CBRE GROUP, INC.
Form 10-Q
November 09, 2015
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, 2015

or

¨ **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)**
400 South Hope Street, 25th Floor **Los Angeles, California** **(Address of principal executive offices)**	**90071** **(Zip Code)**
(213) 613-3333 **(Registrant s telephone number, including area code)**	**Not applicable** **(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 x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	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 x.

The number of shares of Class A common stock outstanding at October 30, 2015 was 334,166,504.

Table of Contents

FORM 10-Q

September 30, 2015

TABLE OF CONTENTS

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 440,357	$ 740,884
Restricted cash	67,190	28,090
Receivables, less allowance for doubtful accounts of $42,413 and $41,831 at September 30, 2015 and December 31, 2014, respectively	2,275,025	1,736,229
Warehouse receivables	585,860	506,294
Trading securities	62,609	62,804
Income taxes receivable	22,930	12,709
Prepaid expenses	163,038	142,719
Deferred tax assets, net	213,398	205,866
Real estate and other assets held for sale		3,845
Real estate under development	2,796	
Available for sale securities	1,276	663
Other current assets	145,168	84,401
Total Current Assets	3,979,647	3,524,504
Property and equipment, net	503,666	497,926
Goodwill	2,997,042	2,333,821
Other intangible assets, net of accumulated amortization of $551,047 and $463,400 at September 30, 2015 and December 31, 2014, respectively	1,527,123	802,360
Investments in unconsolidated subsidiaries	231,905	218,280
Real estate under development	20,501	4,630
Real estate held for investment	20,299	37,129
Available for sale securities	55,780	59,512
Other assets, net	219,501	143,348
Total Assets	$ 9,555,464	$ 7,621,510

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

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

(Dollars in thousands, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,320,325	$ 827,530
Compensation and employee benefits payable	641,412	623,814
Accrued bonus and profit sharing	542,530	788,858
Short-term borrowings:		
Warehouse lines of credit	578,445	501,185
Revolving credit facility	400,500	4,840
Other	18,543	25
Total short-term borrowings	997,488	506,050
Current maturities of long-term debt	30,186	42,407
Notes payable on real estate	3,444	23,229
Other current liabilities	68,878	63,746
Total Current Liabilities	3,604,263	2,875,634
Long-Term Debt:		
Senior term loans, net of unamortized debt issuance costs of $10,410 and $7,537 at September 30, 2015 and December 31, 2014, respectively	854,590	598,426
5.00% senior notes, net of unamortized debt issuance costs of $11,161 and $12,053 at September 30, 2015 and December 31, 2014, respectively	788,839	787,947
4.875% senior notes, net of unamortized debt issuance costs of $5,105 at September 30, 2015	590,380	
5.25% senior notes, net of unamortized debt issuance costs of $4,815 and $4,607 at September 30, 2015 and December 31, 2014, respectively	421,913	422,206
Other long-term debt	3	26
Total Long-Term Debt	2,655,725	1,808,605
Notes payable on real estate, net of unamortized debt issuance costs of $1,164 and $1,398 at September 30, 2015 and December 31, 2014, respectively	27,993	18,216
Deferred tax liabilities, net	204,031	149,233
Non-current tax liabilities	50,516	46,003
Pension liability	85,998	92,923
Other liabilities	337,413	329,498
Total Liabilities	6,965,939	5,320,112

Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 334,166,504 and 332,991,031 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	3,342	3,330
Additional paid-in capital	1,080,607	1,039,425
Accumulated earnings	1,908,184	1,541,095
Accumulated other comprehensive loss	(446,454)	(324,020)
Total CBRE Group, Inc. Stockholders Equity	2,545,679	2,259,830
Non-controlling interests	43,846	41,568
Total Equity	2,589,525	2,301,398
Total Liabilities and Equity	$ 9,555,464	$ 7,621,510

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

2

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,	
	2015	**2014**	**2015**	**2014**
Revenue	$ 2,712,559	$ 2,275,076	$ 7,155,568	$ 6,262,724
Costs and expenses:				
Cost of services	1,773,660	1,428,986	4,552,411	3,904,919
Operating, administrative and other	626,905	601,026	1,768,838	1,695,623
Depreciation and amortization	75,047	67,159	215,498	195,657
Total costs and expenses	2,475,612	2,097,171	6,536,747	5,796,199
Gain on disposition of real estate	3,154	7,235	10,140	37,102
Operating income	240,101	185,140	628,961	503,627
Equity income from unconsolidated subsidiaries	17,242	43,300	39,386	67,564
Other (loss) income	(4,945)	(113)	(4,927)	11,052
Interest income	1,158	1,598	4,857	4,321
Interest expense	30,699	27,841	83,067	84,326
Write-off of financing costs		23,087	2,685	23,087
Income before provision for income taxes	222,857	178,997	582,525	479,151
Provision for income taxes	72,866	69,305	206,243	171,318
Net income	149,991	109,692	376,282	307,833
Less: Net income attributable to non-controlling interests	868	2,593	9,193	27,607
Net income attributable to CBRE Group, Inc.	$ 149,123	$ 107,099	$ 367,089	$ 280,226
Basic income per share attributable to CBRE Group, Inc.	$ 0.45	$ 0.32	$ 1.10	$ 0.85
Weighted average shares outstanding for basic income per share	332,684,487	330,419,006	332,223,036	330,197,240
	$ 0.44	$ 0.32	$ 1.09	$ 0.84

Diluted income per share attributable to CBRE Group, Inc.				
Weighted average shares outstanding for diluted income per share	336,561,877	334,293,046	336,140,923	333,855,131

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

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 149,991	$ 109,692	$ 376,282	$ 307,833
Other comprehensive loss:				
Foreign currency translation loss	(69,728)	(109,122)	(117,640)	(72,676)
Fees associated with termination of interest rate swaps, net of tax	(3,748)		(3,748)	
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	1,873	1,844	5,477	5,470
Unrealized (losses) gains on interest rate swaps and interest rate caps, net of tax	(2,924)	854	(5,435)	(3,460)
Unrealized holding (losses) gains on available for sale securities, net of tax	(1,182)	186	(1,111)	(670)
Other, net	(18)	76		211
Total other comprehensive loss	(75,727)	(106,162)	(122,457)	(71,125)
Comprehensive income	74,264	3,530	253,825	236,708
Less: Comprehensive income attributable to non-controlling interests	861	2,533	9,170	27,556
Comprehensive income attributable to CBRE Group, Inc.	$ 73,403	$ 997	$ 244,655	$ 209,152

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, 2015	Nine Months Ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 376,282	$ 307,833
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	215,498	195,657
Amortization and write-off of financing costs	9,703	11,172
Write-down of impaired assets		8,615
Gain on sale of loans, servicing rights and other assets	(105,178)	(60,299)
Net realized and unrealized losses (gains) from investments	4,927	(10,637)
Gain on disposition of real estate held for investment	(8,573)	(28,005)
Equity income from unconsolidated subsidiaries	(39,386)	(67,564)
Provision for doubtful accounts	7,039	6,425
Deferred income taxes	(5,466)	6,304
Compensation expense related to equity awards	48,119	44,130
Incremental tax benefit from stock options exercised	(2,270)	(803)
Distribution of earnings from unconsolidated subsidiaries	22,900	18,556
Tenant concessions received	6,770	15,356
Purchase of trading securities	(64,442)	(50,973)
Proceeds from sale of trading securities	57,901	47,830
Increase in receivables	(3,022)	(138,937)
Increase in prepaid expenses and other assets	(71,762)	(25,761)
(Increase) decrease in real estate held for sale and under development	(11,542)	16,417
Increase (decrease) in accounts payable and accrued expenses	4,490	(44,543)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(269,396)	(74,914)
Increase in income taxes receivable/payable	(4,584)	(99,872)
(Decrease) increase in other liabilities	(12,800)	421
Other operating activities, net	(12,798)	(7,930)
Net cash provided by operating activities	142,410	68,478
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(85,324)	(92,618)
Acquisition of Global Workplace Solutions (GWS), including net assets acquired, intangibles and goodwill, net of cash acquired	(1,421,663)	

