CBRE GROUP, INC.
Form 10-Q
May 10, 2012

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 March 31, 2012

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 001 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**94-3391143** **(I.R.S. Employer Identification Number)**
11150 Santa Monica Boulevard, Suite 1600 **Los Angeles, California** **(Address of principal executive offices)**	**90025** **(Zip Code)**
(310) 405-8900 **(Registrant s telephone number, including area code)**	**(Former name, former address and**

former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 April 30, 2012 was 328,062,470.

FORM 10-Q

March 31, 2012

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CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 703,937	$ 1,093,182
Restricted cash	60,873	67,138
Receivables, less allowance for doubtful accounts of $35,377 and $33,915 at March 31, 2012 and December 31, 2011, respectively	1,075,495	1,135,371
Warehouse receivables	418,111	720,061
Trading securities	124,841	151,484
Income taxes receivable	32,725	
Prepaid expenses	115,519	111,879
Deferred tax assets, net	170,451	168,939
Real estate under development	31,153	30,617
Real estate and other assets held for sale	1,415	26,201
Available for sale securities	2,073	2,790
Other current assets	45,112	42,385
Total Current Assets	2,781,705	3,550,047
Property and equipment, net	287,548	295,488
Goodwill	1,838,601	1,828,407
Other intangible assets, net of accumulated amortization of $221,722 and $194,982 at March 31, 2012 and December 31, 2011, respectively	795,615	794,325
Investments in unconsolidated subsidiaries	186,875	166,832
Real estate under development	6,891	3,952
Real estate held for investment	447,989	403,698
Available for sale securities	52,368	34,605
Other assets, net	141,965	141,789
Total Assets	$ 6,539,557	$ 7,219,143
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 524,233	$ 574,136
Compensation and employee benefits payable	363,176	398,688
Accrued bonus and profit sharing	323,668	544,628
Securities sold, not yet purchased	52,398	98,810
Income taxes payable		28,368
Short-term borrowings:		
Warehouse lines of credit	410,259	713,362
Revolving credit facility	34,906	44,825
Other	16	16
Total short-term borrowings	445,181	758,203
Current maturities of long-term debt	68,494	67,838
Notes payable on real estate	169,723	146,120
Liabilities related to real estate and other assets held for sale	1,345	21,482
Other current liabilities	44,461	42,375
Total Current Liabilities	1,992,679	2,680,648
Long-Term Debt:		
Senior secured term loans	1,606,795	1,615,773
11.625% senior subordinated notes, net of unamortized discount of $10,624 and $10,984 at March 31, 2012 and December 31, 2011, respectively	439,376	439,016
6.625% senior notes	350,000	350,000

Other long-term debt	56	59
Total Long-Term Debt	2,396,227	2,404,848
Notes payable on real estate	220,524	206,339
Deferred tax liabilities, net	166,014	148,969
Non-current tax liabilities	82,277	79,927
Pension liability	62,267	60,860
Other liabilities	217,226	220,389
Total Liabilities	5,137,214	5,801,980
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 328,044,115 and 327,972,156 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	3,280	3,280
Additional paid-in capital	895,918	882,141
Accumulated earnings	451,474	424,499
Accumulated other comprehensive loss	(138,445)	(158,439)
Total CBRE Group, Inc. Stockholders Equity	1,212,227	1,151,481
Non-controlling interests	190,116	265,682
Total Equity	1,402,343	1,417,163
Total Liabilities and Equity	$ 6,539,557	$ 7,219,143

