents and Restricted Cash: These balances include cash and cash equivalents as well as restricted cash with maturities of less than three months. The carrying amount approximates fair value due to the short-term maturities of these instruments.

Receivables, less Allowance for Doubtful Accounts: Due to their short-term nature, fair value approximates carrying value.

Short-Term Borrowings: The majority of this balance represents our revolving credit facility and our warehouse lines of credit outstanding for CBRE Capital Markets. Due to the short-term nature and variable interest rates of these instruments, fair value approximates carrying value.

Senior Secured Term Loans: Based upon information from third-party banks (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our senior secured term loans was approximately \$1.6 billion at September 30, 2012, which approximates their carrying value at September 30, 2012 (see Note 10).

11.625% Senior Subordinated Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 11.625% senior subordinated notes was \$495.1 million at September 30, 2012. Their actual carrying value totaled \$440.1 million at September 30, 2012.

6.625% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 6.625% senior notes was \$383.3 million at September 30, 2012. Their actual carrying value totaled \$350.0 million at September 30, 2012.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Notes Payable on Real Estate: As of September 30, 2012, the carrying value of our notes payable on real estate was \$365.6 million (see Note 9). These borrowings mostly have floating interest rates at spreads over a market rate index. It is likely that some portion of our notes payable on real estate have fair values lower than actual carrying values. Given our volume of notes payable and the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, only \$13.6 million of these notes payable are recourse to us as of September 30, 2012.

6. Investments in Unconsolidated Subsidiaries

Investments in unconsolidated subsidiaries are accounted for under the equity method of accounting. Combined condensed financial information for these entities is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Global Investment Management:				
Revenue	\$ 209,747	\$ 144,728	\$ 581,362	\$ 443,883
Operating loss	\$ (3,776)	\$ (88,371)	\$ (10,663)	\$ (131,669)
Net income	\$ 101,655	\$ 157,754	\$ 71,998	\$ 87,487
Development Services:				
Revenue	\$ 24,554	\$ 38,235	\$ 66,194	\$ 85,816
Operating income	\$ 4,216	\$ 8,218	\$ 36,696	\$ 85,015
Net (loss) income	\$ (1,540)	\$ (2,463)	\$ 18,431	\$ 56,668
Other:				
Revenue	\$ 41,930	\$ 54,300	\$ 111,907	\$ 121,102
Operating income	\$ 5,249	\$ 9,655	\$ 12,978	\$ 18,088
Net income	\$ 5,276	\$ 9,840	\$ 13,925	\$ 18,339
Total:				
Revenue	\$ 276,231	\$ 237,263	\$ 759,463	\$ 650,801
Operating income (loss)	\$ 5,689	\$ (70,498)	\$ 39,011	\$ (28,566)
Net income	\$ 105,391	\$ 165,131	\$ 104,354	\$ 162,494

During the three and nine months ended September 30, 2011, we recorded non-cash write-downs of investments of \$4.6 million within our Global Investment Management and Development Services segments. See Note 5 for additional information.

Our Global Investment Management segment involves investing our own capital in certain real estate investments with clients. We have provided investment management, property management, brokerage and other professional services in connection with these real estate investments on an arm's length basis and earned revenues from these unconsolidated subsidiaries. We have also provided development, property management and brokerage services to certain of our unconsolidated subsidiaries in our Development Services segment on an arm's length basis and earned revenues from these unconsolidated subsidiaries.

7. Real Estate and Other Assets Held for Sale and Related Liabilities

Real estate and other assets held for sale include completed real estate projects or land for sale in their present condition that have met all of the held for sale criteria of the *Property, Plant and Equipment* Topic of the FASB ASC (Topic 360) and other assets directly related to such projects. Liabilities related to real estate and other assets held for sale have been included as a single line item in the accompanying consolidated balance sheets.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Real estate and other assets held for sale and related liabilities were as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
Assets:		
Real estate held for sale (see Note 8)	\$ 49,562	\$ 21,833
Other current assets	891	531
Property and equipment, net	235	
Other assets	1,816	3,837
Total real estate and other assets held for sale	52,504	26,201
Liabilities:		
Notes payable on real estate held for sale (see Note 9)	42,904	20,453
Accounts payable and accrued expenses	798	891
Other current liabilities	88	8
Other liabilities	112	130
Total liabilities related to real estate and other assets held for sale	43,902	21,482
Net real estate and other assets held for sale	\$ 8,602	\$ 4,719

8. Real Estate

We provide build-to-suit services for our clients and also develop or purchase certain projects which we intend to sell to institutional investors upon project completion or redevelopment. Therefore, we have ownership of real estate until such projects are sold or otherwise disposed. Certain real estate assets secure the outstanding balances of underlying mortgage or construction loans. Our real estate is reported in our Development Services and Global Investment Management segments and consisted of the following (dollars in thousands):

	September 30, 2012	December 31, 2011
Real estate included in assets held for sale (see Note 7)	\$ 49,562	\$ 21,833
Real estate under development (current)	41,833	30,617
Real estate under development (non-current)	10,992	3,952
Real estate held for investment (1)	360,040	403,698
Total real estate (2)	\$ 462,427	\$ 460,100

- (1) Net of accumulated depreciation of \$42.0 million and \$40.7 million at September 30, 2012 and December 31, 2011, respectively.
- (2) Includes balances for lease intangibles and tenant origination costs of \$8.3 million and \$1.6 million, respectively, at September 30, 2012 and \$8.7 million and \$2.0 million, respectively, at December 31, 2011. We record lease intangibles and tenant origination costs upon acquiring real estate projects with in-place leases. The balances are shown net of amortization, which is recorded as an increase to, or a reduction of, rental income for lease intangibles and as amortization expense for tenant origination costs.

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

During the three and nine months ended September 30, 2011, we recorded a \$1.3 million provision for losses on real estate held for sale within our Development Services segment. In addition, during the three and nine months ended September 30, 2011, we recorded an impairment charge of \$0.3 million related to real estate held for investment. See Note 5 for additional information.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****9. Notes Payable on Real Estate**

We had loans secured by real estate, which consisted of the following (dollars in thousands):

	September 30, 2012	December 31, 2011
Current portion of notes payable on real estate	\$ 154,676	\$ 146,120
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 7)	42,904	20,453
Total notes payable on real estate, current portion	197,580	166,573
Notes payable on real estate, non-current portion	168,010	206,339
Total notes payable on real estate	\$ 365,590	\$ 372,912

At September 30, 2012 and December 31, 2011, \$13.5 million and \$2.4 million, respectively, of the current portion of notes payable on real estate and \$0.1 million and \$11.2 million, respectively, of the non-current portion of notes payable on real estate were recourse to us, beyond being recourse to the single-purpose entity that held the real estate asset and was the primary obligor on the note payable.

10. Debt

Since 2001, we have maintained credit facilities with Credit Suisse Group AG (CS) and other lenders to fund strategic acquisitions and to provide for our working capital needs. On November 10, 2010, we entered into a new credit agreement (as amended, the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, to completely refinance our previous credit facilities. On March 4, 2011, we entered into an amendment to our Credit Agreement to, among other things, increase flexibility to various covenants to accommodate the REIM Acquisitions and to maintain the availability of the \$800.0 million incremental facility under the Credit Agreement. On March 4, 2011, we also entered into an incremental assumption agreement to allow for the establishment of new tranche C and tranche D term loan facilities. On November 10, 2011, we entered into an incremental assumption agreement led jointly by HSBC Bank USA, N.A. and J.P. Morgan Securities LLC to allow for the establishment of a new tranche A-1 term loan facility, which also reduced the \$800.0 million incremental facility under the Credit Agreement.

As of September 30, 2012, our Credit Agreement provides for the following: (1) a \$700.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on May 10, 2015; (2) a \$350.0 million tranche A term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2015, with the balance payable on November 10, 2015; (3) a £187.0 million (approximately \$300.0 million) tranche A-1 term loan facility requiring quarterly principal payments, which began on December 30, 2011 and continue through March 31, 2016, with the balance payable on May 10, 2016; (4) a \$300.0 million tranche B term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2016, with the balance payable on November 10, 2016; (5) a \$400.0 million tranche C term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through December 31, 2017, with the balance payable on March 4, 2018; (6) a \$400.0 million tranche D term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through June 30, 2019, with the balance payable on September 4, 2019 and (7) an accordion provision which provides the ability to borrow additional funds under an incremental facility. The incremental facility is equivalent to the sum of \$800.0 million and the aggregate amount of all repayments of term loans and permanent reductions of revolver commitments under the Credit Agreement. However, at no time may the sum of all outstanding amounts under the Credit Agreement exceed \$2.95 billion. On November 10, 2011, we utilized the incremental facility to issue the tranche A-1 term loan facility.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In regards to the tranche C and tranche D term loan facilities, we had up to 180 days from the date we entered into the related incremental assumption agreement to draw on these facilities during which period we were required to pay a fee on the unused portions of each facility. On June 30, 2011, we drew down \$400.0 million of the tranche D term loan facility to finance the CRES portion of the REIM Acquisitions, which closed on July 1, 2011. On August 31, 2011, we drew down \$400.0 million of the tranche C term loan facility, part of which was used to finance the ING REIM Asia portion of the REIM Acquisitions, which closed on October 3, 2011. The remaining borrowings were used to finance the acquisition of ING REIM's operations in Europe, which closed on October 31, 2011.

The revolving credit facility allows for borrowings outside of the U.S., with sub-facilities of \$5.0 million available to one of our Canadian subsidiaries, \$35.0 million in aggregate available to one of our Australian and one of our New Zealand subsidiaries and \$50.0 million available to one of our U.K. subsidiaries. Additionally, outstanding borrowings under these sub-facilities may be up to 5.0% higher as allowed under the currency fluctuation provision in the Credit Agreement. Borrowings under the revolving credit facility as of September 30, 2012 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.65% to 3.15% or the daily rate plus 0.65% to 2.15% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of September 30, 2012 and December 31, 2011, we had \$72.7 million and \$44.8 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 3.3% and 4.3%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of September 30, 2012, letters of credit totaling \$17.3 million were outstanding under the revolving credit facility. These letters of credit were primarily issued in the normal course of business as well as in connection with certain insurance programs and reduce the amount we may borrow under the revolving credit facility.

Borrowings under the term loan facilities as of September 30, 2012 bear interest, based at our option, on the following: for the tranche A and A-1 term loan facilities, on either the applicable fixed rate plus 2.00% to 3.75% or the daily rate plus 1.00% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement), for the tranche B term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25%, for the tranche C term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25% and for the tranche D term loan facility, on either the applicable fixed rate plus 3.50% or the daily rate plus 2.50%. As of September 30, 2012 and December 31, 2011, we had \$280.0 million and \$306.3 million, respectively, of tranche A term loan facility principal outstanding, \$279.3 million and \$285.1 million, respectively, of tranche A-1 term loan facility principal outstanding, \$294.0 million and \$296.3 million, respectively, of tranche B term loan facility principal outstanding, \$395.0 million and \$398.0 million, respectively, of tranche C term loan facility principal outstanding and \$395.0 million and \$398.0 million, respectively, of tranche D term loan facility principal outstanding, which are included in the accompanying consolidated balance sheets.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is \$400.0 million, with \$200.0 million expiring in October 2017 and \$200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and nine months ended September 30, 2012 and 2011. We recorded net losses of \$3.2 million and \$10.3 million, respectively, during the three and nine months ended September 30, 2012 and \$27.5 million and \$39.1 million, respectively, during the three and nine months ended September 30, 2011 to other comprehensive loss in relation to these interest rate

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

swap agreements. As of September 30, 2012 and December 31, 2011, the fair values of these interest rate swap agreements were reflected as a \$50.2 million liability and a \$39.9 million liability, respectively, and were included in other long-term liabilities in the accompanying consolidated balance sheets.

The Credit Agreement is jointly and severally guaranteed by us and substantially all of our domestic subsidiaries. Borrowings under our Credit Agreement are secured by a pledge of substantially all of the capital stock of our U.S. subsidiaries and 65.0% of the capital stock of certain non-U.S. subsidiaries. Also, the Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment.

Our Credit Agreement and the indentures governing our 6.625% senior notes and 11.625% senior subordinated notes contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of EBITDA (as defined in the Credit Agreement) to total interest expense of 2.25x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 3.75x. Our coverage ratio of EBITDA to total interest expense was 10.19x for the trailing twelve months ended September 30, 2012 and our leverage ratio of total debt less available cash to EBITDA was 1.74x as of September 30, 2012.

11. Commitments and Contingencies

We are a party to a number of pending or threatened lawsuits arising out of, or incident to, our ordinary course of business. Our management believes that any losses in excess of the amounts accrued arising from such lawsuits are remote, but that litigation is inherently uncertain and there is the potential for a material adverse effect on our financial statements if one or more matters are resolved in a particular period in an amount in excess of that anticipated by management.

We had outstanding letters of credit totaling \$16.9 million as of September 30, 2012, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries' outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through July 2013.

We had guarantees totaling \$32.4 million as of September 30, 2012, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The \$32.4 million primarily consists of guarantees related to our defined benefit pension plans in the U.K. (in excess of our outstanding pension liability of \$61.8 million as of September 30, 2012), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through September 2015, as well as various guarantees of management contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of September 30, 2012, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, Inc., entered into an agreement with Fannie Mae, under Fannie Mae's DUS Lender Program (DUS Program), to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of \$4.9 billion at September 30, 2012. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately \$544.2 million at September 30, 2012. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of September 30, 2012 and December 31, 2011, CBRE MCI had \$7.5 million and \$4.6 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately \$9.2 million and \$6.4 million, respectively, of loan loss accruals. Fannie Mae's recourse under the DUS Program is limited to the assets of CBRE MCI, which totaled approximately \$299.7 million (including \$203.6 million of warehouse receivables, a substantial majority of which are pledged against warehouse lines of credit and are therefore not available to Fannie Mae) at September 30, 2012.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of September 30, 2012, we had aggregate commitments of \$33.1 million to fund future co-investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of September 30, 2012, we had committed to fund \$15.5 million of additional capital to these unconsolidated subsidiaries.

12. Income Per Share Information

The following is a calculation of income per share (dollars in thousands, except share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	\$ 39,709	\$ 63,807	\$ 142,557	\$ 159,399
Weighted average shares outstanding for basic income per share	322,331,850	318,867,447	321,289,017	317,718,150
Basic income per share attributable to CBRE Group, Inc. shareholders	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.50

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	\$ 39,709	\$ 63,807	\$ 142,557	\$ 159,399
Weighted average shares outstanding for basic income per share	322,331,850	318,867,447	321,289,017	317,718,150
Dilutive effect of contingently issuable shares	3,377,782	3,125,397	3,377,132	3,559,385
Dilutive effect of stock options	1,599,709	1,721,859	1,714,299	2,307,102
Weighted average shares outstanding for diluted income per share	327,309,341	323,714,703	326,380,448	323,584,637
Diluted income per share attributable to CBRE Group, Inc. shareholders	\$ 0.12	\$ 0.20	\$ 0.44	\$ 0.49

For the three and nine months ended September 30, 2012, 2,261,549 and 2,257,069 contingently issuable shares, respectively, were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three and nine months ended September 30, 2012, options to purchase 103,423 shares of common stock were also excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

For the three and nine months ended September 30, 2011, 547,434 and 11,880 contingently issuable shares, respectively, were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three and nine months ended September 30, 2011, options to purchase 132,749 and 55,587 shares, respectively, of common stock were also excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

13. Pensions

We have two contributory defined benefit pension plans in the U.K., which we acquired in connection with previous acquisitions. Our subsidiaries based in the U.K. maintain the plans to provide retirement benefits to existing and former employees participating in these plans. During 2007, we reached agreements with the active members of these plans to freeze future pension plan benefits. In return, the active members became eligible to enroll in the CBRE Group Personal Pension Plan, a defined contribution plan in the U.K.