Acquisition of businesses (other than GWS), including net assets acquired, intangibles and goodwill, net of cash acquired	(103,140)	(132,541)
Contributions to unconsolidated subsidiaries	(45,792)	(40,103)
Distributions from unconsolidated subsidiaries	42,738	62,978
Net proceeds from disposition of real estate held for investment	3,584	77,278
Additions to real estate held for investment	(1,773)	(5,043)
Proceeds from the sale of servicing rights and other assets	21,434	18,169
(Increase) decrease in restricted cash	(41,864)	4,431
Purchase of available for sale securities	(31,919)	(68,984)
Proceeds from the sale of available for sale securities	33,063	61,357
Other investing activities, net	(1,290)	570
Net cash used in investing activities	(1,631,946)	(114,506)

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

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior term loans	$ 900,000	$
Repayment of senior term loans	(651,863)	(29,738)
Proceeds from revolving credit facility	2,107,500	1,688,568
Repayment of revolving credit facility	(1,711,512)	(1,672,359)
Proceeds from issuance of 4.875% senior notes, net	595,440	
Proceeds from issuance of 5.25% senior notes		300,000
Proceeds from notes payable on real estate held for investment		5,022
Repayment of notes payable on real estate held for investment	(1,173)	(27,241)
Proceeds from notes payable on real estate held for sale and under development	12,584	4,884
Repayment of notes payable on real estate held for sale and under development		(44,959)
Proceeds from short-term borrowings, net	15,862	4,545
Shares repurchased for payment of taxes on equity awards	(24,517)	(16,656)
Proceeds from exercise of stock options	6,755	4,466
Incremental tax benefit from stock options exercised	2,270	803
Non-controlling interests contributions	4,691	1,415
Non-controlling interests distributions	(13,595)	(31,998)
Payment of financing costs	(30,130)	(3,149)
Other financing activities, net	(2,142)	(1,446)
Net cash provided by financing activities	1,210,170	182,157
Effect of currency exchange rate changes on cash and cash equivalents	(21,161)	(12,683)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(300,527)	123,446
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	740,884	491,912
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 440,357	$ 615,358
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 80,822	$ 80,636
Income tax payments, net	$ 210,634	$ 266,210

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					
	Class A common stock	**Additional paid-in capital**	**Accumulated earnings**	**Accumulated other comprehensive loss**	**Non-controlling interests**	**Total**
Balance at December 31, 2014	$ 3,330	$ 1,039,425	$ 1,541,095	$ (324,020)	$ 41,568	$ 2,301,398
Net income			367,089		9,193	376,282
Stock options exercised (including tax benefit)	5	9,020				9,025
Restricted stock awards vesting (including tax benefit)	9	7,778				7,787
Compensation expense for equity awards		48,119				48,119
Shares repurchased for payment of taxes on equity awards	(3)	(24,514)				(24,517)
Foreign currency translation loss				(117,617)	(23)	(117,640)
Fees associated with termination of interest rate swaps, net of tax (see Note 6)				(3,748)		(3,748)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax				5,477		5,477
Unrealized losses on interest rate swaps, net of tax				(5,435)		(5,435)
Unrealized holding losses on available for sale securities, net of tax				(1,111)		(1,111)
Contributions from non-controlling interests					4,691	4,691
Distributions to non-controlling interests					(13,595)	(13,595)
Other	1	779			2,012	2,792

Balance at September 30, 2015	$ 3,342	$ 1,080,607	$ 1,908,184	$ (446,454)	$ 43,846	$ 2,589,525

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

7

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 th rules applicable to Quarterly Reports on 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 our opinion, 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 us 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 goodwill, intangibles and other long-lived assets, 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 our best judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjust 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. Certain reclassifications have been made to the 2014 financial statements to conform with the 2015 presentation.

The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2015. The unaudited interim 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, 2014, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2014.

2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03) and in August 2015 issued ASU 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and requires the use of the retrospective method. ASU 2015-15 permits classifying debt issuance costs associated with a line of credit arrangement as an asset, regardless of whether there are any outstanding borrowings on the arrangement. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. ASU 2015-15 is effective upon the adoption of ASU 2015-03.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

We elected to early adopt the provisions of ASU 2015-03 during the third quarter of 2015 and balance sheet amounts as of December 31, 2014 have been reclassified to conform to the current period presentation. As of December 31, 2014, $25.6 million of debt issuance costs were reclassified from other assets and netted against the related debt liabilities in the accompanying consolidated balance sheet as follows (dollars in thousands):

5.00% senior notes	$ 12,053
Senior term loans	7,537
5.25% senior notes	4,607
Notes payable on real estate	1,398
Total reclassified	$ 25,595

The adoption of ASU 2015-03 had no impact on our consolidated results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* (ASU 2015-16). This ASU eliminates the requirement to restate prior period financial statements for measurement period adjustments related to business combinations. The new guidance requires that the cumulative impact of a measurement period adjustment, including the impact on prior periods, be recognized in the reporting period in which the adjustment is identified. This ASU is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. We elected to early adopt the provisions of ASU 2015-16 during the third quarter of 2015. The adoption of ASU 2015-16 had no impact on our consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements Pending Adoption

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective on January 1, 2018. This ASU permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of this ASU on our ongoing financial reporting.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* This ASU provides consolidation guidance for legal entities such as limited partnerships, limited liability corporations and securitization structures. ASU 2015-02 offers updated consolidation evaluation criteria and may require additional disclosures. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. We do not believe the adoption of ASU 2015-02 will have a material impact on our consolidated financial position, results of operations or disclosure requirements of our consolidated financial statements.

3. Acquisition of Global Workplace Solutions

On March 31, 2015, CBRE, Inc., our wholly-owned subsidiary, entered into a Stock and Asset Purchase Agreement with Johnson Controls, Inc. (JCI) to acquire JCI s Global Workplace Solutions (GWS) business. The acquired GWS business is a market-leading provider of Integrated Facilities Management solutions for major occupiers of commercial real estate and has significant operations around the world. This acquisition (which we refer to as the GWS Acquisition) closed on September 1, 2015. The purchase price was $1.475 billion, payable in cash, with

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

adjustments for working capital and other items. We completed the GWS Acquisition in order to advance our strategy of delivering globally integrated services to major occupiers in our Americas, EMEA and Asia Pacific segments. GWS has been merged with our occupier outsourcing business line, and the new combined business has adopted the Global Workplace Solutions name.

We financed the transaction with: (i) a new issuance in August 2015 of $600.0 million in aggregate principal amount of 4.875% senior notes due March 1, 2026; (ii) borrowings in September 2015 of $400.0 million in aggregate principal amount of new tranche B-1 and tranche B-2 term loan facilities under our 2015 Credit Agreement; (iii) borrowings under our existing revolving credit facility under our 2015 Credit Agreement; and (iv) cash on hand. See Note 11 for more information on the abovementioned debt instruments.