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended March 31, 2012	2011
Revenue	$ 1,349,989	$ 1,185,105
Costs and expenses:		
Cost of services	787,556	713,755
Operating, administrative and other	440,722	377,025
Depreciation and amortization	46,457	23,178
Total costs and expenses	1,274,735	1,113,958
Gain on disposition of real estate	809	1,972
Operating income	76,063	73,119
Equity income from unconsolidated subsidiaries	14,386	15,179
Other income	6,588	
Interest income	2,303	2,668
Interest expense	43,981	33,718
Income from continuing operations before provision for income taxes	55,359	57,248
Provision for income taxes	25,413	23,406
Income from continuing operations	29,946	33,842
Income from discontinued operations, net of income taxes		10,644
Net income	29,946	44,486
Less: Net income attributable to non-controlling interests	2,971	10,117
Net income attributable to CBRE Group, Inc.	$ 26,975	$ 34,369
Basic income per share attributable to CBRE Group, Inc. shareholders		
Income from continuing operations attributable to CBRE Group, Inc.	$ 0.08	$ 0.11
Income from discontinued operations attributable to CBRE Group, Inc.		
Net income attributable to CBRE Group, Inc.	$ 0.08	$ 0.11
Weighted average shares outstanding for basic income per share	320,671,395	316,563,392
Diluted income per share attributable to CBRE Group, Inc. shareholders		
Income from continuing operations attributable to CBRE Group, Inc.	$ 0.08	$ 0.11
Income from discontinued operations attributable to CBRE Group, Inc.		
Net income attributable to CBRE Group, Inc.	$ 0.08	$ 0.11
Weighted average shares outstanding for diluted income per share	325,738,859	322,920,829
Amounts attributable to CBRE Group, Inc. shareholders		
Income from continuing operations, net of tax	$ 26,975	$ 34,369

Income from discontinued operations, net of tax				
Net income	$	26,975	$	34,369

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net income	$ 29,946	$ 44,486
Other comprehensive income:		
Foreign currency translation gain	18,522	29,995
Unrealized gains on interest rate swaps and interest rate caps, net	1,254	1,056
Unrealized gains on available for sale securities, net	914	94
Other, net	(500)	(586)
Total other comprehensive income	20,190	30,559
Comprehensive income	50,136	75,045
Less: Comprehensive income attributable to non-controlling interests	3,167	10,475
Comprehensive income attributable to CBRE Group, Inc.	$ 46,969	$ 64,570

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 29,946	$ 44,486
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	46,457	23,469
Amortization of financing costs	2,344	1,751
Gain on sale of loans, servicing rights and other assets	(18,938)	(11,815)
Net realized and unrealized gains from investments	(6,588)	
Gain on disposition of real estate held for investment		(13,094)
Equity income from unconsolidated subsidiaries	(14,386)	(15,179)
Provision for doubtful accounts	1,501	1,440
Compensation expense related to stock options and non-vested stock awards	11,639	10,619
Incremental tax benefit from stock options exercised	(39)	(10,487)
Distribution of earnings from unconsolidated subsidiaries	3,264	5,833
Tenant concessions received	3,851	587
Purchase of trading securities	(84,627)	
Proceeds from sale of trading securities	44,799	
Proceeds from securities sold, not yet purchased	30,275	
Securities purchased to cover short sales	(27,809)	
Decrease in receivables	52,310	89,002
(Increase) decrease in prepaid expenses and other assets	(3,448)	6,106
(Increase) decrease in real estate held for sale and under development	(2,538)	4,364
Decrease in accounts payable and accrued expenses	(51,491)	(25,406)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(266,149)	(198,356)
Increase in income taxes receivable/payable	(45,795)	(31,671)
(Decrease) increase in other liabilities	(4,031)	4,374
Other operating activities, net	504	95
Net cash used in operating activities	(298,949)	(113,882)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,086)	(13,622)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired		(244)
Contributions to unconsolidated subsidiaries	(11,355)	(7,680)
Distributions from unconsolidated subsidiaries	4,650	11,168
Net proceeds from disposition of real estate held for investment		66,748
Additions to real estate held for investment	(1,171)	(1,488)
Proceeds from the sale of servicing rights and other assets	6,009	5,207
Decrease in restricted cash	6,845	5,984
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)	(73,187)	
Other investing activities, net	1,900	(752)
Net cash (used in) provided by investing activities	(74,395)	65,321
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of senior secured term loans	(17,063)	(9,500)
Proceeds from revolving credit facility		230,000
Repayment of revolving credit facility	(10,795)	(187,000)
Proceeds from notes payable on real estate held for investment	3,251	1,209
Repayment of notes payable on real estate held for investment	(1,716)	(53,237)
Proceeds from notes payable on real estate held for sale and under development	1,207	549
Repayment of notes payable on real estate held for sale and under development	(561)	(6,090)
Incremental tax benefit from stock options exercised	39	10,487
Non-controlling interests contributions	15,186	208

Non-controlling interests distributions	(14,117)	(14,188)
Payment of financing costs	(35)	(14,172)
Other financing activities, net	2,119	2,570
Net cash used in financing activities	(22,485)	(39,164)
Effect of currency exchange rate changes on cash and cash equivalents	6,584	8,796
NET DECREASE IN CASH AND CASH EQUIVALENTS	(389,245)	(78,929)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,093,182	506,574
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 703,937	$ 427,645
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 21,660	$ 12,757
Income tax payments, net	$ 74,621	$ 54,130