Net periodic pension cost consisted of the following (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest cost	\$ 3,869	\$ 4,182	\$ 11,627	\$ 12,504
Expected return on plan assets	(3,597)	(4,295)	(10,831)	(12,868)
Amortization of unrecognized net loss	582	343	1,750	1,025
Net periodic pension cost	\$ 854	\$ 230	\$ 2,546	\$ 661

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

We contributed \$1.5 million and \$4.4 million to fund our pension plans during the three and nine months ended September 30, 2012, respectively. We expect to contribute a total of \$6.0 million to fund our pension plans for the year ending December 31, 2012.

14. Discontinued Operations

In the ordinary course of business, we dispose of real estate assets, or hold real estate assets for sale, that may be considered components of an entity in accordance with Topic 360. If we do not have, or expect to have, significant continuing involvement with the operation of these real estate assets after disposition, we are required to recognize operating profits or losses and gains or losses on disposition of these assets as discontinued operations in our consolidated statements of operations in the periods in which they occur. Real estate operations and dispositions accounted for as discontinued operations for the nine months ended September 30, 2011 were reported in our Global Investment Management segment as follows (dollars in thousands):

Revenue	\$ 2,385
Costs and expenses:	
Operating, administrative and other	1,234
Depreciation and amortization	525
Total costs and expenses	1,759
Gain on disposition of real estate	17,638
Operating income	18,264
Interest expense	1,353
Income from discontinued operations before provision for income taxes	16,911
Provision for income taxes	
Income from discontinued operations, net of income taxes	16,911
Less: Income from discontinued operations attributable to non-controlling interests	16,911
Income from discontinued operations attributable to CBRE Group, Inc.	\$

15. Industry Segments

We report our operations through the following segments: (1) Americas, (2) EMEA, (3) Asia Pacific, (4) Global Investment Management and (5) Development Services.

The Americas segment is our largest segment of operations and provides a comprehensive range of services throughout the U.S. and in the largest regions of Canada and key markets in Latin America. The primary services offered consist of the following: real estate services, mortgage loan origination and servicing, valuation services, asset services and corporate services.

Our EMEA and Asia Pacific segments provide services similar to the Americas business segment. The EMEA segment has operations primarily in Europe, while the Asia Pacific segment has operations primarily in Asia, Australia and New Zealand.

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Our Global Investment Management business provides investment management services to clients seeking to generate returns and diversification through direct and indirect investments in real estate in North America, Europe and Asia.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Our Development Services business consists of real estate development and investment activities primarily in the U.S.

Summarized financial information by segment is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue				
Americas	\$ 996,380	\$ 954,213	\$ 2,855,899	\$ 2,602,156
EMEA	228,737	275,958	674,367	742,013
Asia Pacific	199,950	208,055	568,396	557,101
Global Investment Management	114,306	77,426	359,180	185,302
Development Services	17,774	18,811	50,411	55,214
	\$ 1,557,147	\$ 1,534,463	\$ 4,508,253	\$ 4,141,786

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
EBITDA				
Americas	\$ 128,749	\$ 126,156	\$ 379,304	\$ 319,659
EMEA	(8,141)	21,089	507	45,470
Asia Pacific	16,448	21,817	42,047	51,696
Global Investment Management	22,658	6,154	77,925	14,614
Development Services	3,839	3,776	16,108	26,692
	\$ 163,553	\$ 178,992	\$ 515,891	\$ 458,131

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Our management believes EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the operating performance of our various business segments and for other discretionary purposes, including as a significant component when measuring our operating performance under our employee incentive programs. Additionally, we believe EBITDA is useful to investors to assist them in getting a more complete picture of our results from operations.

However, EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Net interest expense has been expensed in the segment incurred. Provision for (benefit of) income taxes has been allocated among our segments by using applicable U.S. and foreign effective tax rates. EBITDA for our segments is calculated as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<u>Americas</u>				
Net income attributable to CBRE Group, Inc.	\$ 48,403	\$ 54,908	\$ 142,634	\$ 136,432
Add:				
Depreciation and amortization	20,744	15,855	58,555	43,517
Interest expense	35,403	30,197	106,367	81,769
Royalty and management service income	(6,921)	(7,188)	(20,779)	(20,703)
Provision for income taxes	32,283	34,196	96,000	83,523
Less:				
Interest income	1,163	1,812	3,473	4,879
EBITDA	\$ 128,749	\$ 126,156	\$ 379,304	\$ 319,659
<u>EMEA</u>				
Net (loss) income attributable to CBRE Group, Inc.	\$ (17,893)	\$ 3,929	\$ (18,956)	\$ 14,321
Add:				
Depreciation and amortization	3,181	3,191	9,674	7,706
Non-amortizable intangible asset impairment	19,826		19,826	
Interest expense	2,175	30	6,738	187
Royalty and management service expense	3,182	3,507	8,966	9,660
(Benefit of) provision for income taxes	(13,473)	10,680	(11,339)	14,468
Less:				
Interest income	5,139	248	14,402	872
EBITDA	\$ (8,141)	\$ 21,089	\$ 507	\$ 45,470
<u>Asia Pacific</u>				
Net income attributable to CBRE Group, Inc.	\$ 10,001	\$ 6,585	\$ 17,670	\$ 15,672
Add:				
Depreciation and amortization	2,905	2,979	8,458	6,950
Interest expense	1,124	1,395	3,188	2,624
Royalty and management service expense	3,704	3,468	11,700	10,314
(Benefit of) provision for income taxes	(1,182)	7,550	1,653	17,085
Less:				
Interest income	104	160	622	949
EBITDA	\$ 16,448	\$ 21,817	\$ 42,047	\$ 51,696
<u>Global Investment Management</u>				
Net income (loss) attributable to CBRE Group, Inc.	\$ 291	\$ (17)	\$ 1,957	\$ (12,249)
Add:				
Depreciation and amortization (1)	10,524	6,281	39,803	13,472
Interest expense (2)	7,162	4,097	20,981	14,186
Royalty and management service expense	35	213	113	729
Provision for (benefit of) income taxes	4,966	(4,156)	15,911	(1,223)

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Less:				
Interest income	320	264	840	301
EBITDA (3)	\$ 22,658	\$ 6,154	\$ 77,925	\$ 14,614
Development Services				
Net (loss) income attributable to CBRE Group, Inc.	\$ (1,093)	\$ (1,598)	\$ (748)	\$ 5,223
Add:				
Depreciation and amortization	2,748	3,002	8,405	8,751
Interest expense	2,691	3,361	8,602	9,601
(Benefit of) provision for income taxes	(434)	(980)	128	3,179
Less:				
Interest income	73	9	279	62
EBITDA	\$ 3,839	\$ 3,776	\$ 16,108	\$ 26,692

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

- (1) Includes depreciation and amortization related to discontinued operations of \$0.5 million for the nine months ended September 30, 2011.
- (2) Includes interest expense related to discontinued operations of \$1.4 million for the nine months ended September 30, 2011.
- (3) Includes EBITDA related to discontinued operations of \$1.9 million for the nine months ended September 30, 2011.

16. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

- (1) Condensed consolidating balance sheets as of September 30, 2012 and December 31, 2011; condensed consolidating statements of operations for the three and nine months ended September 30, 2012 and 2011; condensed consolidating statements of comprehensive income (loss) for the three and nine months ended September 30, 2012 and 2011; and condensed consolidating statements of cash flows for the nine months ended September 30, 2012 and 2011, of (a) CBRE Group, Inc. as the parent, (b) CBRE Services, Inc. (CBRE) as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and
- (2) Elimination entries necessary to consolidate CBRE Group, Inc. as the parent, with CBRE and its guarantor and nonguarantor subsidiaries.

Investments in consolidated subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in consolidated subsidiaries and intercompany balances and transactions.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING BALANCE SHEET****AS OF SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 228	\$ 50,186	\$ 394,973	\$ 330,873	\$	\$ 776,260
Restricted cash		4,863	27,352	32,385		64,600
Receivables, net			478,366	649,626		1,127,992
Warehouse receivables (a)			465,794			465,794
Trading securities			107	96,952		97,059
Income taxes receivable	13,060	15,382		61,765	(4,272)	85,935
Prepaid expenses		627	40,037	63,130		103,794
Deferred tax assets, net			144,473	27,814		172,287
Real estate under development				41,833		41,833
Real estate and other assets held for sale				52,504		52,504
Available for sale securities			1,083			1,083
Other current assets			30,418	17,716		48,134
Total Current Assets	13,288	71,058	1,582,603	1,374,598	(4,272)	3,037,275
Property and equipment, net			228,124	106,736		334,860
Goodwill			1,004,312	841,075		1,845,387
Other intangible assets, net			524,401	245,239		769,640
Investments in unconsolidated subsidiaries			123,914	90,317		214,231
Investments in consolidated subsidiaries	1,710,681	2,249,957	1,228,713		(5,189,351)	
Intercompany loan receivable		1,590,015	700,000		(2,290,015)	
Real estate under development			798	10,194		10,992
Real estate held for investment			4,006	356,034		360,040
Available for sale securities			51,817	2,952		54,769
Other assets, net		43,161	56,041	42,381		141,583
Total Assets	\$ 1,723,969	\$ 3,954,191	\$ 5,504,729	\$ 3,069,526	\$ (7,483,638)	\$ 6,768,777
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 28,060	\$ 136,902	\$ 350,407	\$	\$ 515,369
Compensation and employee benefits payable		626	210,559	176,231		387,416
Accrued bonus and profit sharing			210,700	142,348		353,048
Securities sold, not yet purchased				44,829		44,829
Income taxes payable			4,272		(4,272)	
Short-term borrowings:						
Warehouse lines of credit (a)			458,306			458,306
Revolving credit facility		10,496		62,162		72,658
Other			16			16
Total short-term borrowings		10,496	458,322	62,162		530,980
Current maturities of long-term debt		46,000	2,403	22,657		71,060
Notes payable on real estate				154,676		154,676

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Liabilities related to real estate and other assets held for sale				43,902		43,902
Other current liabilities		41,000		1,976		42,976
Total Current Liabilities	85,182	1,064,158	999,188	(4,272)		2,144,256
Long-Term Debt:						
Senior secured term loans	1,318,000			256,661		1,574,661
11.625% senior subordinated notes, net	440,129					440,129
6.625% senior notes	350,000					350,000
Other long-term debt		6,652		58		6,710
Intercompany loan payable	383,537	1,830,761		75,717	(2,290,015)	
Total Long-Term Debt	383,537	2,108,129	1,837,413	332,436	(2,290,015)	2,371,500
Notes payable on real estate				168,010		168,010
Deferred tax liabilities, net		148,012		15,329		163,341
Non-current tax liabilities		79,731		5,353		85,084
Pension liability				61,823		61,823
Other liabilities	50,199	125,458		80,000		255,657
Total Liabilities	383,537	2,243,510	3,254,772	1,662,139	(2,294,287)	5,249,671
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders' Equity	1,340,432	1,710,681	2,249,957	1,228,713	(5,189,351)	1,340,432
Non-controlling interests				178,674		178,674
Total Equity	1,340,432	1,710,681	2,249,957	1,407,387	(5,189,351)	1,519,106
Total Liabilities and Equity	\$ 1,723,969	\$ 3,954,191	\$ 5,504,729	\$ 3,069,526	\$ (7,483,638)	\$ 6,768,777

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries, which jointly and severally guarantee our 11.625% senior subordinated notes, our 6.625% senior notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the JP Morgan Chase Bank, N.A. (JP Morgan), TD Bank, N.A. (TD Bank), Capital One, N.A. (Capital One), Fannie Mae As Soon As Pooled (ASAP) Program and Bank of America (BofA) lines of credit are pledged to JP Morgan, TD Bank, Capital One, Fannie Mae and BofA, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING BALANCE SHEET****AS OF DECEMBER 31, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 298,370	\$ 375,176	\$ 419,631	\$	\$ 1,093,182
Restricted cash		4,845	21,827	40,466		67,138
Receivables, net			405,902	729,469		1,135,371
Warehouse receivables (a)			720,061			720,061
Trading securities			83	151,401		151,484
Income taxes receivable	15,526	6,879		3,669	(26,074)	
Prepaid expenses			46,040	65,839		111,879
Deferred tax assets, net			143,065	25,874		168,939
Real estate under development				30,617		30,617
Real estate and other assets held for sale				26,201		26,201
Available for sale securities			2,790			2,790
Other current assets			26,468	15,917		42,385
Total Current Assets	15,531	310,094	1,741,412	1,509,084	(26,074)	3,550,047
Property and equipment, net			202,674	92,814		295,488
Goodwill			1,004,875	823,532		1,828,407
Other intangible assets, net			510,219	284,106		794,325
Investments in unconsolidated subsidiaries			105,664	61,168		166,832
Investments in consolidated subsidiaries	1,432,638	1,832,044	1,211,409		(4,476,091)	
Intercompany loan receivable		1,490,897	700,000	34,378	(2,225,275)	
Real estate under development			693	3,259		3,952
Real estate held for investment			4,007	399,691		403,698
Available for sale securities			34,605			34,605
Other assets, net		49,389	48,603	43,797		141,789
Total Assets	\$ 1,448,169	\$ 3,682,424	\$ 5,564,161	\$ 3,251,829	\$ (6,727,440)	\$ 7,219,143
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 11,674	\$ 151,260	\$ 411,202	\$	\$ 574,136
Compensation and employee benefits payable		626	208,692	189,370		398,688
Accrued bonus and profit sharing			308,748	235,880		544,628
Securities sold, not yet purchased				98,810		98,810
Income taxes payable			54,442		(26,074)	28,368
Short-term borrowings:						
Warehouse lines of credit (a)			713,362			713,362
Revolving credit facility		10,098		34,727		44,825
Other			16			16
Total short-term borrowings		10,098	713,378	34,727		758,203
Current maturities of long-term debt		46,000		21,838		67,838
Notes payable on real estate				146,120		146,120

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Liabilities related to real estate and other assets held for sale				21,482		21,482
Other current liabilities		39,885		2,490		42,375
Total Current Liabilities	68,398	1,476,405	1,161,919	(26,074)		2,680,648
Long-Term Debt:						
Senior secured term loans	1,352,500			263,273		1,615,773
11.625% senior subordinated notes, net	439,016					439,016
6.625% senior notes	350,000					350,000
Other long-term debt				59		59
Intercompany loan payable	296,688	1,928,587			(2,225,275)	
Total Long-Term Debt	296,688	2,141,516	1,928,587	263,332	(2,225,275)	2,404,848
Notes payable on real estate				206,339		206,339
Deferred tax liabilities, net			135,500	13,469		148,969
Non-current tax liabilities			77,595	2,332		79,927
Pension liability				60,860		60,860
Other liabilities	39,872	114,030		66,487		220,389
Total Liabilities	296,688	2,249,786	3,732,117	1,774,738	(2,251,349)	5,801,980
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders' Equity	1,151,481	1,432,638	1,832,044	1,211,409	(4,476,091)	1,151,481
Non-controlling interests				265,682		265,682
Total Equity	1,151,481	1,432,638	1,832,044	1,477,091	(4,476,091)	1,417,163
Total Liabilities and Equity	\$ 1,448,169	\$ 3,682,424	\$ 5,564,161	\$ 3,251,829	\$ (6,727,440)	\$ 7,219,143