The following represents a summary of the excess purchase price over the estimated fair value of net assets acquired (dollars in thousands):

Estimated purchase price	$ 1,511,010
Less estimated fair value of net assets acquired (see table below)	(781,946)
Excess purchase price over estimated fair value of net assets acquired	$ 729,064

The preliminary purchase accounting adjustments related to the GWS Acquisition have 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 goodwill arising from the GWS Acquisition consists largely of the synergies and economies of scale expected from combining the operations acquired from GWS with ours. Of the $729 million of goodwill recorded in connection with the GWS Acquisition, only approximately $423 million is deductible for tax purposes. The assignment of goodwill to our reporting units has not been completed. Given the complexity of the transaction, the calculation of the fair value of certain assets and liabilities acquired, including intangible assets and income tax items, is still preliminary. The purchase price allocation is expected to be completed as soon as practicable, but no later than one year from the acquisition date. The following table summarizes the aggregate estimated fair values of the assets acquired and the liabilities assumed in the GWS Acquisition (dollars in thousands):

Cash and cash equivalents	$ 89,347
Receivables, net	601,299
Prepaid expenses	7,825
Deferred tax assets, current	5,154
Other current assets	26,940
Property and equipment	21,027

Other intangible assets	736,250
Other assets	40,677
Total assets acquired	1,528,519
Accounts payable and accrued expenses	567,604
Compensation and employee benefits payable	53,901
Accrued bonus and profit sharing	28,040
Income taxes payable	2,425
Other current liabilities	11,963
Deferred tax liabilities, long-term	62,418
Other liabilities	19,018
Total liabilities assumed	745,369
Non-controlling interests acquired	1,204
Estimated fair value of net assets acquired	$ 781,946

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following is a summary of the preliminary estimate of the amortizable intangible assets acquired in connection with the GWS Acquisition (dollars in thousands):

Intangible Asset Class	**Weighted Average Amortization Period**	**Amount Assigned At Acquisition Date**
Trademarks	20 years	$ 450,500
Customer relationships	10 years	212,000
Non-compete agreements	3 years	73,750
Total amortizable intangibles acquired	15 years	$ 736,250

The consolidated statement of operations for the three and nine months ended September 30, 2015 includes revenue, operating income and net income attributable to CBRE Group, Inc. of $236.6 million, $13.1 million and $8.6 million, respectively, attributable to the GWS Acquisition. This does not include direct transaction and integration costs incurred during the three and nine months ended September 30, 2015 of $16.9 million and $24.9 million, respectively, in connection with the GWS Acquisition.

Pro forma results, assuming the GWS Acquisition had occurred as of January 1, 2014 for purposes of the 2015 and 2014 pro forma disclosures, are presented below. They include certain adjustments for the three and nine months ended September 30, 2015, including $17.1 million and $51.2 million, respectively, of increased amortization expense as a result of intangible assets acquired in the GWS Acquisition, $9.7 million and $30.6 million, respectively, of additional interest expense as a result of debt incurred to finance the GWS Acquisition, the removal of $16.9 million and $24.9 million, respectively, of direct costs incurred by us related to the GWS Acquisition, and the tax impact for the three and nine months ended September 30, 2015 of these pro forma adjustments. They also include certain adjustments for the three and nine months ended September 30, 2014, including $17.1 million and $51.2 million, respectively, of increased amortization expense as a result of intangible assets acquired in the GWS Acquisition, $10.5 million and $31.5 million, respectively, of additional interest expense as a result of debt incurred to finance the GWS Acquisition, and the tax impact for the three and nine months ended September 30, 2014 of these pro forma adjustments. These 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 GWS Acquisition occurred on January 1, 2014 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended September 30,	**Nine Months Ended September 30,**

	2015	2014	2015	2014
Revenue	$ 3,210,559	$ 3,135,826	$ 9,272,568	$ 8,844,974
Operating income	$ 259,260	$ 171,562	$ 665,985	$ 462,896
Net income attributable to CBRE Group, Inc.	$ 157,206	$ 91,396	$ 374,193	$ 233,013
Basic income per share	$ 0.47	$ 0.28	$ 1.13	$ 0.71
Weighted average shares outstanding for basic income per share	332,684,487	330,419,006	332,223,036	330,197,240
Diluted income per share	$ 0.47	$ 0.27	$ 1.11	$ 0.70
Weighted average shares outstanding for diluted income per share	336,561,877	334,293,046	336,140,923	333,855,131

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. Variable Interest Entities (VIEs)

A consolidated subsidiary (the Venture) in our Global Investment Management segment 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 were owned by the third-party investors. The Venture also formed and was a member of a limited liability company for each property that served as master tenant (Master Tenant). Each Master Tenant leased the property from the Entities through a master lease agreement. Pursuant to the master lease agreements, the Master Tenant had the power to direct the day-to-day asset management activities that most significantly impacted 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 did not direct the day-to-day activities that most significantly impacted the economic performance of the properties held by the Entities. The Venture made voluntary contributions to each of these properties to support their operations beyond the cash flow generated by the properties themselves and such financial support was significant enough that the Venture was deemed to be the primary beneficiary of each Entity. During the first half of 2014, the remaining two commercial properties were sold.

The Venture did not provide any financial support to the Entities during the nine months ended September 30, 2014. The assets of the Entities were the sole collateral for the mortgage notes payable and other liabilities of the Entities and, as such, the creditors and equity investors of these Entities had no recourse to our assets held outside of these Entities.

Operating results relating to the Entities for the nine months ended September 30, 2014 (none for the three months ended September 30, 2014) included the following (dollars in thousands):

Revenue	$ 3,561
Operating, administrative and other expenses	$ 2,588
Gain on disposition of real estate	$ 23,028
Net income attributable to non-controlling interests	$ 21,724

We also 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, 2015 and December 31, 2014, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	September 30, 2015	December 31, 2014
	$ 22,189	$ 26,353

Investments in unconsolidated subsidiaries				
Other assets, current		3,621		3,337
Co-investment commitments		180		200
Maximum exposure to loss	$	25,990	$	29,890

5. Fair Value Measurements

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification (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

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 or out of Level 1 and Level 2 during the three and nine months ended September 30, 2015 and 2014.

There have been no significant changes to the valuation techniques and inputs used to develop the recurring fair value measurements from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014. The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	As of September 30, 2015			
	Fair Value Measured and Recorded Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available for sale securities:				
U.S. treasury securities	$ 6,236	$	$	$ 6,236
Debt securities issued by U.S. federal agencies		4,351		4,351
Corporate debt securities		18,682		18,682
Asset-backed securities		2,552		2,552
Collateralized mortgage obligations		1,814		1,814
Total debt securities	6,236	27,399		33,635
Equity securities	23,421			23,421

Total available for sale securities	29,657	27,399		57,056
Trading securities	62,609			62,609
Warehouse receivables		585,860		585,860
Loan commitments			9,445	9,445
Foreign currency exchange forward contracts		10,846		10,846
Total assets at fair value	$ 92,266	$ 624,105	$ 9,445	$ 725,816
Liabilities				
Interest rate swaps	$	$ 26,919	$	$ 26,919
Securities sold, not yet purchased	4,640			4,640
Foreign currency exchange forward contracts		1,260		1,260
Total liabilities at fair value	$ 4,640	$ 28,179	$	$ 32,819

13

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	As of December 31, 2014 Fair Value Measured and Recorded Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available for sale securities:				
U.S. treasury securities	$ 4,813	$	$	$ 4,813
Debt securities issued by U.S. federal agencies		6,690		6,690
Corporate debt securities		16,664		16,664
Asset-backed securities		3,755		3,755
Collateralized mortgage obligations		1,959		1,959
Total debt securities	4,813	29,068		33,881
Equity securities	26,294			26,294
Total available for sale securities	31,107	29,068		60,175
Trading securities	62,804			62,804
Warehouse receivables		506,294		506,294
Loan commitments			2,372	2,372
Foreign currency exchange forward contracts		1,235		1,235
Total assets at fair value	$ 93,911	$ 536,597	$ 2,372	$ 632,880
Liabilities				
Interest rate swaps	$	$ 26,895	$	$ 26,895
Securities sold, not yet purchased	1,830			1,830
Foreign currency exchange forward contracts		1,397		1,397
Total liabilities at fair value	$ 1,830	$ 28,292	$	$ 30,122