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

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, 2011	$ 3,280	$ 882,141	$ 424,499	$ (158,439)	$ 265,682	$ 1,417,163
Net income			26,975		2,971	29,946
Stock options exercised (including tax benefit)	2	2,162				2,164
Compensation expense for stock options and non-vested stock awards		11,639				11,639
Foreign currency translation gain				18,326	196	18,522
Unrealized gains on interest rate swaps and interest rate caps, net				1,254		1,254
Unrealized holding gains on available for sale securities, net				914		914
Contributions from non-controlling interests					15,186	15,186
Distributions to non-controlling interests					(14,117)	(14,117)
Deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)					(91,580)	(91,580)
Other	(2)	(24)		(500)	11,778	11,252
Balance at March 31, 2012	$ 3,280	$ 895,918	$ 451,474	$ (138,445)	$ 190,116	$ 1,402,343

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

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

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

2. New Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements.* ASU 2011-03 specifies when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. That determination is based, in part, on whether the entity has maintained effective control over the transferred financial assets. The requirements of ASU 2011-03 are effective for the first interim or annual period beginning on or after December 15, 2011, with early adoption prohibited. The adoption of this update on January 1, 2012 did not have a material effect on our consolidated financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* These amendments were issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements, particularly for level 3 fair value measurements. This ASU is effective for interim and annual periods beginning after December 15, 2011, with early adoption prohibited. The adoption of this update on January 1, 2012 did not have a material effect on our consolidated financial position, results of operations or disclosure requirements for our consolidated financial statements.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In September 2011, the FASB issued ASU 2011-08, *Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.* This ASU gives companies the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this update on January 1, 2012 did not have a material effect on our consolidated financial position or results of operations.

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

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

3. REIM Acquisitions

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

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

Purchase of CRES on July 1, 2011	$ 323,896
Purchase of CRES co-investments on July 1, 2011	58,566
Purchase of ING REIM Asia on October 3, 2011	45,315
Purchase of ING REIM Europe on October 31, 2011	442,543
Total purchase price	$ 870,320

Our initial estimate of $940 million in total purchase price for the REIM Acquisitions has been reduced by approximately $47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. As of March 31, 2012, there is a possibility of an additional closing of approximately $80 million and co-investments of up to $65 million in the future related to our acquisition of ING REIM Europe.

In connection with our acquisition of CRES, we acquired CRES co-investments from ING in three funds (CRES Funds) for an aggregate purchase price of $58.6 million, which has been included above. We determined that the CRES Funds were not variable interest entities and accordingly determined the method of accounting based upon voting control. The limited partners/members of the CRES Funds lack substantive rights that would overcome our presumption of control. Accordingly, we began consolidating the CRES Funds as of the acquisition date of July 1, 2011. Included in the consolidation of the CRES Funds on July 1, 2011 was $182.9 million of non-controlling interests. In connection with the REIM Acquisitions, we also acquired three ING REIM Asia co-investments from ING for an aggregate amount of $13.9 million on October 3, 2011 and two ING REIM Europe co-investments, one for $7.4 million on October 31, 2011 and one for $2.5 million on March 1, 2012.

In January 2012, one of the CRES Funds (CBRE Clarion U.S., L.P.) was converted to a registered mutual fund, the CBRE Clarion Long/Short Fund (the Fund). As a result of this triggering event, we determined that the Fund became a variable interest entity and that we were not the primary beneficiary. Accordingly, in the first quarter of 2012, the Fund was deconsolidated from our consolidated financial statements and we recorded an investment in available for sale securities of $14.3 million, which is included in the accompanying consolidated balance sheets as of March 31, 2012. No gain or loss was recognized in our consolidated statement of operations as a result of this deconsolidation. We continue to act as the Fund s adviser, make investment decisions for the Fund and review, supervise and administer the Fund s investment program.

The preliminary purchase accounting adjustments related to the REIM Acquisitions 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. Given the complexity of the transaction, the calculation of the fair value of certain assets and liabilities acquired, primarily 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.