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries, which jointly and severally guarantee our 11.625% senior subordinated notes, our 6.625% senior notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the Kemps Landing, JP Morgan, TD Bank, Fannie Mae ASAP Program and BofA lines of credit are pledged to Kemps Landing, JP Morgan, TD Bank, Fannie Mae and BofA, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 940,373	\$ 616,774	\$	\$ 1,557,147
Costs and expenses:						
Cost of services			568,573	346,672		915,245
Operating, administrative and other	14,452	1,778	224,740	241,392		482,362
Depreciation and amortization			23,343	16,759		40,102
Non-amortizable intangible asset impairment				19,826		19,826
Total costs and expenses	14,452	1,778	816,656	624,649		1,457,535
Gain on disposition of real estate				3,983		3,983
Operating (loss) income	(14,452)	(1,778)	123,717	(3,892)		103,595
Equity income (loss) from unconsolidated subsidiaries			3,142	(267)		2,875
Other income (loss)			201	(50)		151
Interest income		23,673	789	1,098	(23,665)	1,895
Interest expense		35,822	23,046	8,448	(23,665)	43,651
Royalty and management service (income) expense			(8,366)	8,366		
Income (loss) from consolidated subsidiaries	48,779	57,520	(10,264)		(96,035)	
Income (loss) before (benefit of) provision for income taxes	34,327	43,593	102,905	(19,925)	(96,035)	64,865
(Benefit of) provision for income taxes	(5,382)	(5,186)	45,385	(12,657)		22,160
Net income (loss)	39,709	48,779	57,520	(7,268)	(96,035)	42,705
Less: Net income attributable to non-controlling interests				2,996		2,996
Net income (loss) attributable to CBRE Group, Inc.	\$ 39,709	\$ 48,779	\$ 57,520	\$ (10,264)	\$ (96,035)	\$ 39,709

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 889,381	\$ 645,082	\$	\$ 1,534,463
Costs and expenses:						
Cost of services			531,466	363,141		894,607
Operating, administrative and other	12,272	3,027	244,144	209,695		469,138
Depreciation and amortization			19,458	11,850		31,308
Total costs and expenses	12,272	3,027	795,068	584,686		1,395,053
Gain on disposition of real estate			2,814	781		3,595
Operating (loss) income	(12,272)	(3,027)	97,127	61,177		143,005
Equity income (loss) from unconsolidated subsidiaries			7,174	(460)		6,714
Other loss			12	5,797		5,809
Interest income		26,866	709	2,378	(27,460)	2,493
Interest expense		30,621	28,514	7,405	(27,460)	39,080
Royalty and management service (income) expense			(8,373)	8,373		
Income from consolidated subsidiaries	71,461	75,710	20,730		(167,901)	
Income from continuing operations before (benefit of) provision for income taxes	59,189	68,928	105,587	41,520	(167,901)	107,323
(Benefit of) provision for income taxes	(4,618)	(2,533)	29,877	24,564		47,290
Net income	63,807	71,461	75,710	16,956	(167,901)	60,033
Less: Net loss attributable to non-controlling interests				(3,774)		(3,774)
Net income attributable to CBRE Group, Inc.	\$ 63,807	\$ 71,461	\$ 75,710	\$ 20,730	\$ (167,901)	\$ 63,807

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 2,684,488	\$ 1,823,765	\$	\$ 4,508,253
Costs and expenses:						
Cost of services			1,620,203	990,741		2,610,944
Operating, administrative and other	35,073	4,088	655,443	710,857		1,405,461
Depreciation and amortization			66,548	58,347		124,895
Non-amortizable intangible asset impairment				19,826		19,826
Total costs and expenses	35,073	4,088	2,342,194	1,779,771		4,161,126
Gain on disposition of real estate				5,231		5,231
Operating (loss) income	(35,073)	(4,088)	342,294	49,225		352,358
Equity income from unconsolidated subsidiaries			19,597	273		19,870
Other income			1,465	3,170		4,635
Interest income		70,335	2,490	3,259	(70,301)	5,783
Interest expense		107,556	68,495	26,293	(70,301)	132,043
Royalty and management service (income) expense			(24,778)	24,778		
Income (loss) from consolidated subsidiaries	164,570	190,497	(2,584)		(352,483)	
Income before (benefit of) provision for income taxes	129,497	149,188	319,545	4,856	(352,483)	250,603
(Benefit of) provision for income taxes	(13,060)	(15,382)	129,048	1,747		102,353
Net income	142,557	164,570	190,497	3,109	(352,483)	148,250
Less: Net income attributable to non-controlling interests				5,693		5,693
Net income (loss) attributable to CBRE Group, Inc.	\$ 142,557	\$ 164,570	\$ 190,497	\$ (2,584)	\$ (352,483)	\$ 142,557

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 2,420,468	\$ 1,721,318	\$	\$ 4,141,786
Costs and expenses:						
Cost of services			1,454,736	993,448		2,448,184
Operating, administrative and other	31,514	4,915	684,384	558,206		1,279,019
Depreciation and amortization			46,063	33,808		79,871
Total costs and expenses	31,514	4,915	2,185,183	1,585,462		3,807,074
Gain on disposition of real estate			2,814	8,780		11,594
Operating (loss) income	(31,514)	(4,915)	238,099	144,636		346,306
Equity income from unconsolidated subsidiaries			35,601	3,360		38,961
Other loss			12	5,797		5,809
Interest income		79,413	1,950	5,919	(80,219)	7,063
Interest expense		82,494	80,664	24,075	(80,219)	107,014
Royalty and management service (income) expense			(24,608)	24,608		
Income from consolidated subsidiaries	179,158	184,171	41,487		(404,816)	
Income from continuing operations before (benefit of) provision for income taxes	147,644	176,175	261,069	99,435	(404,816)	279,507
(Benefit of) provision for income taxes	(11,755)	(2,983)	76,898	54,872		117,032
Income from continuing operations	159,399	179,158	184,171	44,563	(404,816)	162,475
Income from discontinued operations, net of income taxes				16,911		16,911
Net income	159,399	179,158	184,171	61,474	(404,816)	179,386
Less: Net income attributable to non-controlling interests				19,987		19,987
Net income attributable to CBRE Group, Inc.	\$ 159,399	\$ 179,158	\$ 184,171	\$ 41,487	\$ (404,816)	\$ 159,399

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME****FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income (loss)	\$ 39,709	\$ 48,779	\$ 57,520	\$ (7,268)	\$ (96,035)	\$ 42,705
Other comprehensive (loss) income:						
Foreign currency translation gain				15,422		15,422
Unrealized losses on interest rate swaps and interest rate caps, net		(1,918)		(20)		(1,938)
Unrealized gains on available for sale securities, net			312	11		323
Other, net			(164)			(164)
Total other comprehensive (loss) income		(1,918)	148	15,413		13,643
Comprehensive income	39,709	46,861	57,668	8,145	(96,035)	56,348
Less: Comprehensive income attributable to non-controlling interests				3,071		3,071
Comprehensive income attributable to CBRE Group, Inc.	\$ 39,709	\$ 46,861	\$ 57,668	\$ 5,074	\$ (96,035)	\$ 53,277

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	\$ 63,807	\$ 71,461	\$ 75,710	\$ 16,956	\$ (167,901)	\$ 60,033
Other comprehensive (loss) income:						
Foreign currency translation loss				(67,922)		(67,922)
Unrealized losses on interest rate swaps and interest rate caps, net		(16,279)		(6)		(16,285)
Unrealized losses on available for sale securities, net			(49)			(49)
Other, net			1,508			1,508
Total other comprehensive (loss) income		(16,279)	1,459	(67,928)		(82,748)
Comprehensive income (loss)	63,807	55,182	77,169	(50,972)	(167,901)	(22,715)
Less: Comprehensive loss attributable to non-controlling interests				(5,785)		(5,785)
Comprehensive income (loss) attributable to CBRE Group, Inc.	\$ 63,807	\$ 55,182	\$ 77,169	\$ (45,187)	\$ (167,901)	\$ (16,930)

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	\$ 142,557	\$ 164,570	\$ 190,497	\$ 3,109	\$ (352,483)	\$ 148,250
Other comprehensive loss:						
Foreign currency translation loss				(6,237)		(6,237)
Unrealized losses on interest rate swaps and interest rate caps, net		(6,234)		(64)		(6,298)
Unrealized gains (losses) on available for sale securities, net			304	(167)		137
Other, net			(331)			(331)
Total other comprehensive loss		(6,234)	(27)	(6,468)		(12,729)
Comprehensive income (loss)	142,557	158,336	190,470	(3,359)	(352,483)	135,521
Less: Comprehensive income attributable to non-controlling interests				5,381		5,381
Comprehensive income (loss) attributable to CBRE Group, Inc.	\$ 142,557	\$ 158,336	\$ 190,470	\$ (8,740)	\$ (352,483)	\$ 130,140

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	\$ 159,399	\$ 179,158	\$ 184,171	\$ 61,474	\$ (404,816)	\$ 179,386
Other comprehensive (loss) income:						
Foreign currency translation loss				(22,377)		(22,377)
Unrealized (losses) gains on interest rate swaps and interest rate caps, net		(23,092)		30		(23,062)
Unrealized gains on available for sale securities, net			134			134
Other, net			1,831			1,831
Total other comprehensive (loss) income		(23,092)	1,965	(22,347)		(43,474)
Comprehensive income	159,399	156,066	186,136	39,127	(404,816)	135,912
Less: Comprehensive income attributable to non-controlling interests				18,806		18,806
Comprehensive income attributable to CBRE Group, Inc.	\$ 159,399	\$ 156,066	\$ 186,136	\$ 20,321	\$ (404,816)	\$ 117,106

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ 22,640	\$ (11,305)	\$ (40,521)	\$ (90,750)	\$ (119,936)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(44,883)	(35,704)	(80,587)
Acquisition of business, including net assets acquired, intangibles and goodwill, net of cash acquired				(17,595)	(17,595)
Contributions to unconsolidated subsidiaries			(18,974)	(36,026)	(55,000)
Distributions from unconsolidated subsidiaries			10,255	4,400	14,655
Net proceeds from disposition of real estate held for investment				32,200	32,200
Additions to real estate held for investment				(5,783)	(5,783)
Proceeds from the sale of servicing rights and other assets			23,862	68	23,930
(Increase) decrease in restricted cash		(18)	(5,525)	9,241	3,698
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P.				(73,187)	(73,187)
Other investing activities, net			4,157		4,157
Net cash used in investing activities		(18)	(31,108)	(122,386)	(153,512)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior secured term loans		(34,500)		(16,532)	(51,032)
Proceeds from revolving credit facility				41,270	41,270
Repayment of revolving credit facility				(15,230)	(15,230)
Proceeds from notes payable on real estate held for investment				4,652	4,652
Repayment of notes payable on real estate held for investment				(36,613)	(36,613)
Proceeds from notes payable on real estate held for sale and under development				14,711	14,711
Repayment of notes payable on real estate held for sale and under development				(7,625)	(7,625)
Proceeds from exercise of stock options	16,401				16,401
Incremental tax benefit from stock options exercised	167				167
Non-controlling interests contributions				15,956	15,956
Non-controlling interests distributions				(29,211)	(29,211)
Payment of financing costs		(25)		(174)	(199)
(Increase) decrease in intercompany receivables, net	(38,938)	(202,336)	92,379	148,895	
Other financing activities, net	(47)		(953)	(22)	(1,022)
Net cash (used in) provided by financing activities	(22,417)	(236,861)	91,426	120,077	(47,775)
				4,301	4,301

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Effect of currency exchange rate changes on cash and cash equivalents

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	223	(248,184)	19,797	(88,758)	(316,922)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	5	298,370	375,176	419,631	1,093,182
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 228	\$ 50,186	\$ 394,973	\$ 330,873	\$ 776,260

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$	\$ 82,790	\$ 19	\$ 20,164	\$ 102,973
Income tax payments, net	\$	\$	\$ 109,639	\$ 71,272	\$ 180,911

Table of Contents**CBRE GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ 17,933	\$ 44,370	\$ (27,891)	\$ 69,712	\$ 104,124
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(71,393)	(24,005)	(95,398)
Acquisition of Clarion Real Estate Securities, including net assets acquired, intangibles and goodwill, net of cash acquired			(215,865)		(215,865)
Acquisition of businesses (other than Clarion Real Estate Securities), including net assets acquired, intangibles and goodwill, net of cash acquired			(2,290)	(47,500)	(49,790)
Contributions to unconsolidated subsidiaries			(22,012)	(233)	(22,245)
Distributions from unconsolidated subsidiaries			31,068	10,980	42,048
Net proceeds from disposition of real estate held for investment				115,514	115,514
Additions to real estate held for investment				(7,454)	(7,454)
Proceeds from the sale of servicing rights and other assets			16,865	93	16,958
(Increase) decrease in restricted cash		(335,023)	(1,827)	8,506	(328,344)
Other investing activities, net			(1,965)		(1,965)
Net cash (used in) provided by investing activities		(335,023)	(267,419)	55,901	(546,541)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from senior secured term loans		800,000			800,000
Repayment of senior secured term loans		(30,500)			(30,500)
Proceeds from revolving credit facility		967,000		26,733	993,733
Repayment of revolving credit facility		(967,000)		(414)	(967,414)
Proceeds from notes payable on real estate held for investment				5,697	5,697
Repayment of notes payable on real estate held for investment				(98,964)	(98,964)
Proceeds from notes payable on real estate held for sale and under development				4,684	4,684
Repayment of notes payable on real estate held for sale and under development				(26,594)	(26,594)
Proceeds from exercise of stock options	7,059				7,059
Incremental tax benefit from stock options exercised	15,266				15,266
Non-controlling interests contributions				9,400	9,400
Non-controlling interests distributions				(90,584)	(90,584)
Payment of financing costs		(21,526)		(624)	(22,150)
(Increase) decrease in intercompany receivables, net	(40,257)	(515,715)	264,858	291,114	
Other financing activities, net				(112)	(112)
Net cash (used in) provided by financing activities	(17,932)	232,259	264,858	120,336	599,521
Effect of currency exchange rate changes on cash and cash equivalents				(1,084)	(1,084)

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1	(58,394)	(30,452)	244,865	156,020
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD		4	223,845	96,862	185,863	506,574
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$	5	\$ 165,451	\$ 66,410	\$ 430,728	\$ 662,594
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:						
Cash paid during the period for:						
Interest	\$		\$ 57,822	\$ 13	\$ 21,242	\$ 79,077
Income tax payments, net	\$		\$	\$ 85,328	\$ 59,549	\$ 144,877

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q for CBRE Group, Inc. for the three months ended September 30, 2012 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2011. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on Form 10-K as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition, some of the statements and assumptions in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the third quarter and beyond. For important information regarding these forward-looking statements, please see the discussion below under the caption "Cautionary Note on Forward-Looking Statements."