The following table provides additional information about fair value measurements for the Level 3 assets for the nine months ended September 30, 2015 (dollars in thousands):

Balance at January 1, 2015	$ 2,372
Net gains included in earnings	20,029
Settlements	(12,956)
Transfers into (out of) Level 3	

Ending balance at September 30, 2015	$ 9,445

There were no significant non-recurring fair value measurements recorded during the three and nine months ended September 30, 2015. The following non-recurring fair value measurements were recorded during the three and nine months ended September 30, 2014 (dollars in thousands):

	Net Carrying Value as of September 30, 2014	Fair Value Measured and Recorded Using Level 1	Level 2	Level 3	Total Impairment Charges for the Three and Nine Months Ended September 30, 2014
Property and equipment	$	$	$	$	$ 8,615

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Property and Equipment

During the three and nine months ended September 30, 2014, we recorded an asset impairment of $8.6 million in our Americas segment. This non-cash write-off resulted from the decision (due to a change in strategy) to abandon a property database platform that was being developed in the U.S. This impairment charge was included within operating, administrative and other expenses in the accompanying consolidated statements of operations.

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 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.

Warehouse Receivables: These balances are carried at fair value based on market prices at the balance sheet date.

Trading and Available for Sale Securities: These investments are carried at their fair value.

Foreign Currency Exchange Forward Contracts and Loan Commitments: These assets and liabilities are carried at their fair value as calculated by using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative (see Note 6).

Securities Sold, not yet Purchased: These liabilities are carried at their fair value.

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

Senior 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 term loans was approximately $893.8 million and $645.1 million at September 30, 2015 and December 31, 2014, respectively. Their actual carrying value, net of unamortized debt issuance costs, totaled $883.3 million and $638.1 million at September 30, 2015 and December 31, 2014, respectively (see Note 11).

Interest Rate Swaps: These liabilities are carried at their fair value as calculated by using widely-accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative (see Note 6).

5.00% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 5.00% senior notes was $805.5 million and $818.0 million at September 30, 2015 and December 31, 2014, respectively. Their actual carrying value, net of unamortized debt issuance costs, totaled $788.8 million and $787.9 million at September 30, 2015 and December 31, 2014, respectively.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4.875% Senior Notes: On August 13, 2015, CBRE Services, Inc. (CBRE), our wholly-owned subsidiary, issued $600.0 million in aggregate principal amount of 4.875% senior notes due March 1, 2026 (see Note 11). Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 4.875% senior notes was $596.4 million at September 30, 2015. Their actual carrying value, net of unamortized debt issuance costs, totaled $590.4 million at September 30, 2015.

5.25% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 5.25% senior notes was $430.5 million and $439.7 million at September 30, 2015 and December 31, 2014, respectively. Their actual carrying value, net of unamortized debt issuance costs, totaled $421.9 million and $422.2 million at September 30, 2015 and December 31, 2014, respectively.

Notes Payable on Real Estate: As of September 30, 2015 and December 31, 2014, the carrying value of our notes payable on real estate, net of unamortized debt issuance costs, was $31.4 million and $41.4 million, respectively (see Note 10). These notes payable were not recourse to CBRE Group, Inc., except for being recourse to the single-purpose entities that held the real estate assets and were the primary obligors on the notes payable. These borrowings have either fixed interest rates or floating interest rates at spreads added to a market index. Although it is possible that certain portions of our notes payable on real estate may have fair values that differ from their carrying values, based on the terms of such loans as compared to current market conditions, or other factors specific to the borrower entity, we do not believe that the fair value of our notes payable is significantly different than their carrying value.

6. Derivative Financial Instruments

We are exposed to certain risks arising from both our business operations and economic conditions. We manage economic risks, including interest rate, liquidity and credit risk primarily by managing the amount, sources and duration of our debt funding and by using derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known but uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash payments principally related to our borrowings. We do not net derivatives on our balance sheet. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy.

In July 2015, we entered into three interest rate swap agreements with an aggregate notional amount of $300.0 million, all with effective dates in August 2015, and designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. We structured these swap agreements to attempt to hedge the variability of future interest payments due to changes in interest rates prior to us issuing the 4.875% senior notes (see Note 11). There was no hedge ineffectiveness for the three and nine months ended September 30, 2015. In August 2015, we elected to terminate these agreements and paid a $6.2 million cash settlement, which has been recorded to accumulated other comprehensive loss in the accompanying consolidated balance sheets and is being amortized to interest expense throughout the remaining term of the terminated hedge transaction until August 2025. We reclassified $0.1 million for the three and nine months ended September 30, 2015 from accumulated other comprehensive loss to interest expense. During the next twelve months, we estimate that $0.6 million will be reclassified from accumulated other comprehensive loss to interest expense.

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. The purpose of these interest rate swap agreements is to attempt to hedge potential changes to our cash flows due to the variable

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

interest nature of our senior 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. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. There was no significant hedge ineffectiveness for the three and nine months ended September 30, 2015 and 2014. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive loss on the balance sheet and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. We reclassified $3.0 million and $8.9 million for the three and nine months ended September 30, 2015, respectively, and $3.0 million and $9.0 million for the three and nine months ended September 30, 2014, respectively, from accumulated other comprehensive loss to interest expense. During the next twelve months, we estimate that $11.0 million will be reclassified from accumulated other comprehensive loss to interest expense. In addition, we recorded net losses of $4.8 million and $8.9 million for the three and nine months ended September 30, 2015, respectively, and a net gain of $1.4 million and a net loss of $5.8 million for the three and nine months ended September 30, 2014, respectively, to other comprehensive income/loss in relation to such interest rate swap agreements. As of both September 30, 2015 and December 31, 2014, the fair values of such interest rate swap agreements were reflected as a $26.9 million liability, and were included in other long-term liabilities in the accompanying consolidated balance sheets.

Additionally, our foreign operations expose us to fluctuations in foreign exchange rates. These fluctuations may impact the value of our cash receipts and payments in terms of our functional (reporting) currency, which is U.S. dollars. We enter into derivative financial instruments to attempt to protect the value or fix the amount of certain obligations in terms of our reporting currency, the U.S. dollar. In March 2014, we began a foreign currency exchange forward hedging program by entering into 38 foreign currency exchange forward contracts, including agreements to buy U.S. dollars and sell Australian dollars, British pound sterling, Canadian dollars, euros and Japanese yen, covering an initial notional amount of $209.7 million. The purpose of these forward contracts is to attempt to mitigate the risk of fluctuations in foreign currency exchange rates that would adversely impact some of our foreign currency denominated EBITDA. Hedge accounting was not elected for any of these contracts. As such, changes in the fair values of these contracts are recorded directly in earnings. Included in the consolidated statement of operations were net gains of $9.3 million and $16.6 million from foreign currency exchange forward contracts for the three and nine months ended September 30, 2015, respectively, and net gains of $7.7 million and $4.5 million from foreign currency exchange forward contracts for the three and nine months ended September 30, 2014. As of September 30, 2015, we had 59 foreign currency exchange forward contracts outstanding covering a notional amount of $299.9 million. As of September 30, 2015, the fair value of forward contracts with seven counterparties aggregated to a $10.7 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of September 30, 2015, the fair value of forward contracts with four counterparties aggregated to a $1.1 million liability position, which was included in other current liabilities in the accompanying consolidated balance sheets. As of December 31, 2014, the fair value of forward contracts with two counterparties aggregated to a $0.5 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of December 31, 2014, the fair value of forward contracts with four counterparties aggregated to a $1.3 million liability position, which was included in other current liabilities in the accompanying consolidated balance sheets.