Unaudited pro forma results, assuming the REIM Acquisitions had occurred as of January 1, 2011 for purposes of the 2011 pro forma disclosures, are presented below. They include certain adjustments for the three months ended March 31, 2011, including $6.4 million of increased amortization expense as a result of intangible assets acquired in the REIM Acquisitions, $8.2 million of additional interest expense as a result of debt incurred to finance the REIM Acquisitions, the removal of $7.6 million of direct costs incurred by us and ING related to the REIM Acquisitions, and the tax impact of the pro forma adjustments. These unaudited pro forma results have

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the REIM Acquisitions occurred on January 1, 2011 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended March 31, 2011
Revenue	$ 1,262,475
Operating income	$ 88,968
Net income attributable to CBRE Group, Inc.	$ 42,754
Basic income per share	$ 0.14
Weighted average shares outstanding for basic income per share	316,563,392
Diluted income per share	$ 0.13
Weighted average shares outstanding for diluted income per share	322,920,829

4. Variable Interest Entities (VIEs)

A consolidated subsidiary (the Venture) in our Global Investment Management segment has sponsored investments by third-party investors in certain commercial properties through the formation of tenant-in-common limited liability companies and Delaware Statutory Trusts (collectively referred to as the Entities) that are owned by the third-party investors. The Venture also has formed and is a member of a limited liability company for each property that serves as master tenant (Master Tenant). Each Master Tenant leases the property from the Entities through a master lease agreement. Pursuant to the master lease agreements, the Master Tenant has the power to direct the day-to-day asset management activities that most significantly impact the economic performance of the Entities. As a result, the Entities were deemed to be VIEs since the third-party investors holding the equity investment at risk in the Entities do not direct the day-to-day activities that most significantly impact the economic performance of the properties held by the Entities. An additional entity was consolidated during the three months ended March 31, 2012. The related real estate assets held for investment were $26.8 million, nonrecourse mortgage notes payable were $16.0 million and non-controlling interests were $11.0 million as of March 31, 2012.

The Venture has made and may continue to make voluntary contributions to each of these properties to support their operations beyond the cash flow generated by the properties themselves. As of the most recent reconsideration date, such financial support has been significant enough that the Venture was deemed to be the primary beneficiary of each entity. During the three months ended March 31, 2012 and 2011, the Venture funded $0.2 million and $0.1 million, respectively, of financial support to the Entities.

Operating results relating to the Entities for the three months ended March 31, 2012 and 2011 include the following (dollars in thousands):

	Three Months Ended March 31,	
	2012	2011
Revenue	$ 2,874	$ 8,565
Operating, administrative and other expenses	$ 1,666	$ 3,715
Income from discontinued operations, net of income taxes	$	$ 10,644
Net (loss) income attributable to non-controlling interests	$ (847)	$ 8,977

Investments in real estate of $87.4 million and $61.3 million and nonrecourse mortgage notes payable of $77.1 million ($19.1 million of which is current) and $60.9 million ($1.2 million of which is current) are included in real estate assets held for investment and notes payable on real estate, respectively, in the

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

accompanying consolidated balance sheets as of March 31, 2012 and December 31, 2011, respectively. In addition, non-controlling interests of $11.8 million and $1.6 million in the accompanying consolidated balance sheets as of March 31, 2012 and December 31, 2011, respectively, are attributable to the Entities.

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

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

	March 31, 2012	December 31, 2011
Investments in unconsolidated subsidiaries	$ 18,893	$ 15,483
Available for sale securities	14,817	
Other assets, current	2,977	
Co-investment commitments	33,349	37,019
Maximum exposure to loss	$ 70,036	$ 52,502

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 value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

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

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

There were no significant transfers in and out of Level 1 and Level 2 during the three months ended March 31, 2012 and 2011.

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

	As of March 31, 2012 Fair Value Measured and Recorded Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available for sale securities:				
U.S. treasury securities	$ 9,796	$	$	$ 9,796
Debt securities issued by U.S. federal agencies		3,389		3,389
Corporate debt securities		8,836		8,836
Asset-backed securities		5,577		5,577
Collateralized mortgage obligations		2,975		2,975
Total debt securities	9,796	20,777		30,573
Equity securities	23,868			23,868
Total available for sale securities	33,664	20,777		54,441
Trading securities	124,841			124,841
Warehouse receivables		418,111		418,111
Total assets at fair value	$ 158,505	$ 438,888	$	$ 597,393
Liabilities				
Securities sold, not yet purchased	$ 52,398	$	$	$ 52,398
Interest rate swaps		37,793		37,793
Total liabilities at fair value	$ 52,398	$ 37,793	$	$ 90,191