Overview

We are the world's largest commercial real estate services firm, based on 2011 revenue, with leading full-service operations in major metropolitan areas throughout the world. We offer a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multifamily and other types of commercial real estate. As of December 31, 2011, we operated more than 300 offices worldwide, excluding affiliate offices, with approximately 34,000 employees providing commercial real estate services under the CBRE brand name, investment management services under the CBRE Global Investors brand name and development services under the Trammell Crow brand name. Our business is focused on several competencies, including commercial property and corporate facilities management, occupier and property/agency leasing, property sales, valuation, real estate investment management, commercial mortgage origination and servicing, capital markets (equity and debt) solutions, development services and proprietary research. We generate revenue from management fees on a contractual and per-project basis, and from commissions on transactions. We have been the only commercial real estate services company in the S&P 500 since 2006, and in the *Fortune 500* since 2008. In 2012, for the second year in a row, we were the highest ranked commercial real estate services company among the *Fortune* Most Admired Companies, and were also named the Global Real Estate Advisor of the Year by *Eurromoney*. Additionally, the International Association of Outsourcing Professionals has included us among the top 100 global outsourcing companies across all industries for six consecutive years, including 2012 when we ranked fourth overall and were the highest ranked commercial real estate services company. In 2011, we achieved the highest brand reputation ranking among all commercial real estate companies in a survey of *Wall Street Journal* subscribers.

When you read our financial statements and the information included in this Quarterly Report, you should consider that we have experienced, and continue to experience, several material trends and uncertainties that have affected our financial condition and results of operations that make it challenging to predict our future performance based on our historical results. We believe that the following material trends and uncertainties are crucial to an understanding of the variability in our historical earnings and cash flows and the potential for continued variability in the future:

Macroeconomic Conditions

Economic trends and government policies affect global and regional commercial real estate markets as well as our operations directly. These include: overall economic activity and employment growth, interest rate levels, the cost and availability of credit and the impact of tax and regulatory policies. Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, decreasing demand for real estate, falling real estate values, or the public perception that any of these events may occur, will negatively affect the performance of some or all of our business lines. From late 2007 through 2009, the severe global economic

Table of Contents

downturn and credit market crisis had significant adverse effects on our operations and reduced our revenue from property management fees and commissions derived from property sales, leasing, valuation and financing, and funds available to invest in commercial real estate and related assets. These negative trends began to reverse in 2010 and 2011 as commercial real estate markets improved in step with the stabilization and recovery of global economic activity.

Weak economic conditions from late 2007 through 2009 also affected our compensation expense, which is structured to generally decrease in line with a fall in revenue. Compensation is our largest expense and the sales and leasing professionals in our largest line of business, advisory services, generally are paid on a commission and bonus basis that correlates with our revenue performance. As a result, the negative effect of difficult market conditions on our operating margins was partially mitigated by the inherent variability of our compensation cost structure. In addition, when negative economic conditions are particularly severe, as they were in 2008 and 2009, we have moved decisively to improve financial performance by lowering operating expenses. As general economic conditions and our financial performance improved, we restored certain expenses beginning in 2010. Notwithstanding the ongoing market recovery, a return of adverse global and regional economic trends remains one of the most significant risks to the performance of our operations and our financial condition.

Economic conditions first began to negatively affect our performance in the Americas, our largest segment in terms of revenue, beginning in the third quarter of 2007. The effects became more severe as the decline in economic activity (particularly in the United States) accelerated throughout 2008 and most of 2009. The global capital markets disruption in late 2008, in particular, caused a significant and prolonged decline in property sales, leasing, financing and investment activity that adversely affected all our business lines. Commercial real estate fundamentals began to stabilize in early 2010 and to improve later that year and in 2011 following a return to positive economic growth in the United States. The recovery has continued at a slow pace in 2012, with vacancy rates dipping moderately and rental rates stabilizing or edging up slightly. While the ready availability of low-cost credit has sustained property sales activity, U.S. political and fiscal uncertainty has caused investors and occupiers to become more cautious and constrained both sales and leasing activity. Overall market activity continues to be well below levels experienced in 2006 and 2007.

In Europe, weakened market conditions first began to manifest in the United Kingdom in late 2007 and in countries on the continent in early 2008. The major European economies also fell into recession in 2008, which deepened and persisted throughout 2009. Economic activity improved in 2010, but began to wane again in 2011 and 2012, due to the effects of the European sovereign debt crisis. As a result, since 2011, economic growth in Europe has lagged behind other parts of the world. While rents have essentially remained flat, leasing velocity has slowed in many major markets in Europe. Investment sales in Europe were adversely affected by the financial crisis in late 2008 and most of 2009. Investment sales recovered in Europe in 2010, particularly in larger markets. However, activity across most of Europe peaked in 2011 and, as a result of the ongoing European sovereign debt crisis, has been weak in 2012, with markets perceived as safe havens, such as the United Kingdom, attracting investment capital.

Real estate markets in Asia Pacific were also affected, though generally to a lesser degree than in the United States and Europe, by the global credit market dislocation and economic downturn. This resulted in lower investment sales and leasing activity in the region in 2008 and most of 2009. Transaction activity revived significantly in late 2009, reflecting strong economic growth, and improved through 2010 and most of 2011. However, transaction activity moderated in the later part of 2011 and in 2012, reflecting slower domestic economic activity, particularly in China, and the effects of heightened global economic uncertainty stemming from the European sovereign debt crisis and sluggish U.S. growth, both of which have adversely affected Asian exports.

Real estate investment management and property development activity were also adversely affected by deteriorating conditions beginning in late 2007, as property values declined sharply, and both financing and disposition options became more constrained. However, the macro environment for these businesses has generally improved as the real estate credit and investment sales markets have recovered since late 2010.

Table of Contents

The further recovery of our global sales, leasing, investment management and development services operations depends on continued improvement in market fundamentals, including more robust economic growth and stronger job creation; stable and healthy global credit markets; and increased business and investor confidence.

Effects of Acquisitions

Our management historically has made significant use of strategic acquisitions to add new service competencies, to increase our scale within existing competencies and to expand our presence in various geographic regions around the world. In December 2006, we acquired the Trammell Crow Company (the Trammell Crow Company Acquisition), our largest acquisition to date, which deepened our outsourcing services offerings for corporate and institutional clients, especially project and facilities management, strengthened our ability to provide integrated management solutions across geographies, and established resources and expertise to offer real estate development services throughout the United States.

On February 15, 2011, we announced that we had entered into definitive agreements to acquire the majority of the real estate investment management business of Netherlands-based ING Group N.V. (ING) for approximately \$940 million in cash. The acquisitions included substantially all of ING's Real Estate Investment Management (REIM) operations in Europe and Asia, as well as substantially all of Clarion Real Estate Securities (CRES), its U.S.-based global real estate listed securities business (collectively referred to as ING REIM). On February 15, 2011, we also announced that we expected to acquire approximately \$55 million of CRES co-investments from ING and potentially additional interests in other funds managed by ING REIM Europe and ING REIM Asia. Upon completion of the acquisitions, which we refer to as the REIM Acquisitions, ING REIM became part of our Global Investment Management segment (which conducts business through our indirect wholly-owned subsidiary, CBRE Global Investors, an independently operated business segment). The ING REIM businesses were highly complementary to our existing investment management business, with little overlap in client base and different investment strategies. CBRE Global Investors traditionally focused on value-add funds and separate accounts. ING REIM primarily focused on core funds and global listed real estate securities funds, except in Asia, where ING REIM managed value-add and opportunistic funds. The combined entity provides us with a significantly enhanced ability to meet the needs of institutional investors across global markets with a full spectrum of investment programs and strategies.

On July 1, 2011, we completed the acquisition of CRES for \$332.9 million and CRES co-investments from ING for an aggregate amount of \$58.6 million. On October 3, 2011, we completed the acquisition of ING REIM Asia for \$45.3 million and three ING REIM Asia co-investments from ING for an aggregate amount of \$13.9 million. On October 31, 2011, we completed the acquisition of ING REIM Europe for \$442.5 million and one co-investment from ING for \$7.4 million. During the nine months ended September 30, 2012, we also funded nine additional co-investments for an aggregate amount of \$35.2 million related to ING REIM Europe. Our initial estimate of \$940 million in total purchase price for the REIM Acquisitions has been reduced by approximately \$47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. There is a possibility of an additional closing of approximately \$80 million and further co-investments of up to \$20 million in the future related to our acquisition of ING REIM Europe.

As of September 30, 2012, CBRE Global Investors' assets under management, or AUM, totaled \$90.4 billion. AUM generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, securities portfolios and investments in operating companies and joint ventures. Our AUM is intended principally to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our material assets under management consist of:

- a) the total fair market value of the real estate properties and other assets either wholly-owned or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client

Table of Contents

accounts have invested or to which they have provided financing. Committed (but unfunded) capital from investors in our sponsored funds is not included in this component of our AUM. The value of development properties is included at estimated completion cost. In the case of real estate operating companies, the total value of real properties controlled by the companies, generally through joint ventures, is included in AUM; and

- b) the net asset value of our managed securities portfolios, including investments (which may be comprised of committed but uncalled capital) in private real estate funds under our fund of funds program.

Our calculation of AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers.

Strategic in-fill acquisitions have also played a key role in expanding our geographic coverage and broadening and strengthening our service offerings. The companies we acquired have generally been quality regional firms or niche specialty firms that complement our existing platform within a region, or affiliates in which, in some cases, we held an equity interest. From 2005 to 2010, we completed 60 in-fill acquisitions for an aggregate purchase price of approximately \$601 million, with most of these completed before the recession in 2008. In 2011, we completed five in-fill acquisitions, including a valuation business in Australia, a retail property management business in central and eastern Europe, our former affiliate company in Switzerland, a retail services business in the United Kingdom and a shopping center management business in the Netherlands. During the nine months ended September 30, 2012, we completed three in-fill acquisitions, including our former affiliate companies in Turkey and Vietnam, and a niche real estate investment advisor in the United Kingdom. As market conditions continue to improve, we believe acquisitions may once again serve as a growth engine, supplementing our organic growth.

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenditures, which include severance, lease termination, transaction and deferred financing costs, among others, and the charges and costs of integrating the acquired business and its financial and accounting systems into our own. For example, through September 30, 2012, we incurred \$258.9 million of transaction-related expenditures and integration costs in connection with the Trammell Crow Company Acquisition. In addition, through September 30, 2012, we incurred \$103.5 million of transaction-related expenditures and integration costs in connection with the REIM Acquisitions. As with prior material acquisitions, we anticipate incurring significant integration expenses associated with the REIM Acquisitions in 2012 and beyond. We expect the total transaction costs relating to the REIM Acquisitions, including retention and integration costs, to be approximately \$150 million.

International Operations

As we increase our international operations through either acquisitions or organic growth, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Our management team generally seeks to mitigate our exposure by balancing assets and liabilities that are denominated in the same currency and by maintaining cash positions outside the United States only at levels necessary for operating purposes. In addition, from time to time we enter into foreign currency exchange contracts to mitigate our exposure to exchange rate changes related to particular transactions and to hedge risks associated with the translation of foreign currencies into U.S. dollars.

Table of Contents

With the closing of the REIM Acquisitions, our Global Investment Management business now has a significant amount of Euro-denominated assets under management as well as associated revenue and earnings in Europe, which has seen a developing crisis in sovereign debt resulting in a more pronounced movement in the value of the Euro against the U.S. dollar. Fluctuations in foreign currency exchange rates have resulted and may continue to result in corresponding fluctuations in our AUM, revenue and earnings.

Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

Our international operations also are subject to, among other things, political instability and changing regulatory environments, which may adversely affect our future financial condition and results of operations. Our management routinely monitors these risks and related costs and evaluates the appropriate amount of resources to allocate towards business activities in foreign countries where such risks and costs are particularly significant.

Leverage

We are highly leveraged and have significant debt service obligations. As of September 30, 2012, our total debt, excluding our notes payable on real estate and warehouse lines of credit (both of which are generally nonrecourse to us), was approximately \$2.5 billion.

Our level of indebtedness and the operating and financial restrictions in our debt agreements place constraints on the operation of our business. Although our management believes that long-term indebtedness has been an important lever in the development of our business, including facilitating the Trammell Crow Company Acquisition and the REIM Acquisitions, the cash flow necessary to service this debt is not available for other general corporate purposes, which may limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry. Our management seeks to mitigate this exposure both through the refinancing of debt when available on attractive terms and through selective repayment and retirement of indebtedness.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that management believes to be reasonable. Actual results may differ from those estimates. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements. A discussion of such critical accounting policies, which include revenue recognition, our consolidation policy, goodwill and other intangible assets, real estate and income taxes can be found in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to these policies as of September 30, 2012.

Table of Contents**Results of Operations**

The following table sets forth items derived from our consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011, presented in dollars and as a percentage of revenue (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
Revenue	\$ 1,557,147	100.0%	\$ 1,534,463	100.0%	\$ 4,508,253	100.0%	\$ 4,141,786	100.0%
Costs and expenses:								
Cost of services	915,245	58.8	894,607	58.3	2,610,944	57.9	2,448,184	59.1
Operating, administrative and other	482,362	31.0	469,138	30.6	1,405,461	31.2	1,279,019	30.9
Depreciation and amortization	40,102	2.5	31,308	2.0	124,895	2.8	79,871	1.9
Non-amortizable intangible asset impairment	19,826	1.3			19,826	0.4		
Total costs and expenses	1,457,535	93.6	1,395,053	90.9	4,161,126	92.3	3,807,074	91.9
Gain on disposition of real estate	3,983	0.3	3,595	0.2	5,231	0.1	11,594	0.3
Operating income	103,595	6.7	143,005	9.3	352,358	7.8	346,306	8.4
Equity income from unconsolidated subsidiaries	2,875	0.2	6,714	0.4	19,870	0.5	38,961	0.9
Other income (loss)	151		(5,809)	(0.4)	4,635	0.1	(5,809)	(0.2)
Interest income	1,895	0.1	2,493	0.2	5,783	0.1	7,063	0.2
Interest expense	43,651	2.8	39,080	2.5	132,043	2.9	107,014	2.6
Income from continuing operations before provision for income taxes	64,865	4.2	107,323	7.0	250,603	5.6	279,507	6.7
Provision for income taxes	22,160	1.5	47,290	3.1	102,353	2.3	117,032	2.8
Income from continuing operations	42,705	2.7	60,033	3.9	148,250	3.3	162,475	3.9
Income from discontinued operations, net of income taxes							16,911	0.4
Net income	42,705	2.7	60,033	3.9	148,250	3.3	179,386	4.3
Less: Net income (loss) attributable to non-controlling interests	2,996	0.1	(3,774)	(0.3)	5,693	0.1	19,987	0.5
Net income attributable to CBRE Group, Inc.	\$ 39,709	2.6%	\$ 63,807	4.2%	\$ 142,557	3.2%	\$ 159,399	3.8%
EBITDA (1)	\$ 163,553	10.5%	\$ 178,992	11.7%	\$ 515,891	11.4%	\$ 458,131	11.1%
EBITDA, as adjusted (1)	\$ 195,346	12.5%	\$ 194,802	12.7%	\$ 566,782	12.6%	\$ 487,724	11.8%

(1) Includes EBITDA related to discontinued operations of \$1.9 million for the nine months ended September 30, 2011.

Table of Contents

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization, while amounts shown for EBITDA, as adjusted, remove the impact of certain cash and non-cash charges related to acquisitions, cost containment and asset impairments. Our management believes that both of these measures are useful in evaluating our operating performance compared to that of other companies in our industry because the calculations of EBITDA and EBITDA, as adjusted, generally eliminate the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses these measures to evaluate operating performance and for other discretionary purposes, including as a significant component when measuring our operating performance under our employee incentive programs. Additionally, we believe EBITDA and EBITDA, as adjusted, are useful to investors to assist them in getting a more complete picture of our results from operations.