We also routinely monitor our exposure to currency exchange rate changes in connection with certain transactions and sometimes enter into foreign currency exchange option and forward contracts to limit our exposure to such transactions, as appropriate. In the ordinary course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange contracts to attempt to mitigate foreign currency exchange exposure resulting from intercompany loans. Included in the consolidated statements of operations were net gains of $0.4 million and $0.2 million for the three and nine months ended September 30,

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2015, respectively, and net gains of $3.1 million and $2.9 million for the three and nine months ended September 30, 2014, respectively, resulting from net losses/gains on these foreign currency exchange option and forward contracts. As of September 30, 2015, we had four foreign currency exchange option and forward contracts outstanding covering a notional amount of $33.1 million. As of September 30, 2015, the fair value of forward contracts with one counterparty aggregated to a $0.1 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. In addition, as of September 30, 2015, the fair value of forward contracts with one counterparty aggregated to a $0.2 million liability position, which was included in other current liabilities in the accompanying consolidated balance sheets. As of December 31, 2014, the fair value of forward contracts with one counterparty aggregated to a $0.8 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of December 31, 2014, the fair value of forward contracts with one counterparty aggregated to a $0.1 million liability position, which was included in other current liabilities in the accompanying consolidated balance sheets.

We also enter into loan commitments that relate to the origination 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. Included in the consolidated statements of operations were net gains of $9.4 million and $20.0 million for the three and nine months ended September 30, 2015, respectively, resulting from these loan commitments. The net impact on earnings resulting from gains and/or losses associated with these loan commitments during the three and nine months ended September 30, 2014 was not significant. As of September 30, 2015, the fair value of such contracts with three counterparties aggregated to a $9.4 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of December 31, 2014, the fair value of such contracts with three counterparties aggregated to a $2.4 million asset position, which was included in other current assets in the accompanying consolidated balance sheets.

7. 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,	
	2015	2014	2015	2014
Global Investment Management:				
Revenue	$ 221,245	$ 211,357	$ 728,144	$ 637,605
Operating (loss) income	$ (26,625)	$ 93,731	$ (107,351)	$ (228,168)
Net income (loss)	$ 56,182	$ 18,413	$ (175,014)	$ (235,559)

Development Services:				
Revenue	$ 22,690	$ 11,248	$ 42,265	$ 34,083
Operating income	$ 13,316	$ 11,736	$ 54,664	$ 30,143
Net income	$ 9,812	$ 8,855	$ 47,299	$ 24,066
Other:				
Revenue	$ 52,535	$ 42,106	$ 126,101	$ 113,688
Operating income	$ 10,961	$ 5,856	$ 25,592	$ 19,200
Net income	$ 11,126	$ 6,025	$ 26,027	$ 19,411
Total:				
Revenue	$ 296,470	$ 264,711	$ 896,510	$ 785,376
Operating (loss) income	$ (2,348)	$ 111,323	$ (27,095)	$ (178,825)
Net income (loss)	$ 77,120	$ 33,293	$ (101,688)	$ (192,082)

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Our Global Investment Management segment invests 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.

8. 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 within other current liabilities in the accompanying consolidated balance sheets.

We did not hold any real estate and other assets for sale at September 30, 2015. Real estate and other assets held for sale and related liabilities at December 31, 2014 were as follows (dollars in thousands):

Assets:	
Real estate held for sale (see Note 9)	$ 3,840
Other current assets	5
Total real estate and other assets held for sale	3,845
Liabilities:	
Accounts payable and accrued expenses	61
Total liabilities related to real estate and other assets held for sale	61
Net real estate and other assets held for sale	$ 3,784

9. 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 segment and consisted of the following (dollars in thousands):

	September 30, 2015	December 31, 2014
Real estate included in assets held for sale (see Note 8)	$	$ 3,840
Real estate under development (current)	2,796	
Real estate under development (non-current)	20,501	4,630
Real estate held for investment (1)	20,299	37,129
Total real estate (2)	$ 43,596	$ 45,599

(1) Net of accumulated depreciation of $10.5 million and $12.3 million at September 30, 2015 and December 31, 2014, respectively.

(2) Includes balances for lease intangibles of $0.1 million and $3.6 million at September 30, 2015 and December 31, 2014, respectively. We record lease intangibles 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.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. Notes Payable on Real Estate

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

	September 30, 2015	December 31, 2014
Current portion of notes payable on real estate	$ 3,444	$ 23,229
Notes payable on real estate, non-current portion	27,993	18,216
Total notes payable on real estate	$ 31,437	$ 41,445

At both September 30, 2015 and December 31, 2014, none of our notes payable on real estate were recourse to CBRE Group, Inc., except for being recourse to the single-purpose entities that held the real estate assets and were the primary obligors on the notes payable.

11. Debt

We maintain credit facilities with third-party lenders, which we use for a variety of purposes. On March 28, 2013, we entered into a credit agreement (the 2013 Credit Agreement) with a syndicate of banks led by Credit Suisse AG (CS) as administrative and collateral agent, to completely refinance a previous credit agreement. On January 9, 2015, we entered into an amended and restated credit agreement (the 2015 Credit Agreement) with a syndicate of banks jointly led by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and CS. In January 2015, we used the proceeds from the tranche A term loan facility under the 2015 Credit Agreement and from the December 2014 issuance of $125.0 million of 5.25% senior notes due 2025, along with cash on hand, to pay off the prior tranche A and tranche B term loans and the balance on our revolving credit facility under the 2013 Credit Agreement. On September 3, 2015, we entered into an incremental assumption agreement with a syndicate of banks jointly led by Wells Fargo Securities, LLC and CS to establish new tranche B-1 and tranche B-2 term loan facilities under the 2015 Credit Agreement in an aggregate principal amount of $400.0 million.

The 2015 Credit Agreement is an unsecured credit facility that is jointly and severally guaranteed by us and substantially all of our material domestic subsidiaries. As of September 30, 2015, the 2015 Credit Agreement provides for the following: (1) a $2.6 billion revolving credit facility, which includes the capacity to obtain letters of credit and swingline loans and matures on January 9, 2020; (2) a $500.0 million tranche A term loan facility requiring quarterly principal payments, which began on June 30, 2015 and continue through maturity on January 9, 2020; (3) a $270.0 million tranche B-1 term loan facility requiring quarterly principal payments, which begin on December 31, 2015 and continue through maturity on September 3, 2020; and (4) a $130.0 million tranche B-2 term loan facility requiring quarterly principal payments, which begin on December 31, 2015 and continue through maturity on September 3, 2022.