	As of December 31, 2011 Fair Value Measured and Recorded Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available for sale securities:				
U.S. treasury securities	$ 6,838	$	$	$ 6,838
Debt securities issued by U.S. federal agencies		6,024		6,024
Corporate debt securities		9,969		9,969
Asset-backed securities		5,226		5,226
Collateralized mortgage obligations		3,037		3,037
Total debt securities	6,838	24,256		31,094
Equity securities	6,301			6,301
Total available for sale securities	13,139	24,256		37,395
Trading securities	151,484			151,484

Warehouse receivables		720,061		720,061
Total assets at fair value	$ 164,623	$ 744,317	$	$ 908,940
Liabilities				
Securities sold, not yet purchased	$ 98,810	$	$	$ 98,810
Interest rate swaps		39,872		39,872
Total liabilities at fair value	$ 98,810	$ 39,872	$	$ 138,682

CBRE GROUP, INC.

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

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

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

The valuation of interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves. To comply with the provisions of Topic 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with our adoption of ASU 2011-04, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of March 31, 2012, we have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2012 and 2011.

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

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

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

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

Senior Secured Term Loans: Based upon information from third-party banks (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our senior secured term loans was approximately $1.7 billion at March 31, 2012, which approximates their actual carrying value at March 31, 2012 (see Note 10).

11.625% Senior Subordinated Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 11.625% senior subordinated notes was $499.8 million at March 31, 2012. Their actual carrying value totaled $439.4 million at March 31, 2012.

6.625% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 6.625% senior notes was $373.1 million at March 31, 2012. Their actual carrying value totaled $350.0 million at March 31, 2012.

Notes Payable on Real Estate: As of March 31, 2012, the carrying value of our notes payable on real estate was $391.6 million (see Note 9). These borrowings mostly have floating interest rates at spreads over a market rate index. It is likely that some portion of our notes payable on real estate have fair values lower than actual carrying values. Given our volume of notes payable and the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, only $13.6 million of these notes payable are recourse to us as of March 31, 2012.

6. Investments in Unconsolidated Subsidiaries

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

	Three Months Ended March 31,	
	2012	**2011**
Global Investment Management:		
Revenue	$ 170,720	$ 140,252
Operating loss	$ (10,474)	$ (34,662)
Net income (loss)	$ 43,206	$ (50,165)
Development Services:		
Revenue	$ 17,981	$ 19,414
Operating income	$ 26,432	$ 39,373
Net income	$ 20,952	$ 32,442
Other:		
Revenue	$ 31,521	$ 34,385
Operating income	$ 3,047	$ 3,790
Net income	$ 3,116	$ 3,859
Total:		
Revenue	$ 220,222	$ 194,051
Operating income	$ 19,005	$ 8,501
Net income (loss)	$ 67,274	$ (13,864)

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

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

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

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

	March 31, 2012	December 31, 2011
Assets:		
Real estate held for sale (see Note 8)	$ 1,411	$ 21,833
Other current assets		531
Other assets	4	3,837
Total real estate and other assets held for sale	1,415	26,201
Liabilities:		
Notes payable on real estate held for sale (see Note 9)	1,341	20,453
Accounts payable and accrued expenses	4	891
Other current liabilities		8
Other liabilities		130
Total liabilities related to real estate and other assets held for sale	1,345	21,482
Net real estate and other assets held for sale	$ 70	$ 4,719

8. Real Estate

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

	March 31, 2012	December 31, 2011
Real estate included in assets held for sale (see Note 7)	$ 1,411	$ 21,833
Real estate under development (current)	31,153	30,617
Real estate under development (non-current)	6,891	3,952
Real estate held for investment (1)	447,989	403,698

Total real estate (2)	$ 487,444	$ 460,100

(1) Net of accumulated depreciation of $45.1 million and $40.7 million at March 31, 2012 and December 31, 2011, respectively.
(2) Includes balances for lease intangibles and tenant origination costs of $8.6 million and $1.9 million, respectively, at March 31, 2012 and $8.7 million and $2.0 million, respectively, at December 31, 2011. We record lease intangibles and tenant origination costs upon acquiring real estate projects with in-place leases. The balances are shown net of amortization, which is recorded as an increase to, or a reduction of, rental income for lease intangibles and as amortization expense for tenant origination costs.