However, EBITDA and EBITDA, as adjusted, are not recognized measurements under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, readers should use EBITDA and EBITDA, as adjusted, in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA and EBITDA, as adjusted, may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA and EBITDA, as adjusted, are not intended to be measures of free cash flow for our management's discretionary use, as they do not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA and EBITDA, as adjusted, also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

EBITDA and EBITDA, as adjusted for selected charges are calculated as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income attributable to CBRE Group, Inc.	\$ 39,709	\$ 63,807	\$ 142,557	\$ 159,399
Add:				
Depreciation and amortization (1)	40,102	31,308	124,895	80,396
Non-amortizable intangible asset impairment	19,826		19,826	
Interest expense (2)	43,651	39,080	132,043	108,367
Provision for income taxes	22,160	47,290	102,353	117,032
Less:				
Interest income	1,895	2,493	5,783	7,063
EBITDA (3)	\$ 163,553	\$ 178,992	\$ 515,891	\$ 458,131
Adjustments:				
Cost containment expenses	17,578		17,578	
Integration and other costs related to acquisitions	14,215	9,921	33,313	23,704
Write-down of impaired assets		5,889		5,889
EBITDA, as adjusted (3)	\$ 195,346	\$ 194,802	\$ 566,782	\$ 487,724

(1) Includes depreciation and amortization related to discontinued operations of \$0.5 million for the nine months ended September 30, 2011.

(2) Includes interest expense related to discontinued operations of \$1.4 million for the nine months ended September 30, 2011.

(3) Includes EBITDA related to discontinued operations of \$1.9 million for the nine months ended September 30, 2011.

Table of Contents

Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

We reported consolidated net income of \$39.7 million for the three months ended September 30, 2012 on revenue of \$1.6 billion as compared to consolidated net income of \$63.8 million on revenue of \$1.5 billion for the three months ended September 30, 2011.

Our revenue on a consolidated basis for the three months ended September 30, 2012 increased by \$22.7 million, or 1.5%, as compared to the three months ended September 30, 2011. This increase was driven by contributions from the ING REIM Europe and ING REIM Asia portions of the REIM Acquisitions (acquired in the fourth quarter of 2011) as well as higher commercial mortgage brokerage activity (up 11.4%) and outsourcing activity (up 7.1%). These increases were partially offset by lower worldwide leasing (down 8.2%) and sales (down 7.3%) transaction revenue. Foreign currency translation had a \$47.6 million negative impact on total revenue during the three months ended September 30, 2012.

Our cost of services on a consolidated basis increased by \$20.6 million, or 2.3%, during the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. This increase was primarily due to higher salaries and related costs associated with our global property and facilities management contracts. Additionally, included in cost of services for the three months ended September 30, 2012 were cost containment expenses of \$7.0 million. These costs primarily represent severance costs incurred in our EMEA and Asia Pacific segments as we continue to calibrate our staffing levels to the current market environment. Foreign currency translation had a \$28.2 million positive impact on cost of services during the three months ended September 30, 2012. Cost of services as a percentage of revenue increased from 58.3% for the three months ended September 30, 2011 to 58.8% for the three months ended September 30, 2012, primarily attributable to the aforementioned cost containment expenses and our mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period as well as a decline in transaction revenue in certain countries that have a significant fixed cost compensation structure. These items were partially offset by a higher composition of revenue being non-commissionable in the current year as a result of the REIM Acquisitions.

Our operating, administrative and other expenses on a consolidated basis increased by \$13.2 million, or 2.8%, during the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. Operating expenses as a percentage of revenue increased to 31.0% for the three months ended September 30, 2012 from 30.6% for the three months ended September 30, 2011. These increases were primarily driven by an increase in costs attributable to the ING REIM Europe and ING REIM Asia portions of the REIM Acquisitions, including transaction and integration costs. Additionally, included in operating, administrative and other expenses for the three months ended September 30, 2012 were cost containment expenses of \$10.6 million. These costs primarily represent severance costs incurred in our EMEA and Asia Pacific segments as we continue to calibrate our staffing levels to the current market environment. These added costs were partially offset by lower worldwide bonus accruals primarily resulting from weaker operating performance. Foreign currency translation had a \$17.8 million positive impact on total operating expenses during the three months ended September 30, 2012.

Our depreciation and amortization expense on a consolidated basis increased by \$8.8 million, or 28.1%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. This increase was primarily attributable to higher amortization expense relative to intangibles acquired in the REIM Acquisitions. Higher depreciation expense in our Americas segment also contributed to the increase.

Our non-amortizable intangible asset impairment on a consolidated basis was \$19.8 million for the three months ended September 30, 2012. This non-cash write-off related to the discontinuation of a trade name in the United Kingdom.

Our gain on disposition of real estate on a consolidated basis was \$4.0 million for the three months ended September 30, 2012 as compared to \$3.6 million for the three months ended September 30, 2011. These gains resulted from activity within our Development Services and Global Investment Management segments.

Table of Contents

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by \$3.8 million, or 57.2%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. This decrease was primarily driven by lower equity earnings associated with an investment in our Americas segment.

Our other income was \$0.2 million for the three months ended September 30, 2012 as compared to other loss of \$5.8 million for the three months ended September 30, 2011. This activity was primarily reported within our Global Investment Management segment and represented net realized and unrealized gains and losses related to trading securities, which we acquired in our acquisition of CRES.

Our consolidated interest income decreased by \$0.6 million, or 24.0%, as compared to the three months ended September 30, 2011. This decrease was mainly driven by lower interest income reported in our Americas segment in the current year.

Our consolidated interest expense increased by \$4.6 million, or 11.7%, during the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The increase was primarily due to higher interest expense attributable to additional borrowings made to finance the REIM Acquisitions and the British pound sterling A-1 term loan facility entered into in the fourth quarter of 2011.

Our provision for income taxes on a consolidated basis was \$22.2 million for the three months ended September 30, 2012 as compared to \$47.3 million for the three months ended September 30, 2011. Our effective tax rate from continuing operations, after adjusting pre-tax income to remove the portion attributable to non-controlling interests, decreased to 35.8% for the three months ended September 30, 2012 as compared to 42.6% for the three months ended September 30, 2011. The changes in our provision for income taxes and our effective tax rate were primarily the result of a change in our mix of domestic and foreign earnings (losses), including a greater impact in the current year quarter of losses sustained in jurisdictions where no tax benefit could be provided, offset by the impact of discrete items, including the current year quarter benefit from a legal reorganization of certain entities in Asia Pacific. We anticipate our full year 2012 effective tax rate to be in the range of 35.0 to 38.0%.

Our net income attributable to non-controlling interests on a consolidated basis was \$3.0 million for the three months ended September 30, 2012 as compared to a net loss attributable to non-controlling interests of \$3.8 million for the three months ended September 30, 2011. This activity primarily reflects our non-controlling interests share of income within our Global Investment Management and Development Services segments.

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

We reported consolidated net income of \$142.6 million for the nine months ended September 30, 2012 on revenue of \$4.5 billion as compared to consolidated net income of \$159.4 million on revenue of \$4.1 billion for the nine months ended September 30, 2011.

Our revenue on a consolidated basis for the nine months ended September 30, 2012 increased by \$366.5 million, or 8.8%, as compared to the nine months ended September 30, 2011. This increase was driven by contributions from the REIM Acquisitions (acquired in the second half of 2011). Increased commercial mortgage brokerage activity (up 27.9%) and outsourcing activity (up 8.9%), as well as higher worldwide sales transaction revenue (up 5.2%) also contributed to the variance. Worldwide leasing transaction revenue decreased slightly (down 2.1%) in the current year, reflective of weak employment growth globally. Foreign currency translation had a \$102.1 million negative impact on total revenue during the nine months ended September 30, 2012.

Our cost of services on a consolidated basis increased by \$162.8 million, or 6.6%, during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This increase was primarily due to higher salaries and related costs associated with our global property and facilities management

Table of Contents

contracts. In addition, our sales professionals generally are paid on a commission basis, which substantially correlates with our transaction revenue performance. Accordingly, the increase in sales transaction revenue led to a corresponding increase in commission accruals. Also, included in cost of services for the nine months ended September 30, 2012 were cost containment expenses of \$7.0 million. Foreign currency translation had a \$55.9 million positive impact on cost of services during the nine months ended September 30, 2012. Cost of services as a percentage of revenue decreased from 59.1% for the nine months ended September 30, 2011 to 57.9% for the nine months ended September 30, 2012, primarily attributable to our mix of revenue, with a higher composition of revenue being non-commissionable in the current year as a result of the REIM Acquisitions. In addition, all costs associated with the ING REIM businesses are included in operating, administrative and other expenses.

Our operating, administrative and other expenses on a consolidated basis increased by \$126.4 million, or 9.9%, during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Additionally, included in operating, administrative and other expenses for the nine months ended September 30, 2012 were cost containment expenses of \$10.6 million. Foreign currency translation had a \$36.8 million positive impact on total operating expenses during the nine months ended September 30, 2012. Operating expenses as a percentage of revenue increased slightly to 31.2% for the nine months ended September 30, 2012 from 30.9% for the nine months ended September 30, 2011.

Our depreciation and amortization expense on a consolidated basis increased by \$45.0 million, or 56.4%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This increase was primarily attributable to higher amortization expense relative to intangibles acquired in the REIM Acquisitions. Higher depreciation expense in our Americas segment also contributed to the increase.

Our non-amortizable intangible asset impairment on a consolidated basis was \$19.8 million for the nine months ended September 30, 2012. This non-cash write-off related to the discontinuation of a trade name in the United Kingdom.

Our gain on disposition of real estate on a consolidated basis was \$5.2 million for the nine months ended September 30, 2012 as compared to \$11.6 million for the nine months ended September 30, 2011. These gains resulted from activity within our Development Services and Global Investment Management segments.

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by \$19.1 million, or 49.0%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This decrease was primarily driven by higher equity earnings associated with gains on property sales within our Development Services segment in the prior year, which did not occur to the same extent in the current year. Also contributing to the decrease was lower equity earnings associated with an investment in our Americas segment in the current year.

Our other income on a consolidated basis was \$4.6 million for the nine months ended September 30, 2012 as compared to other loss of \$5.8 million for the nine months ended September 30, 2011. This activity was primarily reported within our Global Investment Management segment and represented net realized and unrealized gains and losses related to trading securities, which we acquired in our acquisition of CRES.

Our consolidated interest income decreased by \$1.3 million, or 18.1%, as compared to the nine months ended September 30, 2011. This decrease was mainly driven by lower interest income reported in our Americas segment in the current year.

Our consolidated interest expense increased by \$25.0 million, or 23.4%, during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The increase was primarily due to higher interest expense attributable to additional borrowings made to finance the REIM Acquisitions and the British pound sterling A-1 term loan facility entered into in the fourth quarter of 2011.

Table of Contents

Our provision for income taxes on a consolidated basis was \$102.4 million for the nine months ended September 30, 2012 as compared to \$117.0 million for the nine months ended September 30, 2011. Our effective tax rate from continuing operations, after adjusting pre-tax income to remove the portion attributable to non-controlling interests, decreased to 41.8% for the nine months ended September 30, 2012 as compared to 42.3% for the nine months ended September 30, 2011. The changes in our provision for income taxes and our effective tax rate were primarily the result of a change in our mix of domestic and foreign earnings (losses), including a greater impact in the current year of losses sustained in jurisdictions where no tax benefit could be provided, offset by the impact of discrete items, including the current year benefit from a legal reorganization of certain entities in Asia Pacific.

Our consolidated income from discontinued operations, net of income taxes, was \$16.9 million for the nine months ended September 30, 2011. This income was reported in our Global Investment Management segment and mostly related to gains from property sales, which were all attributable to non-controlling interests.

Our net income attributable to non-controlling interests on a consolidated basis was \$5.7 million for the nine months ended September 30, 2012 as compared to \$20.0 million for the nine months ended September 30, 2011. This activity primarily reflects our non-controlling interests' share of income within our Global Investment Management and Development Services segments.

Segment Operations

We report our operations through the following segments: (1) Americas, (2) EMEA, (3) Asia Pacific, (4) Global Investment Management and (5) Development Services. The Americas consists of operations located in the United States, Canada and key markets in Latin America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand. The Global Investment Management business consists of investment management operations in North America, Europe and Asia. The Development Services business consists of real estate development and investment activities primarily in the United States.

Table of Contents

The following table summarizes our revenue, costs and expenses and operating income (loss) by our Americas, EMEA, Asia Pacific, Global Investment Management and Development Services operating segments for the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
Americas								
Revenue	\$ 996,380	100.0%	\$ 954,213	100.0%	\$ 2,855,899	100.0%	\$ 2,602,156	100.0%
Costs and expenses:								
Cost of services	638,138	64.0	600,168	62.9	1,818,162	63.7	1,644,835	63.2
Operating, administrative and other	232,108	23.3	231,181	24.2	665,157	23.3	646,071	24.8
Depreciation and amortization	20,744	2.1	15,855	1.7	58,555	2.0	43,517	1.7
Operating income	\$ 105,390	10.6%	\$ 107,009	11.2%	\$ 314,025	11.0%	\$ 267,733	10.3%
EBITDA (1)	\$ 128,749	12.9%	\$ 126,156	13.2%	\$ 379,304	13.3%	\$ 319,659	12.3%
EMEA								
Revenue	\$ 228,737	100.0%	\$ 275,958	100.0%	\$ 674,367	100.0%	\$ 742,013	100.0%
Costs and expenses:								
Cost of services	150,729	65.9	165,450	60.0	426,486	63.2	452,461	61.0
Operating, administrative and other	86,662	37.9	89,853	32.6	248,751	36.9	244,830	33.0
Depreciation and amortization	3,181	1.4	3,191	1.1	9,674	1.4	7,706	1.0
Non-amortizable intangible asset impairment	19,826	8.6			19,826	3.0		
Operating (loss) income	\$ (31,661)	(13.8)%	\$ 17,464	6.3%	\$ (30,370)	(4.5)%	\$ 37,016	5.0%
EBITDA (1)	\$ (8,141)	(3.6)%	\$ 21,089	7.6%	\$ 507	0.1%	\$ 45,470	6.1%
Asia Pacific								
Revenue	\$ 199,950	100.0%	\$ 208,055	100.0%	\$ 568,396	100.0%	\$ 557,101	100.0%
Costs and expenses:								
Cost of services	126,378	63.2	128,989	62.0	366,296	64.4	350,888	63.0
Operating, administrative and other	56,792	28.4	56,835	27.3	159,433	28.0	152,801	27.4
Depreciation and amortization	2,905	1.5	2,979	1.4	8,458	1.6	6,950	1.3
Operating income	\$ 13,875	6.9%	\$ 19,252	9.3%	\$ 34,209	6.0%	\$ 46,462	8.3%
EBITDA (1)	\$ 16,448	8.2%	\$ 21,817	10.5%	\$ 42,047	7.4%	\$ 51,696	9.3%
Global Investment Management								
Revenue	\$ 114,306	100.0%	\$ 77,426	100.0%	\$ 359,180	100.0%	\$ 185,302	100.0%
Costs and expenses:								
Operating, administrative and other	91,658	80.2	71,770	92.7	282,952	78.8	175,268	94.6
Depreciation and amortization	10,524	9.2	6,281	8.1	39,803	11.1	12,947	7.0
Gain on disposition of real estate			345	0.4			345	0.2
Operating income (loss)	\$ 12,124	10.6%	\$ (280)	(0.4)%	\$ 36,425	10.1%	\$ (2,568)	(1.4)%
EBITDA (1) (2)	\$ 22,658	19.8%	\$ 6,154	7.9%	\$ 77,925	21.7%	\$ 14,614	7.9%

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Development Services

Revenue	\$ 17,774	100.0%	\$ 18,811	100.0%	\$ 50,411	100.0%	\$ 55,214	100.0%
Costs and expenses:								
Operating, administrative and other	15,142	85.2	19,499	103.7	49,168	97.5	60,049	108.8
Depreciation and amortization	2,748	15.4	3,002	15.9	8,405	16.7	8,751	15.8
Gain on disposition of real estate	3,983	22.4	3,250	17.3	5,231	10.4	11,249	20.4
Operating income (loss)	\$ 3,867	21.8%	\$ (440)	(2.3)%	\$ (1,931)	(3.8)%	\$ (2,337)	(4.2)%
EBITDA (1)	\$ 3,839	21.6%	\$ 3,776	20.1%	\$ 16,108	32.0%	\$ 26,692	48.3%

- (1) See Note 15 of the Notes to Consolidated Financial Statements (Unaudited) for a reconciliation of segment EBITDA to the most comparable financial measure calculated and presented in accordance with GAAP, which is segment net income (loss) attributable to CBRE Group, Inc.
- (2) Includes EBITDA related to discontinued operations of \$1.9 million for the nine months ended September 30, 2011.