The revolving credit facility under the 2015 Credit Agreement allows for borrowings outside of the United States (U.S.), with a $75.0 million sub-facility available to one of our Canadian subsidiaries, a $100.0 million sub-facility available to one of our Australian subsidiaries and one of our New Zealand subsidiaries and a $300.0 million sub-facility 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 2015 Credit Agreement. Borrowings under the revolving credit facility bear interest at varying rates, based at our option, on either (1) the applicable fixed rate plus 0.85% to 1.00% or (2) the daily rate, in each case as determined by reference to our Credit Rating (as defined in the 2015 Credit Agreement). The 2015 Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment (whether used or unused). As of September 30, 2015, we had $400.5 million of revolving credit facility principal outstanding under the 2015 Credit Agreement with a related weighted average annual interest rate of 1.3%, which was included in

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

short-term borrowings in the accompanying consolidated balance sheets. As of September 30, 2015, letters of credit totaling $2.0 million were outstanding under the revolving credit facility. These letters of credit, which reduce the amount we may borrow under the revolving credit facility, were primarily issued in the ordinary course of business. As of December 31, 2014, we had $4.8 million of revolving credit facility principal outstanding under the 2013 Credit Agreement with a related weighted average annual interest rate of 1.4%, which was included in short-term borrowings in the accompanying consolidated balance sheets.

Borrowings under the term loan facilities under the 2015 Credit Agreement as of September 30, 2015 bear interest, based at our option, on the following: for the tranche A term loan facility, on either (1) the applicable fixed rate plus 0.95% to 1.25% or (2) the daily rate plus 0.0% to 0.25%, in each case as determined by reference to our Credit Rating (as defined in the 2015 Credit Agreement); for the tranche B-1 term loan facility, on either (1) the applicable fixed rate plus 0.95% to 1.25% or (2) the daily rate plus 0.0% to 0.25%, in each case as determined by reference to our Credit Rating (as defined in the 2015 Credit Agreement); and for the tranche B-2 term loan facility, on either (1) the applicable fixed rate plus 1.40% to 1.70% or (2) the daily rate plus 0.40% to 0.75%, in each case as determined by reference to our Credit Rating (as defined in the 2015 Credit Agreement). As of September 30, 2015, we had $883.3 million of term loan borrowings outstanding, net of unamortized debt issuance costs, under the 2015 Credit Agreement (consisting of $486.7 million of tranche A term loan facility, $267.7 million of tranche B-1 term loan facility and $128.9 million of tranche B-2 term loan facility), which was included in the accompanying consolidated balance sheets. As of December 31, 2014, we had $638.1 million of term loan borrowings outstanding, net of unamortized debt issuance costs, under the 2013 Credit Agreement (consisting of $429.7 million of tranche A term loan facility and $208.4 million of tranche B term loan facility), which are also included in the accompanying consolidated balance sheets.

On August 13, 2015, CBRE issued $600.0 million in aggregate principal amount of 4.875% senior notes due March 1, 2026 at a price equal to 99.24% of their face value. The 4.875% 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 4.875% senior notes are jointly and severally guaranteed on a senior basis by us and each domestic subsidiary of CBRE that guarantees our 2015 Credit Agreement. Interest accrues at a rate of 4.875% per year and is payable semi-annually in arrears on March 1 and September 1, with the first interest payment to be made on March 1, 2016. The 4.875% senior notes are redeemable at our option, in whole or in part, prior to December 1, 2025 at a redemption price equal to the greater of (1) 100% of the principal amount of the 4.875% senior notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon to December 1, 2025 (not including any portions of payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semi-annual basis at the Adjusted Treasury Rate (as defined in the indenture governing these notes). In addition, at any time on or after December 1, 2025, the 4.875% senior notes may be redeemed by us, in whole or in part, at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption. If a change of control triggering event (as defined in the indenture governing these notes) occurs, we are obligated to make an offer to purchase the then outstanding 4.875% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. The amount of the 4.875% senior notes, net of unamortized debt issuance costs, included in the accompanying consolidated balance sheets was $590.4 million at September 30, 2015.

On September 26, 2014, CBRE issued $300.0 million in aggregate principal amount of 5.25% senior notes due March 15, 2025. On December 12, 2014, CBRE issued an additional $125.0 million in aggregate principal amount of 5.25% senior notes due March 15, 2025 at a price equal to 101.5% of their face value, plus interest deemed to have accrued from September 26, 2014. The 5.25% 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 5.25% senior notes are jointly and severally guaranteed on a senior basis by us and each domestic subsidiary of CBRE that guarantees our 2015 Credit Agreement. Interest accrues at a rate of 5.25% per year and is payable semi-annually in arrears on March 15 and September 15, beginning on March 15, 2015. The 5.25% senior notes are redeemable at our option, in whole or in part, prior to December 15, 2024 at a redemption price equal to the greater of (1) 100% of the principal amount of the 5.25% senior notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon to December 15, 2024 (not including any portions of payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semi-annual basis at the Adjusted Treasury Rate (as defined in the indentures governing these notes). In addition, at any time on or after December 15, 2024, the 5.25% senior notes may be redeemed by us, in whole or in part, at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption. If a change of control triggering event (as defined in the indenture governing these notes) occurs, we are obligated to make an offer to purchase the then outstanding 5.25% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. The amount of the 5.25% senior notes, net of unamortized debt issuance costs, included in the accompanying consolidated balance sheets was $421.9 million and $422.2 million at September 30, 2015 and December 31, 2014, respectively.

Our 2015 Credit Agreement and the indentures governing our 5.00% senior notes, 4.875% senior notes and 5.25% senior notes contain 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 2015 Credit Agreement also requires us to maintain a minimum coverage ratio of EBITDA (as defined in the 2015 Credit Agreement) to total interest expense of 2.00x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the 2015 Credit Agreement) of 4.25x as of the end of each fiscal quarter. Our coverage ratio of EBITDA to total interest expense was 11.01x for the trailing twelve months ended September 30, 2015, and our leverage ratio of total debt less available cash to EBITDA was 1.88x as of September 30, 2015.

On October 8, 2010, CBRE issued $350.0 million in aggregate principal amount of 6.625% senior notes due October 15, 2020. On September 26, 2014, we gave the 30-day notice required under the indenture of our intent to redeem all of the 6.625% senior notes. We redeemed these notes in full on October 27, 2014 in accordance with the provisions of the notes and associated indenture. In connection with this early redemption, we incurred charges of $23.1 million, including a premium of $17.4 million and the write-off of $5.7 million of unamortized deferred financing costs. Such charges were included in the write-off of financing costs for the three and nine months ended September 30, 2014 in the accompanying consolidated statements of operations.

12. 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. We believe that any losses in excess of the amounts accrued therefor as liabilities on our financial statements are unlikely to be significant, but 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 materially in excess of what we anticipated.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, entered into an agreement with Federal National Mortgage Association (Fannie Mae), under Fannie Mae s Delegated Underwriting and Servicing Lender Program (DUS Program), to provide financing for

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 select 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 $11.4 billion at September 30, 2015. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately $32.0 million at September 30, 2015. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves or other acceptable collateral under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of September 30, 2015 and December 31, 2014, CBRE MCI had a $35.0 million and a $29.0 million, respectively, letter of credit under this reserve arrangement, and had provided approximately $20.1 million and $16.8 million, respectively, of loan loss accruals. Fannie Mae s recourse under the DUS Program is limited to the assets of CBRE MCI, which assets totaled approximately $279.6 million (including $119.8 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, 2015.

We had outstanding letters of credit totaling $44.1 million as of September 30, 2015, 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. CBRE MCI s letter of credit totaling $35.0 million referred to in the preceding paragraph represented the majority of the $44.1 million outstanding letters of credit. The remaining letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through September 2016.

We had guarantees totaling $41.0 million as of September 30, 2015, 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 excluding guarantees related to operating leases. The $41.0 million primarily represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through July 2019, as well as various guarantees of management and vendor contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of September 30, 2015, we had issued numerous non-recourse carveout, completion and budget guarantees relating to development projects for the benefit of third parties. These guarantees are commonplace in our industry and are made by us in the ordinary course of our Development Services business. Non-recourse carveout guarantees generally require that our project-entity borrower not commit specified improper acts, with us potentially liable for all or a portion of such entity s indebtedness or other damages suffered by the lender if those acts occur. Completion and budget guarantees generally require 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 use guaranteed maximum price contracts with reputable, bondable 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.