9. Notes Payable on Real Estate

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

	March 31, 2012	December 31, 2011
Current portion of notes payable on real estate	$ 169,723	$ 146,120
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 7)	1,341	20,453
Total notes payable on real estate, current portion	171,064	166,573
Notes payable on real estate, non-current portion	220,524	206,339
Total notes payable on real estate	$ 391,588	$ 372,912

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

10. Debt

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

As of March 31, 2012, our Credit Agreement provides for the following: (1) a $700.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on May 10, 2015; (2) a $350.0 million tranche A term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2015, with the balance payable on November 10, 2015; (3) a £187.0 million (approximately $300.0 million) tranche A-1 term loan facility requiring quarterly principal payments, which began on December 30, 2011 and continue through March 31, 2016, with

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

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

The revolving credit facility allows for borrowings outside of the United States (U.S.), with sub-facilities of $5.0 million available to one of our Canadian subsidiaries, $35.0 million in aggregate available to one of our Australian and one of our New Zealand subsidiaries and $50.0 million available to one of our U.K. subsidiaries. Additionally, outstanding borrowings under these sub-facilities may be up to 5.0% higher as allowed under the currency fluctuation provision in the Credit Agreement. Borrowings under the revolving credit facility as of March 31, 2012 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.65% to 3.15% or the daily rate plus 0.65% to 2.15% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of March 31, 2012 and December 31, 2011, we had $34.9 million and $44.8 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 4.9% and 4.3%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of March 31, 2012, letters of credit totaling $17.2 million were outstanding under the revolving credit facility. These letters of credit were primarily issued in the normal course of business as well as in connection with certain insurance programs and reduce the amount we may borrow under the revolving credit facility.

Borrowings under the term loan facilities as of March 31, 2012 bear interest, based at our option, on the following: for the tranche A and A-1 term loan facilities, on either the applicable fixed rate plus 2.00% to 3.75% or the daily rate plus 1.00% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement), for the tranche B term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25%, for the tranche C term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25% and for the tranche D term loan facility, on either the applicable fixed rate plus 3.50% or the daily rate plus 2.50%. As of March 31, 2012 and December 31, 2011, we had $297.5 million and $306.3 million, respectively, of tranche A term loan facility principal outstanding, $288.3 million and $285.1 million, respectively, of tranche A-1 term loan facility principal outstanding, $295.5 million and $296.3 million, respectively, of tranche B term loan facility principal outstanding, $397.0 million and $398.0 million, respectively, of tranche C term loan facility principal outstanding and $397.0 million and $398.0 million, respectively, of tranche D term loan facility principal outstanding, which are included in the accompanying consolidated balance sheets.

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In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is $400.0 million, with $200.0 million expiring in October 2017 and $200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three months ended March 31, 2012 and 2011. During the three months ended March 31, 2012 and 2011, we recorded net gains of $2.1 million and $1.7 million, respectively, to other comprehensive income in relation to these interest rate swap agreements. As of March 31, 2012 and December 31, 2011, the fair values of these interest rate swap agreements were reflected as a $37.8 million liability and a $39.9 million liability, respectively, and were included in other long-term liabilities in the accompanying consolidated balance sheets.

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

Our Credit Agreement and the indentures governing our 6.625% senior notes and 11.625% senior subordinated notes contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of EBITDA (as defined in the Credit Agreement) to total interest expense of 2.25x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 3.75x. Our coverage ratio of EBITDA to total interest expense was 12.59x for the trailing twelve months ended March 31, 2012 and our leverage ratio of total debt less available cash to EBITDA was 1.80x as of March 31, 2012.

11. Commitments and Contingencies

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

We had outstanding letters of credit totaling $16.7 million as of March 31, 2012, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through March 2013.