Table of Contents

Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

Americas

Revenue increased by \$42.2 million, or 4.4%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. This improvement was primarily driven by higher outsourcing activity and increased commercial mortgage brokerage revenue, partially offset by lower sales and lease transaction revenue. Foreign currency translation had an \$8.9 million negative impact on total revenue during the three months ended September 30, 2012.

Cost of services increased by \$38.0 million, or 6.3%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, primarily due to higher salaries and related costs associated with our property and facilities management contracts. Foreign currency translation had a \$5.1 million positive impact on cost of services during the three months ended September 30, 2012. Cost of services as a percentage of revenue increased to 64.0% for the three months ended September 30, 2012 from 62.9% for the three months ended September 30, 2011, primarily due to a shift in the mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period.

Operating, administrative and other expenses were relatively consistent at \$232.1 million for the three months ended September 30, 2012 versus \$231.2 for the three months ended September 30, 2011. Foreign currency translation had a \$2.6 million positive impact on total operating expenses during the three months ended September 30, 2012.

EMEA

Revenue decreased by \$47.2 million, or 17.1%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. Foreign currency translation had a \$21.2 million negative impact on total revenue during the three months ended September 30, 2012. In addition, the continued impact of Europe's sovereign debt crisis resulted in lower sales, leasing and outsourcing activity in the region. Total revenue grew modestly in the United Kingdom, but this was more than offset by reduced revenue in other countries in the region, most notably in France and Germany.

Cost of services decreased by \$14.7 million, or 8.9%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, driven by foreign currency translation, which had a \$14.7 million positive impact on cost of services in the current year period. Included in cost of services for the three months ended September 30, 2012, were cost containment expenses of \$5.9 million, primarily representing severance costs incurred as we continue to calibrate our staffing levels to the current market environment. These costs were offset by lower salaries and related costs associated with our property and facilities management contracts. Cost of services as a percentage of revenue increased to 65.9% for the three months ended September 30, 2012 from 60.0% for the three months ended September 30, 2011, primarily driven by the aforementioned cost containment expenses in the current year and our mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period as well as a decline in transaction revenue in certain countries that have a significant fixed cost compensation structure.

Operating, administrative and other expenses decreased by \$3.2 million, or 3.6%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. Included in operating, administrative and other expenses for the three months ended September 30, 2012, were cost containment expenses of \$9.4 million, which primarily represented severance costs incurred as we continue to calibrate our staffing levels to the current market environment. Such costs were more than offset by foreign currency translation, which had a \$7.4 million positive impact on total operating expenses during the three months ended September 30, 2012, as well as lower bonus accruals in the current year due to weaker operating performance.

Table of Contents

Asia Pacific

Revenue decreased by \$8.1 million, or 3.9%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, reflecting weaker overall performance in several countries, particularly Australia, China and Japan. Foreign currency translation had an \$11.4 million negative impact on total revenue during the three months ended September 30, 2012. Sales and leasing activity declined throughout the region, while outsourcing activity showed modest improvement.

Cost of services decreased by \$2.6 million, or 2.0%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. Included in cost of services for the three months ended September 30, 2012, were cost containment expenses of \$1.1 million, primarily representing severance costs incurred as we continue to calibrate our staffing levels to the current market environment. In addition, in the current year, there was an increase in salaries and related costs associated with our property and facilities management contracts. These costs were more than offset by foreign currency translation, which had an \$8.4 million positive impact on cost of services during the three months ended September 30, 2012, and a decrease in commission expense as a result of lower transaction revenue. Cost of services as a percentage of revenue increased to 63.2% for the three months ended September 30, 2012 as compared to 62.0% for the three months ended September 30, 2011, primarily driven by the aforementioned cost containment expenses in the current year as well as a shift in the mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period.

Operating, administrative and other expenses remained flat at \$56.8 million for both the three months ended September 30, 2012 and 2011. Foreign currency translation had a \$1.8 million positive impact on total operating expenses during the three months ended September 30, 2012. This was mostly offset by cost containment expenses of \$1.2 million in the current year, which primarily represented severance costs incurred as we continue to calibrate our staffing levels to the current market environment.

Global Investment Management

Revenue increased by \$36.9 million, or 47.6%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, driven by contributions from the ING REIM Europe and ING REIM Asia portions of the REIM Acquisitions acquired in the fourth quarter of 2011. Foreign currency translation had a \$6.1 million negative impact on total revenue during the three months ended September 30, 2012.

Operating, administrative and other expenses increased by \$19.9 million, or 27.7%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. This increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had a \$6.0 million positive impact on total operating expenses during the three months ended September 30, 2012.

Total AUM as of September 30, 2012 amounted to \$90.4 billion at the end of the third quarter, a decrease of 1% from the second quarter of 2012 and 4% from year-end 2011.

Development Services

Revenue decreased slightly to \$17.8 million for the three months ended September 30, 2012 as compared to \$18.8 million for the three months ended September 30, 2011.

Operating, administrative and other expenses decreased by \$4.4 million, or 22.3%, for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The prior year quarter included real estate asset impairments, which did not recur in the current year, and higher incentive compensation.

Table of Contents

As of September 30, 2012, development projects in process totaled \$4.6 billion, down \$0.1 billion from the second quarter of 2012 and \$0.3 billion from year-end 2011. The inventory of pipeline deals totaled \$1.9 billion, up \$0.5 billion from the second quarter of 2012 and \$0.7 billion from year-end 2011.

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Americas

Revenue increased by \$253.7 million, or 9.8%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This improvement was primarily driven by higher sales, leasing and outsourcing activity as well as increased commercial mortgage brokerage revenue. Foreign currency translation had a \$23.2 million negative impact on total revenue during the nine months ended September 30, 2012.

Cost of services increased by \$173.3 million, or 10.5%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily due to higher salaries and related costs associated with our property and facilities management contracts. Increased commission expense resulting from higher sales and lease transaction revenue also contributed to an increase in cost of services in the current year. Foreign currency translation had an \$11.7 million positive impact on cost of services during the nine months ended September 30, 2012. Cost of services as a percentage of revenue increased to 63.7% for the nine months ended September 30, 2012 from 63.2% for the nine months ended September 30, 2011, primarily due to a shift in the mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period.

Operating, administrative and other expenses increased by \$19.1 million, or 3.0%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The increase was primarily driven by higher payroll-related costs, including bonuses, which resulted from increased headcount and improved operating performance. Foreign currency translation had a \$7.1 million positive impact on total operating expenses during the nine months ended September 30, 2012.

EMEA

Revenue decreased by \$67.6 million, or 9.1%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. Foreign currency translation had a \$47.2 million negative impact on total revenue during the nine months ended September 30, 2012. In addition, Europe's continuing weak employment growth resulted in lower leasing activity market-wide. However, outsourcing revenue improved despite uncertainty created by the region's sovereign debt challenges. Revenue grew modestly in the Netherlands and the United Kingdom, but this was offset by reduced revenue in other countries in the region, most notably in France, which had a particularly strong prior year.

Cost of services decreased by \$26.0 million, or 5.7%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. Foreign currency translation had a \$30.1 million positive impact on cost of services during the nine months ended September 30, 2012. In addition, salaries and related costs associated with our property and facilities management contracts were lower in the current year. These items were partially offset by cost containment expenses of \$5.9 million incurred in the current year and higher costs associated with increased headcount attributable to in-fill acquisitions completed in mid to late 2011. Cost of services as a percentage of revenue increased to 63.2% for the nine months ended September 30, 2012 from 61.0% for the nine months ended September 30, 2011, primarily driven by the aforementioned cost containment expenses in the current year and our mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period, as well as a decline in transaction revenue in certain countries that have a significant fixed cost compensation structure.

Operating, administrative and other expenses increased by \$3.9 million, or 1.6%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily due to cost

Table of Contents

containment expenses of \$9.4 million incurred in the current year and higher costs, including payroll-related and occupancy costs, partly stemming from in-fill acquisitions made in mid to late 2011. These costs were largely offset by foreign currency translation, which had a \$15.7 million positive impact on total operating expenses during the nine months ended September 30, 2012, as well as lower bonus accruals in the current year due to weaker operating performance.

Asia Pacific

Revenue increased by \$11.3 million, or 2.0%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, reflecting improved overall performance in several countries, particularly Australia, India and Singapore. Investment sales in the region saw decidedly less activity than in the prior year period. However, this was more than offset by growth in our outsourcing and appraisal revenue. Foreign currency translation had an \$18.4 million negative impact on total revenue during the nine months ended September 30, 2012.

Cost of services increased by \$15.4 million, or 4.4%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, driven by higher salaries and related costs associated with our property and facilities management contracts throughout the region and increases in headcount, particularly in Australia (partially due to an in-fill acquisition completed in May 2011) as well as investments in China. These increases were partially offset by foreign currency translation, which had a \$14.1 million positive impact on cost of services during the nine months ended September 30, 2012 as well as lower commission expense attributable to the decrease in sales transaction revenue. Cost of services as a percentage of revenue increased to 64.4% for the nine months ended September 30, 2012 as compared to 63.0% for the nine months ended September 30, 2011, primarily driven by a shift in the mix of revenue, with outsourcing revenue comprising a greater portion of the total than in the prior year period.

Operating, administrative and other expenses increased by \$6.6 million, or 4.3%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The increase was partially due to higher costs stemming from an in-fill acquisition completed in Australia as well as investments in China. Foreign currency translation had a \$1.6 million positive impact on total operating expenses during the nine months ended September 30, 2012.

Global Investment Management

Revenue increased by \$173.9 million, or 93.8%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, driven by contributions from the REIM Acquisitions acquired in the second half of 2011. Foreign currency translation had a \$13.3 million negative impact on total revenue during the nine months ended September 30, 2012.

Operating, administrative and other expenses increased by \$107.7 million, or 61.4%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had a \$12.4 million positive impact on total operating expenses during the nine months ended September 30, 2012.

Development Services

Revenue decreased by \$4.8 million, or 8.7%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, attributable to a decrease in incentive fees and lower rental income as a result of property dispositions in the later quarters of 2011.

Operating, administrative and other expenses decreased by \$10.9 million, or 18.1%, for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. This decrease was

Table of Contents

primarily driven by lower bonus accruals partially due to higher gains on property sales in the prior year as well as lower property operating expenses as a result of the property dispositions noted above in this segment's revenue discussion.

Liquidity and Capital Resources

We believe that we can satisfy our working capital requirements and funding of investments with internally generated cash flow and, as necessary, borrowings under our revolving credit facility. Our 2012 expected capital requirements include up to approximately \$150 million of anticipated net capital expenditures, including requirements associated with the REIM Acquisitions. During the nine months ended September 30, 2012, we incurred \$64.4 million of net capital expenditures. As of September 30, 2012, we had aggregate commitments of \$33.1 million to fund future co-investments in our Global Investment Management business, \$11.1 million of which is expected to be funded in 2012. Additionally, as of September 30, 2012, we had committed to fund \$15.5 million of additional capital to unconsolidated subsidiaries within our Development Services business, which we may be required to fund at any time. In recent years, the global credit markets have experienced unprecedented tightening, which could affect both the availability and cost of our funding sources in the future.

On February 15, 2011, we announced that we had entered into definitive agreements to acquire the majority of the real estate investment management business of Netherlands-based ING for approximately \$940 million in cash. The acquisitions included substantially all of the ING REIM operations in Europe and Asia, as well as substantially all of CRES, its U.S.-based global real estate listed securities business. On February 15, 2011, we also announced that we expected to acquire approximately \$55 million of CRES co-investments from ING and potentially additional interests in other funds managed by ING REIM Europe and ING REIM Asia. On July 1, 2011, we acquired CRES for \$332.9 million and CRES co-investments from ING for an aggregate amount of \$58.6 million, using borrowings from our tranche D term loan facility under our credit agreement to finance these transactions. On October 3, 2011, we acquired ING REIM's operations in Asia for \$45.3 million and three ING REIM Asia co-investments from ING for an aggregate amount of \$13.9 million, using borrowings from our tranche C term loan facility under our credit agreement to finance these transactions. On October 31, 2011, we completed the ING REIM Europe portion of the REIM Acquisitions, acquiring ING REIM's operations in Europe for \$442.5 million and one co-investment from ING for \$7.4 million, using borrowings from our tranche C term loan facility under our credit agreement, cash on hand and borrowings under our revolving credit facility to finance these transactions. During the nine months ended September 30, 2012, we also funded nine additional co-investments for an aggregate amount of \$35.2 million related to ING REIM Europe. Our initial estimate of \$940 million in total purchase price for the REIM Acquisitions has been reduced by approximately \$47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. There is a possibility of an additional closing of approximately \$80 million and further co-investments of up to \$20 million in the future related to our acquisition of ING REIM Europe.

During 2003 and 2006, we required substantial amounts of equity and debt financing to fund our acquisitions of Insignia and Trammell Crow Company. We also conducted two debt offerings in recent years. The first, in 2009, was part of a capital restructuring in response to the global economic recession, and the second, in 2010, was to take advantage of low interest rates and term availability. Absent extraordinary transactions such as these and the equity offerings we completed during the unprecedented global capital markets disruption in 2008 and 2009, we historically have not sought external sources of financing and have relied on our internally generated cash flow and our revolving credit facility to fund our working capital, capital expenditure and investment requirements. In the absence of such extraordinary events, our management anticipates that our cash flow from operations and our revolving credit facility would be sufficient to meet our anticipated cash requirements for the foreseeable future, but at a minimum for the next 12 months. From time to time, we may seek to take advantage of market opportunities to refinance existing debt securities with new debt securities at lower interest rates, longer maturities or better terms.

As evidenced above, from time to time we consider potential strategic acquisitions. We believe that any future significant acquisitions that we may make most likely would require us to obtain additional debt or equity

Table of Contents

financing. In the past, we have been able to obtain such financing for material transactions on terms that we believed to be reasonable. However, it is possible that we may not be able to find acquisition financing on favorable terms, or at all, in the future if we decide to make any further material acquisitions.

Our long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, generally are comprised of two elements. The first is the repayment of the outstanding and anticipated principal amounts of our long-term indebtedness. We are unable to project with certainty whether our long-term cash flow from operations will be sufficient to repay our long-term debt when it comes due. If our cash flow is insufficient, then we expect that we would need to refinance such indebtedness or otherwise amend its terms to extend the maturity dates. We cannot make any assurances that such refinancing or amendments would be available on attractive terms, if at all.