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, 2015, we had aggregate commitments of $23.6 million to fund future co-investments.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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, 2015, we had committed to fund $23.0 million of additional capital to these unconsolidated subsidiaries.

13. 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,	
	2015	**2014**	**2015**	**2014**
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	$ 149,123	$ 107,099	$ 367,089	$ 280,226
Weighted average shares outstanding for basic income per share	332,684,487	330,419,006	332,223,036	330,197,240
Basic income per share attributable to CBRE Group, Inc. shareholders	$ 0.45	$ 0.32	$ 1.10	$ 0.85

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	$ 149,123	$ 107,099	$ 367,089	$ 280,226
Weighted average shares outstanding for basic income per share	332,684,487	330,419,006	332,223,036	330,197,240
Dilutive effect of contingently issuable shares	3,747,524	3,478,244	3,701,801	3,239,528
Dilutive effect of stock options	129,866	395,796	216,086	418,363

Weighted average shares outstanding for diluted income per share		336,561,877		334,293,046		336,140,923		333,855,131
Diluted income per share attributable to CBRE Group, Inc. shareholders	$	0.44	$	0.32	$	1.09	$	0.84

For both the three and nine months ended September 30, 2015, 743,638 of contingently issuable shares were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For both the three and nine months ended September 30, 2014, 47,639 of contingently issuable shares were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

For both the three and nine months ended September 30, 2014, options to purchase 582 shares of common stock were excluded from the computation of diluted earnings per share. These options were excluded because their inclusion would have had an anti-dilutive effect given that the options exercise prices were greater than the average market price of our common stock for such period.

14. Pensions

We have two contributory defined benefit pension plans in the United Kingdom (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 (benefit) consisted of the following (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest cost	$ 3,792	$ 4,503	$ 11,219	$ 13,411
Expected return on plan assets	(4,684)	(5,812)	(13,843)	(17,465)
Amortization of unrecognized net loss	1,044	673	3,091	2,003
Net periodic pension cost (benefit)	$ 152	$ (636)	$ 467	$ (2,051)

With respect to these pension plans, our historical policy has been to contribute annually to the plans, an amount to fund pension liabilities as actuarially determined and as required by applicable laws and regulations. Our contributions to these plans are invested by the plan trustee and, if these investments do not perform well in the future, we may be required to provide additional contributions to cover any pension underfunding. We contributed $2.0 million and $5.4 million to fund our pension plans during the three and nine months ended September 30, 2015, respectively. We expect to contribute a total of $7.5 million to fund our pension plans for the year ending December 31, 2015.

15. 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 occupier outsourcing 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 in Asia, Australia and New Zealand.

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 Pacific.

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,	
	2015	2014	2015	2014
Revenue				
Americas	$ 1,556,648	$ 1,325,875	$ 4,218,753	$ 3,583,276
EMEA	737,863	574,493	1,817,601	1,604,159
Asia Pacific	285,337	253,742	755,531	690,599
Global Investment Management	114,094	105,012	318,371	343,789
Development Services	18,617	15,954	45,312	40,901
	$ 2,712,559	$ 2,275,076	$ 7,155,568	$ 6,262,724

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
EBITDA				
Americas	$ 203,598	$ 187,476	$ 594,330	$ 482,642
EMEA	55,758	37,485	111,146	88,219
Asia Pacific	27,699	22,767	66,403	54,773
Global Investment Management	29,014	21,146	80,198	87,538
Development Services	10,508	24,019	17,648	37,121
	$ 326,577	$ 292,893	$ 869,725	$ 750,293

EBITDA represents earnings before net interest expense, write-off of financing costs, income taxes, depreciation and amortization. EBITDA is not a recognized measurement under U.S. generally accepted accounting principles (GAAP) and when analyzing our operating performance, investors 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.

We generally use EBITDA to evaluate operating performance and for other discretionary purposes, and we believe that this measure provides a more complete understanding of ongoing operations, enhances comparability of current results to prior periods and may be useful for investors to analyze our financial performance because EBITDA eliminates the impact of selected charges that may obscure trends in the underlying performance of our business. We further believe that investors may find EBITDA useful in evaluating our operating performance compared to that of other companies in our industry because EBITDA calculations generally eliminate the effects of acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions, the effects of financings and income taxes and the accounting effects of capital spending. EBITDA may vary for different companies for reasons unrelated to overall operating performance.

EBITDA is not intended to be a measure of free cash flow for our discretionary use because it does not consider certain cash requirements such as tax and debt service payments. EBITDA may also differ from the amount calculated under similarly titled definitions in our debt instruments, which amounts are further adjusted to

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

reflect certain other cash and non-cash charges and are used by us to determine compliance with financial covenants therein and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

Net interest expense and write-off of financing costs have been expensed in the segment incurred. Provision for 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,	
	2015	2014	2015	2014
Americas				
Net income attributable to CBRE Group, Inc.	$ 93,880	$ 86,098	$ 285,939	$ 248,868
Adjustments:				
Depreciation and amortization	47,209	38,451	134,750	107,796
Interest expense, net	9,692	3,361	17,485	12,321
Write-off of financing costs		23,087	2,685	23,087
Royalty and management service expense (income)	1,644	(14,949)	4,122	(18,656)
Provision for income taxes	51,173	51,428	149,349	109,226
EBITDA	$ 203,598	$ 187,476	$ 594,330	$ 482,642
EMEA				
Net income (loss) attributable to CBRE Group, Inc.	$ 23,627	$ (748)	$ 25,070	$ (14,705)
Adjustments:				
Depreciation and amortization	15,175	16,080	44,574	48,862
Interest expense, net	10,834	13,145	33,656	37,488
Royalty and management service (income) expense	(1,452)	8,249	(7,644)	1,294
Provision for income taxes	7,574	759	15,490	15,280
EBITDA	$ 55,758	$ 37,485	$ 111,146	$ 88,219
Asia Pacific				
Net income attributable to CBRE Group, Inc.	$ 15,459	$ 5,398	$ 29,067	$ 9,400
Adjustments:				
Depreciation and amortization	3,728	4,178	11,357	10,617
Interest expense, net	800	474	2,689	1,577
Royalty and management service (income) expense	(766)	5,636	883	13,898

Provision for income taxes	8,478	7,081	22,407	19,281
EBITDA	$ 27,699	$ 22,767	$ 66,403	$ 54,773

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Global Investment Management				
Net income attributable to CBRE Group, Inc.	$ 10,334	$ 3,075	$ 18,354	$ 18,137
Adjustments:				
Depreciation and amortization	8,423	7,485	23,095	25,303
Interest expense, net	8,060	8,331	23,562	25,917
Royalty and management service expense	574	1,064	2,639	3,464
Provision for income taxes	1,623	1,191	12,548	14,717
EBITDA	$ 29,014	$ 21,146	$ 80,198	$ 87,538
Development Services				
Net income attributable to CBRE Group, Inc.	$ 5,823	$ 13,276	$ 8,659	$ 18,526
Adjustments:				
Depreciation and amortization	512	965	1,722	3,079
Interest expense, net	155	932	818	2,702
Provision for income taxes	4,018	8,846	6,449	12,814
EBITDA	$ 10,508	$ 24,019	$ 17,648	$ 37,121

16. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of September 30, 2015 and December 31, 2014; condensed consolidating statements of operations for the three and nine months ended September 30, 2015 and 2014; condensed consolidating statements of comprehensive income (loss) for the three and nine months ended September 30, 2015 and 2014; and condensed consolidating statements of cash flows for the nine months ended September 30, 2015 and 2014 of (a) CBRE Group, Inc., as the parent, (b) 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, 2015

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 1	$ 5,827	$ 51,040	$ 383,489	$	$ 440,357
Restricted cash			6,959	60,231		67,190
Receivables, net			849,574	1,425,451		2,275,025
Warehouse receivables (a)			465,734	120,126		585,860
Trading securities			94	62,515		62,609
Income taxes receivable	17,241		10,265		(4,576)	22,930
Prepaid expenses			58,120	104,918		163,038
Deferred tax assets, net			140,745	72,653		213,398
Real estate under development				2,796		2,796
Available for sale securities			1,276			1,276
Other current assets		10,846	70,007	64,315		145,168
Total Current Assets	17,242	16,673	1,653,814	2,296,494	(4,576)	3,979,647
Property and equipment, net			364,141	139,525		503,666
Goodwill			1,576,158	1,420,884		2,997,042
Other intangible assets, net			836,362	690,761		1,527,123
Investments in unconsolidated subsidiaries			197,626	34,279		231,905
Investments in consolidated subsidiaries	3,492,015	3,820,028	1,499,288		(8,811,331)	
Intercompany loan receivable		2,754,386	700,000		(3,454,386)	
Real estate under development				20,501		20,501
			4,281	16,018		20,299

Real estate held for investment						
Available for sale securities			54,213	1,567		55,780
Other assets, net		23,426	114,144	81,931		219,501
Total Assets	$ 3,509,257	$ 6,614,513	$ 7,000,027	$ 4,701,960	$ (12,270,293)	$ 9,555,464
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 8,896	$ 394,754	$ 916,675	$	$ 1,320,325
Compensation and employee benefits payable		626	352,557	288,229		641,412
Accrued bonus and profit sharing			287,301	255,229		542,530
Income taxes payable				4,576	(4,576)	
Short-term borrowings:						
Warehouse lines of credit (a)			461,450	116,995		578,445
Revolving credit facility		400,500				400,500
Other			16	18,527		18,543
Total short-term borrowings		400,500	461,466	135,522		997,488
Current maturities of long-term debt		28,750	1,408	28		30,186
Notes payable on real estate				3,444		3,444
Other current liabilities		1,085	59,520	8,273		68,878
Total Current Liabilities		439,857	1,557,006	1,611,976	(4,576)	3,604,263
Long-Term Debt:						
Senior term loans, net		854,590				854,590
5.00% senior notes, net		788,839				788,839
4.875% senior notes, net		590,380				590,380
5.25% senior notes, net		421,913				421,913
Other long-term debt				3		3
Intercompany loan payable	963,578		1,276,088	1,214,720	(3,454,386)	
Total Long-Term Debt	963,578	2,655,722	1,276,088	1,214,723	(3,454,386)	2,655,725
Notes payable on real estate, net				27,993		27,993
Deferred tax liabilities, net			76,642	127,389		204,031
Non-current tax liabilities			50,516			50,516
Pension liability				85,998		85,998
Other liabilities		26,919	219,747	90,747		337,413
Total Liabilities	963,578	3,122,498	3,179,999	3,158,826	(3,458,962)	6,965,939
Commitments and contingencies						

Equity:						
CBRE Group, Inc. Stockholders Equity	2,545,679	3,492,015	3,820,028	1,499,288	(8,811,331)	2,545,679
Non-controlling interests				43,846		43,846
Total Equity	2,545,679	3,492,015	3,820,028	1,543,134	(8,811,331)	2,589,525
Total Liabilities and Equity	$ 3,509,257	$ 6,614,513	$ 7,000,027	$ 4,701,960	$ (12,270,293)	$ 9,555,464

(a) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 5.00% senior notes, 4.875% senior notes, 5.25% senior notes and our 2015 Credit Agreement, a substantial majority of warehouse receivables funded under Capital One, N.A. (Capital One), TD Bank, N.A. (TD Bank), Bank of America (BofA), JP Morgan Chase Bank, N.A. (JP Morgan) and Fannie Mae ASAP lines of credit are pledged to Capital One, TD Bank, BofA, JP Morgan and Fannie Mae, 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, 2014

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 5	$ 18,262	$ 374,103	$ 348,514	$	$ 740,884
Restricted cash			630	27,460		28,090
Receivables, net			605,044	1,131,185		1,736,229
Warehouse receivables (a)			339,921	166,373		506,294
Trading securities			115	62,689		62,804
Income taxes receivable	19,443			10,603	(17,337)	12,709
Prepaid expenses			62,902	79,817		142,719
Deferred tax assets, net			140,761	65,105		205,866
Real estate and other assets held for sale				3,845		3,845
Available for sale securities			663			663
Other current assets		1,185	50,429	32,787		84,401
Total Current Assets	19,448	19,447	1,574,568	1,928,378	(17,337)	3,524,504
Property and equipment, net			361,899	136,027		497,926
Goodwill			1,196,418	1,137,403		2,333,821
Other intangible assets, net			493,058	309,302		802,360
Investments in unconsolidated subsidiaries			173,738	44,542		218,280
Investments in consolidated subsidiaries	3,019,410	2,433,913	914,895		(6,368,218)	
Intercompany loan receivable		2,453,215	700,000		(3,153,215)	
Real estate under development			828	3,802		4,630
Real estate held for investment			6,814	30,315		37,129
Available for sale securities			57,714	1,798		59,512

Other assets, net		9,384	98,139	35,825		143,348
Total Assets	$ 3,038,858	$ 4,915,959	$ 5,578,071	$ 3,627,392	$ (9,538,770)	$ 7,621,510
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 19,541	$ 257,591	$ 550,398	$	$ 827,530
Compensation and employee benefits payable		626	346,663	276,525		623,814
Accrued bonus and profit sharing			425,329	363,529		788,858
Income taxes payable			17,337		(17,337)	
Short-term borrowings:						
Warehouse lines of credit (a)			337,184	164,001		501,185
Revolving credit facility				4,840		4,840
Other			16	9		25
Total short-term borrowings			337,200	168,850		506,050
Current maturities of long-term debt		39,650	2,734	23		42,407
Notes payable on real estate				23,229		23,229
Other current liabilities		1,258	58,357	4,131		63,746
Total Current Liabilities		61,075	1,445,211	1,386,685	(17,337)	2,875,634
Long-Term Debt:						
5.00% senior notes, net		787,947				787,947
Senior term loans, net		598,426				598,426
5.25% senior notes, net		422,206				422,206
Other long-term debt				26		26
Intercompany loan payable	779,028		1,350,424	1,023,763	(3,153,215)	
Total Long-Term Debt	779,028	1,808,579	1,350,424	1,023,789	(3,153,215)	1,808,605
Notes payable on real estate, net				18,216		18,216
Deferred tax liabilities, net			87,486	61,747		149,233
Non-current tax liabilities			45,936	67		46,003
Pension liability				92,923		92,923
Other liabilities		26,895	215,101	87,502		329,498
Total Liabilities	779,028	1,896,549	3,144,158	2,670,929	(3,170,552)	5,320,112
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders Equity	2,259,830	3,019,410	2,433,913	914,895	(6,368,218)	2,259,830
Non-controlling interests				41,568		41,568
Total Equity	2,259,830	3,019,410	2,433,913	956,463	(6,368,218)	2,301,398

Total Liabilities and Equity	$ 3,038,858	$ 4,915,959	$ 5,578,071	$ 3,627,392	$ (9,538,770)	$ 7,621,510