The second long-term liquidity need is the repayment of obligations under our pension plans in the United Kingdom. Our subsidiaries based in the United Kingdom maintain two contributory defined benefit pension plans to provide retirement benefits to existing and former employees participating in the plans. With respect to these plans, our historical policy has been to contribute annually, an amount to fund pension cost as actuarially determined and as required by applicable laws and regulations. Our contributions to these plans are invested and, if these investments do not perform in the future as well as we expect, we will be required to provide additional funding to cover any shortfall. The underfunded status of our defined benefit pension plans included in pension liability in the consolidated balance sheets set forth in Item 1 of this Quarterly Report was \$61.8 million and \$60.9 million at September 30, 2012 and December 31, 2011, respectively. We expect to contribute a total of \$6.0 million to fund our pension plans for the year ending December 31, 2012, of which \$4.4 million was funded as of September 30, 2012.

Historical Cash Flows

Operating Activities

Net cash used in operating activities totaled \$119.9 million for the nine months ended September 30, 2012 versus net cash provided by operating activities of \$104.1 million for the nine months ended September 30, 2011. The increase in cash used in operating activities in the current year was primarily due to higher bonuses and income taxes paid, an increase in real estate held for sale and under development and activities associated with securities acquired in our acquisition of CRES. These items were partially offset by an increase in depreciation and amortization expense in the current year and a greater increase in receivables in the prior year.

Investing Activities

Net cash used in investing activities totaled \$153.5 million for the nine months ended September 30, 2012, a decrease of \$393.0 million as compared to the nine months ended September 30, 2011. The decrease in cash used in investing activities in the current year was primarily driven by an increase in restricted cash in the prior year attributable to borrowings under our tranche C term loan facility which were held in escrow in anticipation of the completion of the ING REIM Europe portion of the REIM Acquisitions, cash paid for the acquisition of CRES in the prior year and greater payments associated with in-fill acquisitions in the prior year. These items were partially offset by higher net proceeds received from the disposition of real estate held for investment in the prior year, a decrease in cash as a result of the deconsolidation of CBRE Clarion U.S., L.P. in the current year and higher contributions to investments in unconsolidated subsidiaries in the current year.

Financing Activities

Net cash used in financing activities totaled \$47.8 million for the nine months ended September 30, 2012 versus net cash provided by financing activities of \$599.5 million for the nine months ended September 30, 2011. The increase in cash used in financing activities was primarily due to \$800.0 million of tranche C and D term loan facilities drawn in the prior year to finance the REIM Acquisitions. This was partially offset by higher net

Table of Contents

repayments of notes payable on real estate in the prior year, greater distributions to non-controlling interests in the prior year as well as more financing costs paid in the prior year.

Significant Indebtedness

Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness and other obligations. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase.

Since 2001, we have maintained credit facilities with Credit Suisse Group AG, or CS, and other lenders to fund strategic acquisitions and to provide for our working capital needs. On November 10, 2010, we entered into a new credit agreement (as amended, the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, to completely refinance our previous credit facilities. On March 4, 2011, we entered into an amendment to our Credit Agreement to, among other things, increase flexibility to various covenants to accommodate the REIM Acquisitions and to maintain the availability of the \$800.0 million incremental facility under the Credit Agreement. On March 4, 2011, we also entered into an incremental assumption agreement to allow for the establishment of new tranche C and tranche D term loan facilities. On November 10, 2011, we entered into an incremental assumption agreement led jointly by HSBC Bank USA, N.A. and J.P. Morgan Securities LLC to allow for the establishment of a new tranche A-1 term loan facility, which also reduced the \$800.0 million incremental facility under the Credit Agreement.

Our Credit Agreement currently provides for the following: (1) a \$700.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on May 10, 2015; (2) a \$350.0 million tranche A term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2015, with the balance payable on November 10, 2015; (3) a £187.0 million (approximately \$300.0 million) tranche A-1 term loan facility requiring quarterly principal payments, which began on December 30, 2011 and continue through March 31, 2016, with the balance payable on May 10, 2016; (4) a \$300.0 million tranche B term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2016, with the balance payable on November 10, 2016; (5) a \$400.0 million tranche C term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through December 31, 2017, with the balance payable on March 4, 2018; (6) a \$400.0 million tranche D term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through June 30, 2019, with the balance payable on September 4, 2019 and (7) an accordion provision which provides the ability to borrow additional funds under an incremental facility. The incremental facility is equivalent to the sum of \$800.0 million and the aggregate amount of all repayments of term loans and permanent reductions of revolver commitments under the Credit Agreement. However, at no time may the sum of all outstanding amounts under the Credit Agreement exceed \$2.95 billion. On November 10, 2011, we utilized the incremental facility to issue the tranche A-1 term loan facility.

In regards to the tranche C and tranche D term loan facilities, we had up to 180 days from the date we entered into the related incremental assumption agreement to draw on these facilities during which period we were required to pay a fee on the unused portions of each facility. On June 30, 2011, we drew down \$400.0 million of the tranche D term loan facility to finance the CRES portion of the REIM Acquisitions, which closed on July 1, 2011. On August 31, 2011, we drew down \$400.0 million of the tranche C term loan facility, part of which was used to finance the ING REIM Asia portion of the REIM Acquisitions, which closed on October 3, 2011. The remaining borrowings were used to finance the acquisition of ING REIM's operations in Europe, which closed on October 31, 2011.

The revolving credit facility allows for borrowings outside of the U.S., with sub-facilities of \$5.0 million available to one of our Canadian subsidiaries, \$35.0 million in aggregate available to one of our Australian and

Table of Contents

one of our New Zealand subsidiaries and \$50.0 million available to one of our U.K. subsidiaries. Additionally, outstanding borrowings under these sub-facilities may be up to 5.0% higher as allowed under the currency fluctuation provision in the Credit Agreement. Borrowings under the revolving credit facility as of September 30, 2012 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.65% to 3.15% or the daily rate plus 0.65% to 2.15% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of September 30, 2012 and December 31, 2011, we had \$72.7 million and \$44.8 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 3.3% and 4.3%, respectively, which are included in short-term borrowings in the consolidated balance sheets set forth in Item 1 of this Quarterly Report. As of September 30, 2012, letters of credit totaling \$17.3 million were outstanding under the revolving credit facility. These letters of credit were primarily issued in the normal course of business as well as in connection with certain insurance programs and reduce the amount we may borrow under the revolving credit facility.

Borrowings under the term loan facilities as of September 30, 2012 bear interest, based at our option, on the following: for the tranche A and A-1 term loan facilities, on either the applicable fixed rate plus 2.00% to 3.75% or the daily rate plus 1.00% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement), for the tranche B term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25%, for the tranche C term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25% and for the tranche D term loan facility, on either the applicable fixed rate plus 3.50% or the daily rate plus 2.50%. As of September 30, 2012 and December 31, 2011, we had \$280.0 million and \$306.3 million, respectively, of tranche A term loan facility principal outstanding, \$279.3 million and \$285.1 million, respectively, of tranche A-1 term loan facility principal outstanding, \$294.0 million and \$296.3 million, respectively, of tranche B term loan facility principal outstanding, \$395.0 million and \$398.0 million, respectively, of tranche C term loan facility principal outstanding and \$395.0 million and \$398.0 million, respectively, of tranche D term loan facility principal outstanding, which are included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is \$400.0 million, with \$200.0 million expiring in October 2017 and \$200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and nine months ended September 30, 2012 and 2011. As of September 30, 2012 and December 31, 2011, the fair values of these interest rate swap agreements were reflected as a \$50.2 million liability and a \$39.9 million liability, respectively, and were included in other long-term liabilities in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

The Credit Agreement is jointly and severally guaranteed by us and substantially all of our domestic subsidiaries. Borrowings under our Credit Agreement are secured by a pledge of substantially all of the capital stock of our U.S. subsidiaries and 65.0% of the capital stock of certain non-U.S. subsidiaries. Also, the Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment.

On October 8, 2010, CBRE Services, Inc., or CBRE, our wholly-owned subsidiary, issued \$350.0 million in aggregate principal amount of 6.625% senior notes due October 15, 2020. The 6.625% senior notes are unsecured obligations of CBRE, senior to all of its current and future subordinated indebtedness, but effectively subordinated to all of its current and future secured indebtedness. The 6.625% senior notes are jointly and severally guaranteed on a senior basis by us and each subsidiary of CBRE that guarantees our Credit Agreement. Interest accrues at a rate of 6.625% per year and is payable semi-annually in arrears on April 15 and October 15, having commenced on April 15, 2011. The 6.625% senior notes are redeemable at our option, in whole or in part, on or after October 15, 2014 at a redemption price of 104.969% of the principal amount on that date and at declining prices thereafter. At any time prior to October 15, 2014, the 6.625% senior notes may be

Table of Contents

redeemed by us, in whole or in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and an applicable premium (as defined in the indenture governing these notes), which is based on the present value of the October 15, 2014 redemption price plus all remaining interest payments through October 15, 2014. In addition, prior to October 15, 2013, up to 35.0% of the original issued amount of the 6.625% senior notes may be redeemed at a redemption price of 106.625% of the principal amount, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. If a change of control triggering event (as defined in the indenture governing our 6.625% senior notes) occurs, we are obligated to make an offer to purchase the remaining 6.625% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 6.625% senior notes included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report was \$350.0 million at both September 30, 2012 and December 31, 2011.

On June 18, 2009, CBRE issued \$450.0 million in aggregate principal amount of 11.625% senior subordinated notes due June 15, 2017 for approximately \$435.9 million, net of discount. The 11.625% senior subordinated notes are unsecured senior subordinated obligations of CBRE and are jointly and severally guaranteed on a senior subordinated basis by us and our domestic subsidiaries that guarantee our Credit Agreement. Interest accrues at a rate of 11.625% per year and is payable semi-annually in arrears on June 15 and December 15. The 11.625% senior subordinated notes are redeemable at our option, in whole or in part, on or after June 15, 2013 at 105.813% of par on that date and at declining prices thereafter. At any time prior to June 15, 2013, the 11.625% senior subordinated notes may be redeemed by us, in whole or in part, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and an applicable premium (as defined in the indenture governing these notes), which is based on the present value of the June 15, 2013 redemption price plus all remaining interest payments through June 15, 2013. In addition, prior to June 15, 2012, up to 35.0% of the original issued amount of the 11.625% senior subordinated notes may be redeemed at 111.625% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control (as defined in the indenture governing our 11.625% senior subordinated notes), we are obligated to make an offer to purchase the remaining 11.625% senior subordinated notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 11.625% senior subordinated notes included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report, net of unamortized discount, was \$440.1 million and \$439.0 million at September 30, 2012 and December 31, 2011, respectively.

Our Credit Agreement and the indentures governing our 6.625% senior notes and 11.625% senior subordinated notes contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of EBITDA (as defined in the Credit Agreement) to total interest expense of 2.25x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 3.75x. Our coverage ratio of EBITDA to total interest expense was 10.19x for the trailing twelve months ended September 30, 2012 and our leverage ratio of total debt less available cash to EBITDA was 1.74x as of September 30, 2012. We may from time to time, in our sole discretion, look for opportunities to refinance or reduce our outstanding debt under our Credit Agreement and under our 6.625% senior notes and 11.625% senior subordinated notes.

From time to time, Moody's Investor Service, Inc., or Moody's, and Standard & Poor's Ratings Services, or Standard & Poor's, rate our senior debt. Neither the Moody's nor the Standard & Poor's ratings impact our ability to borrow under our Credit Agreement. However, these ratings may impact our ability to borrow under new agreements in the future and the interest rates of any such future borrowings.

We had short-term borrowings of \$531.0 million and \$758.2 million with related average interest rates of 2.5% and 2.9% as of September 30, 2012 and December 31, 2011, respectively, which are included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

Table of Contents

On March 2, 2007, we entered into a \$50.0 million credit note with Wells Fargo Bank for the purpose of purchasing eligible investments, which include cash equivalents, agency securities, A1/P1 commercial paper and eligible money market funds. The proceeds of this note are not made generally available to us, but instead are deposited in an investment account maintained by Wells Fargo Bank and used and applied solely to purchase eligible investment securities. This agreement has been amended several times and currently provides for a \$40.0 million revolving credit note, bears interest at 0.25% and has a maturity date of December 31, 2012. As of September 30, 2012 and December 31, 2011, there were no amounts outstanding under this note.

On March 4, 2008, we entered into a \$35.0 million credit and security agreement with Bank of America, or BofA, for the purpose of purchasing eligible financial instruments, which include A1/P1 commercial paper, U.S. Treasury securities, GSE discount notes (as defined in the credit and security agreement) and money market funds. The proceeds of this loan are not made generally available to us, but instead are deposited in an investment account maintained by BofA and used and applied solely to purchase eligible financial instruments. This agreement has been amended several times and currently provides for a \$5.0 million credit line, bears interest at 1% and has a maturity date of February 28, 2013. As of September 30, 2012 and December 31, 2011, there were no amounts outstanding under this agreement.

On August 19, 2008, we entered into a \$15.0 million uncommitted facility with First Tennessee Bank for the purpose of purchasing investments, which include cash equivalents, agency securities, A1/P1 commercial paper and eligible money market funds. The proceeds of this facility are not made generally available to us, but instead are held in a collateral account maintained by First Tennessee Bank. This agreement has been amended several times and currently provides for a \$4.0 million credit line, bears interest at 0.25% and has a maturity date of August 4, 2013. As of September 30, 2012 and December 31, 2011, there were no amounts outstanding under this facility.

Our wholly-owned subsidiary, CBRE Capital Markets, has the following warehouse lines of credit: credit agreements with JP Morgan Chase Bank, N.A., or JP Morgan, BofA, TD Bank, N.A., or TD Bank, and Capital One, N.A., or Capital One, for the purpose of funding mortgage loans that will be resold, and a funding arrangement with Fannie Mae for the purpose of selling a percentage of certain closed multifamily loans.

On November 15, 2005, CBRE Capital Markets entered into a secured credit agreement with JP Morgan to establish a warehouse line of credit. Effective July 26, 2012, the warehouse line of credit was temporarily increased from \$210.0 million to \$300.0 million until August 15, 2012, after which it reverted back to the \$210.0 million limit. Effective October 29, 2012, the warehouse line of credit was reduced to \$200.0 million. This agreement has been amended several times and currently bears interest at the daily LIBOR plus 2.50% and has a maturity date of October 28, 2013.

On April 16, 2008, CBRE Capital Markets entered into a secured credit agreement with BofA to establish a warehouse line of credit. Effective March 2, 2012, the warehouse line of credit was increased from \$125.0 million to \$150.0 million. Effective June 13, 2012, the warehouse line of credit was further increased to \$200.0 million. The senior secured revolving line of credit bears interest at the daily one-month LIBOR plus 2.0% with a maturity date of May 29, 2013.

In August 2009, CBRE Capital Markets entered into a funding arrangement with Fannie Mae under its Multifamily As Soon As Pooled Plus Agreement and its Multifamily As Soon As Pooled Sale Agreement, or ASAP Program. Under the ASAP Program, CBRE Capital Markets may elect, on a transaction by transaction basis, to sell a percentage of certain closed multifamily loans to Fannie Mae on an expedited basis. After all contingencies are satisfied, the ASAP Program requires that CBRE Capital Markets repurchase the interest in the multifamily loan previously sold to Fannie Mae followed by either a full delivery back to Fannie Mae via whole loan execution or a securitization into a mortgage backed security. Effective July 10, 2012, the maximum outstanding balance under the ASAP Program increased from \$150.0 million to \$200.0 million. Between the sale date to Fannie Mae and the repurchase date by CBRE Capital Markets, the outstanding balance bears interest and is payable to Fannie Mae at the daily LIBOR rate plus 1.35% with a LIBOR floor of 0.35%.

Table of Contents

On December 21, 2010, CBRE Capital Markets entered into a secured credit agreement with TD Bank to establish a warehouse line of credit. Effective October 13, 2011, the warehouse line of credit was increased from \$75.0 million to \$100.0 million. Effective June 26, 2012, the warehouse line of credit was further increased to \$150.0 million. The secured revolving line of credit bears interest at the daily one-month LIBOR plus 2.0% with a maturity date of June 30, 2013.

On December 21, 2010, CBRE Capital Markets entered into an uncommitted funding arrangement with Kemps Landing Capital Company, LLC, or Kemps Landing, providing CBRE Capital Markets with the ability to fund Freddie Mac multifamily loans. Effective March 2, 2012, the maximum outstanding balance allowed under this arrangement was decreased from \$500.0 million to \$475.0 million. Effective June 13, 2012, the maximum outstanding balance allowed under this arrangement was decreased further to \$375.0 million. The outstanding borrowings bore interest at LIBOR plus 2.75% with a LIBOR floor of 0.25%. On January 6, 2012, the Federal Housing Finance Agency announced a termination of Freddie Mac's purchase commitment agreement with Kemps Landing effective June 30, 2012. On September 14, 2012, our agreement with Kemps Landing was terminated.

On July 30, 2012, CBRE Capital Markets entered into a secured credit agreement with Capital One to establish a warehouse line of credit. This agreement provides for a \$200.0 million senior secured revolving line of credit and bears interest at the daily one-month LIBOR plus 1.9% with a maturity date of July 29, 2013.

On September 21, 2012, CBRE Capital Markets entered into a repurchase facility with JP Morgan for additional warehouse capacity pursuant to a Master Repurchase Agreement. This agreement provides for a \$300.0 million warehouse facility and bears interest at the daily one-month LIBOR plus 2.25% with a maturity date of September 20, 2013.

During the nine months ended September 30, 2012, we had a maximum of \$826.4 million of warehouse lines of credit principal outstanding. As of September 30, 2012 and December 31, 2011, we had \$458.3 million and \$713.4 million of warehouse lines of credit principal outstanding, respectively, which are included in short-term borrowings in the consolidated balance sheets set forth in Item 1 of this Quarterly Report. Additionally, we had \$465.8 million and \$720.1 million of mortgage loans held for sale (warehouse receivables), as of September 30, 2012 and December 31, 2011, respectively, which substantially represented mortgage loans funded through the lines of credit that, while committed to be purchased, had not yet been purchased and which are also included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

Off-Balance Sheet Arrangements

We had outstanding letters of credit totaling \$16.9 million as of September 30, 2012, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries' outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through July 2013.

We had guarantees totaling \$32.4 million as of September 30, 2012, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The \$32.4 million primarily consists of guarantees related to our defined benefit pension plans in the United Kingdom (in excess of our outstanding pension liability of \$61.8 million as of September 30, 2012), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through September 2015, as well as various guarantees of management contracts in our operations overseas, which expire at the end of each of the respective agreements.

Table of Contents

In addition, as of September 30, 2012, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

In January 2008, CBRE Multifamily Capital, Inc., or CBRE MCI, a wholly-owned subsidiary of CBRE Capital Markets, Inc., entered into an agreement with Fannie Mae, under Fannie Mae's Delegated Underwriting and Servicing Lender Program, or DUS Program, to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of \$4.9 billion at September 30, 2012. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately \$544.2 million at September 30, 2012. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of September 30, 2012 and December 31, 2011, CBRE MCI had \$7.5 million and \$4.6 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately \$9.2 million and \$6.4 million, respectively, of loan loss accruals. Fannie Mae's recourse under the DUS Program is limited to the assets of CBRE MCI, which totaled approximately \$299.7 million (including \$203.6 million of warehouse receivables, a substantial majority of which are pledged against warehouse lines of credit and are therefore not available to Fannie Mae) at September 30, 2012.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of September 30, 2012, we had aggregate commitments of \$33.1 million to fund future co-investments, \$11.1 million of which is expected to be funded in 2012. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of September 30, 2012, we had committed to fund \$15.5 million of additional capital to these unconsolidated subsidiaries, which may be called at any time.

Seasonality

A significant portion of our revenue is seasonal, which can affect an investor's ability to compare our financial condition and results of operations on a quarter-by-quarter basis. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the third and fourth quarters of each year. Earnings and cash flow have historically been particularly concentrated in the fourth quarter due to investors and companies focusing on completing transactions prior to calendar year-end. This has historically resulted in lower profits or a loss in the first quarter, with revenue and profitability improving in each subsequent quarter.

Table of Contents

New Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update, or ASU, 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate a Scope Clarification*. This ASU requires that a reporting entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt would apply FASB ASC Subtopic 360-20, *Property, Plant, and Equipment Real Estate Sales*, to determine whether to derecognize assets and liabilities of that subsidiary. ASU 2011-10 is effective prospectively for a deconsolidation event that takes place in fiscal years, and interim periods within those years, beginning on or after June 15, 2012. We do not believe the adoption of this update will have a material effect on our consolidated financial position or results of operations.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This ASU adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013, with retrospective application required. We do not believe the adoption of this update will have a material impact on the disclosure requirements for our consolidated financial statements.

Cautionary Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words anticipate, believe, could, should, propose, continue, estimate, expect, may, plan, predict, project, will and similar terms and phrases are used in this Quarterly Report on Form 10-Q to identify forward-looking statements. Except for historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q are forward-looking statements. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are made based on our management's expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and factors could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

The following factors are among those, but are not only those, that may cause actual results to differ materially from the forward-looking statements:

integration issues arising out of the REIM Acquisitions and other companies we may acquire;

costs and potential future capital requirements relating to the REIM Acquisitions and other businesses we may acquire;

the sustainability of the recovery in our investment sales and leasing business from the recessionary levels in 2008 and 2009, particularly in light of the European sovereign debt crisis, fiscal uncertainty in the United States, and slowing economic activity globally in 2012;

disruptions in general economic and business conditions, particularly in geographies where our business may be concentrated;

volatility and disruption of the securities, capital and credit markets, interest rate increases, the cost and availability of capital for investment in real estate, clients' willingness to make real estate or long-term contractual commitments and other factors impacting the value of real estate assets, inside and outside the United States, particularly Europe, which is experiencing a sovereign debt crisis;

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

continued high levels of, or increases in, unemployment and general slowdowns in commercial activity;

Table of Contents

variations in historically customary seasonal patterns;

the impairment or weakened financial condition of certain of our clients;

client actions to restrain project spending and reduce outsourced staffing levels as well as the potential loss of clients in our outsourcing business due to consolidation or bankruptcies;

our ability to diversify our revenue model to offset cyclical economic trends in the commercial real estate industry;

foreign currency fluctuations, particularly in Europe where the U.S. dollar has strengthened significantly relative to the Euro and some local currencies since the middle of 2011;

our ability to attract new user and investor clients;

our ability to retain major clients and renew related contracts;

a reduction by companies in their reliance on outsourcing for their commercial real estate needs, which would impact our revenues and operating performance;

trends in pricing and risk assumption for commercial real estate services;

changes in tax laws in the United States or in other jurisdictions in which our business may be concentrated that reduce or eliminate deductions or other tax benefits we receive;

our ability to maintain our effective tax rate;

our ability to compete globally, or in specific geographic markets or business segments that are material to us;

our ability to manage fluctuations in net earnings and cash flow, which could result from poor performance in our investment programs, including our participation as a principal in real estate investments;

our ability to leverage our global services platform to maximize and sustain long-term cash flow;

our ability to maintain or improve our industry-leading EBITDA margins;

our exposure to liabilities in connection with real estate advisory and property management activities and our ability to procure sufficient insurance coverage on acceptable terms;

the ability of our Global Investment Management segment to realize values in investment funds sufficient to offset incentive compensation expense related thereto;

liabilities under guarantees, or for construction defects, that we incur in our Development Services business;

the ability of CBRE Capital Markets to periodically amend, or replace, on satisfactory terms, the agreements for its warehouse lines of credit;

the effect of implementation of new accounting rules and standards; and

the other factors described elsewhere in this Quarterly Report on Form 10-Q, included under the headings Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Quantitative and Qualitative Disclosures About Market Risk or as described in our Annual Report on Form 10-K for the year ended December 31, 2011, in particular in Item 1A, Risk Factors, or in the other documents and reports we file with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the SEC.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information in this section should be read in connection with the information on market risk related to changes in interest rates and non-U.S. currency exchange rates in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2011. Our exposure to market risk consists of foreign currency exchange rate fluctuations related to our international operations and changes in interest rates on debt obligations. We manage such risk primarily by managing the amount, sources, and duration of our debt funding and by using derivative financial instruments. We apply the *Derivatives and Hedging* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (Topic 815) when accounting for derivative financial instruments. In all cases, we view derivative financial instruments as a risk management tool and, accordingly, do not use derivatives for trading or speculative purposes.

During the nine months ended September 30, 2012, approximately 39% of our business was transacted in local currencies of foreign countries, the majority of which includes the Euro, the British pound sterling, the Canadian dollar, the Chinese yuan, the Hong Kong dollar, the Japanese yen, the Singapore dollar, the Australian dollar and the Indian rupee. We attempt to manage our exposure primarily by balancing assets and liabilities and maintaining cash positions in foreign currencies only at levels necessary for operating purposes. We routinely monitor our exposure to currency exchange rate changes in connection with transactions and sometimes enter into foreign currency exchange option and forward contracts to limit our exposure to such transactions, as appropriate. In the normal course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange contracts to mitigate foreign currency exchange exposure resulting from intercompany loans, expected cash flow and earnings. Included in the consolidated statement of operations set forth in Item 1 of this Quarterly Report were charges of \$1.5 million and \$3.8 million for the three and nine months ended September 30, 2012, respectively, and gains of \$1.0 million and charges of \$1.6 million for the three and nine months ended September 30, 2011, respectively, resulting from net gains and losses on foreign currency exchange option agreements. As of September 30, 2012, the fair values of these foreign currency exchange option agreements were reflected as a \$0.6 million asset and were included in prepaid expenses in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with Topic 815. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is \$400.0 million, with \$200.0 million expiring in October 2017 and \$200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and nine months ended September 30, 2012 and 2011. As of September 30, 2012, the fair values of these interest rate swap agreements were reflected as a \$50.2 million liability and were included in other long-term liabilities in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

Based upon information from third-party banks, the estimated fair value of our senior secured term loans was approximately \$1.6 billion at September 30, 2012. Based on dealers' quotes, the estimated fair values of our 6.625% senior notes and 11.625% senior subordinated notes were \$383.3 million and \$495.1 million, respectively, at September 30, 2012.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase by 10.0% on our outstanding variable rate debt, excluding notes payable on real estate, at September 30, 2012, the net impact of the additional interest cost would be a decrease of \$5.0 million on pre-tax income and an increase of \$5.0 million on cash used in operating activities for the nine months ended September 30, 2012.

We also have \$365.6 million of notes payable on real estate as of September 30, 2012. Interest costs relating to notes payable on real estate include both interest that is expensed and interest that is capitalized as part of the cost of real estate. If interest rates were to increase by 10.0%, our total estimated interest cost related to notes

Table of Contents

payable would increase by approximately \$1.4 million for the nine months ended September 30, 2012. From time to time, we enter into interest rate swap and cap agreements in order to limit our interest expense related to our notes payable on real estate. If any of these agreements are not designated as effective hedges, then they are marked to market each period with the change in fair value recognized in current period earnings. The net impact on our earnings resulting from gains and/or losses on interest rate swap and cap agreements associated with notes payable on real estate has not been significant.

We also enter into loan commitments that relate to the origination or acquisition of commercial mortgage loans that will be held for resale. FASB ASC Topic 815 requires that these commitments be recorded at their fair values as derivatives. The net impact on our financial position and earnings resulting from these derivatives contracts has not been significant.

ITEM 4. CONTROLS AND PROCEDURES

Our policy for disclosure controls and procedures provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Our Disclosure Committee consisting of the principal accounting officer, general counsel, chief communication officer, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(c) as of the end of the period covered by this report.

No changes in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to our legal proceedings as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents**ITEM 6. EXHIBITS****Exhibit**

Number	Description
3.1	Restated Certificate of Incorporation of CBRE Group, Inc. filed on June 16, 2004, as amended by the Certificate of Amendment filed on June 4, 2009 and the Certificate of Ownership and Merger filed on October 3, 2011 (incorporated by reference to Exhibit 3.1 of the CBRE Group, Inc. Quarterly Report on Form 10-Q filed with the SEC on November 9, 2011)
3.2	Second Amended and Restated By-laws of CBRE Group, Inc. (incorporated by reference to Exhibit 3.2 of the CBRE Group, Inc. Current Report on Form 8-K filed with the SEC on October 3, 2011)
4.1(a)	Securityholders Agreement, dated as of July 20, 2001 (Securityholders Agreement), by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc., Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Credit Suisse First Boston Corporation, DLJ Investment Funding, Inc., The Koll Holding Company, Frederic V. Malek, the management investors named therein and the other persons from time to time party thereto (incorporated by reference to Exhibit 25 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
4.1(b)	Amendment and Waiver to Securityholders Agreement, dated as of April 14, 2004, by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.2(b) of the CB Richard Ellis Group, Inc. Amendment No. 2 to Registration Statement on Form S-1 filed with the SEC (No. 333-112867) on April 30, 2004)
4.1(c)	Second Amendment and Waiver to Securityholders Agreement, dated as of November 24, 2004, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and certain of the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.2(c) of the CB Richard Ellis Group, Inc. Amendment No. 1 to Registration Statement on Form S-1 filed with the SEC (No. 333-120445) on November 24, 2004)
4.1(d)	Third Amendment and Waiver to Securityholders Agreement, dated as of August 1, 2005, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and certain of the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on August 2, 2005)
4.2(a)	Indenture, dated as of June 18, 2009, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on June 23, 2009)
4.2(b)	Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on September 10, 2009)
4.2(c)	Form of Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on July 29, 2011)

Table of Contents**Exhibit**

Number	Description
4.3(a)	Indenture, dated as of October 8, 2010, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 6.625% Senior Notes Due October 15, 2020 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on October 12, 2010)
4.3(b)	Form of Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 6.625% Senior Notes Due October 15, 2020 (incorporated by reference to Exhibit 4.2 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on July 29, 2011)
10.1	CBRE Services, Inc. 401(k) Plan, as Amended and Restated, effective January 1, 2011+*
11	Statement concerning Computation of Per Share Earnings (filed as Note 12 of the Consolidated Financial Statements)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

In the foregoing description of exhibits, references to CB Richard Ellis Group, Inc. are to CBRE Group, Inc., references to CB Richard Ellis Services, Inc. are to CBRE Services, Inc., and references to CB Richard Ellis, Inc. are to CBRE Inc., in each case, prior to their respective name changes, which became effective October 3, 2011.

+ Denotes a management contract or compensatory arrangement

* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CBRE GROUP, INC.

Date: November 9, 2012

/s/ GIL BOROK
Gil Borok
Chief Financial Officer (principal financial officer)

Date: November 9, 2012

/s/ ARLIN GAFFNER
Arlin Gaffner
Chief Accounting Officer (principal accounting officer)