We had guarantees totaling $37.6 million as of March 31, 2012, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The $37.6 million primarily consists of guarantees related to our defined benefit pension plans in the U.K. (in excess of our outstanding pension liability of $62.3 million as of March 31, 2012), which are continuous guarantees that will not expire until all amounts

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have been paid out for our pension liabilities. The remainder of the guarantees mainly represent guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through November 2013, as well as various guarantees of management contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of March 31, 2012, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

From time to time, we act as a general contractor with respect to construction projects. We do not consider these activities to be a material part of our business. In connection with these activities, we seek to subcontract construction work for certain projects to reputable subcontractors. Should construction defects arise relating to the underlying projects, we could potentially be liable to the client for the costs to repair such defects, although we would generally look to the subcontractor that performed the work to remedy the defect and also look to insurance policies that cover this work. While there can be no assurance, we do not expect to incur material losses with respect to construction defects.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, Inc., entered into an agreement with Fannie Mae, under Fannie Mae s DUS Lender Program (DUS Program), to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of $3.8 billion at March 31, 2012. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately $518.0 million at March 31, 2012. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of March 31, 2012 and December 31, 2011, CBRE MCI had $5.5 million and $4.6 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately $7.0 million and $6.4 million, respectively, of loan loss accruals. Fannie Mae s recourse under the DUS Program is limited to the assets of CBRE MCI, which totaled approximately $269.4 million (including $196.2 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 March 31, 2012.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of March 31, 2012, we had aggregate commitments of $58.1 million to fund future co-investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of March 31, 2012, we had committed to fund $17.3 million of additional capital to these unconsolidated subsidiaries.

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12. Income Per Share Information

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 26,975	$ 34,369
Weighted average shares outstanding for basic income per share	320,671,395	316,563,392
Basic income per share attributable to CBRE Group, Inc. shareholders	$ 0.08	$ 0.11

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 26,975	$ 34,369
Weighted average shares outstanding for basic income per share	320,671,395	316,563,392
Dilutive effect of contingently issuable shares	3,233,304	3,512,674
Dilutive effect of stock options	1,834,160	2,844,763
Weighted average shares outstanding for diluted income per share	325,738,859	322,920,829
Diluted income per share attributable to CBRE Group, Inc. shareholders	$ 0.08	$ 0.11

For the three months ended March 31, 2012, 44,814 contingently issuable shares were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three months ended March 31, 2012 and 2011, options to purchase 103,423 shares and 51,523 shares, respectively, of common stock were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

13. Pensions

We have two contributory defined benefit pension plans in the 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.

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

	Three Months Ended March 31, 2012	2011
Interest cost	$ 3,860	$ 4,113
Expected return on plan assets	(3,599)	(4,236)
Amortization of unrecognized net loss	581	337
Net periodic pension cost	$ 842	$ 214

We contributed $1.5 million to fund our pension plans during the three months ended March 31, 2012. We expect to contribute a total of $5.9 million to fund our pension plans for the year ending December 31, 2012.

14. Discontinued Operations

In the ordinary course of business, we dispose of real estate assets, or hold real estate assets for sale, that may be considered components of an entity in accordance with Topic 360. If we do not have, or expect to have, significant continuing involvement with the operation of these real estate assets after disposition, we are required to recognize operating profits or losses and gains or losses on disposition of these assets as discontinued operations in our consolidated statements of operations in the periods in which they occur. Real estate operations and dispositions accounted for as discontinued operations for the three months ended March 31, 2011 were reported in our Global Investment Management segment as follows (dollars in thousands):

	Three Months Ended March 31, 2011
Revenue	$ 1,030
Costs and expenses:	
Operating, administrative and other	382
Depreciation and amortization	291
Total costs and expenses	673
Gain on disposition of real estate	11,037
Operating income	11,394
Interest expense	750
Income from discontinued operations, before provision for income taxes	10,644
Provision for income taxes	
Income from discontinued operations, net of income taxes	10,644
Less: Income from discontinued operations attributable to non-controlling interests	10,644
Income from discontinued operations attributable to CBRE Group, Inc.	$

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.

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

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

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.

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 March 31, 2012	Three Months Ended March 31, 2011
Revenue		
Americas	$ 845,326	$ 750,115
EMEA	197,386	204,968
Asia Pacific	167,201	160,500
Global Investment Management	125,200	50,322
Development Services	14,876	19,200
	$ 1,349,989	$ 1,185,105

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
EBITDA		
Americas	$ 101,237	$ 78,128
EMEA	(7,097)	3,006
Asia Pacific	2,283	12,442
Global Investment Management	34,593	5,990
Development Services	9,507	13,478
	$ 140,523	$ 113,044

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Our management believes EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the operating performance of our various business segments and for other discretionary purposes,

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

including as a significant component when measuring our operating performance under our employee incentive programs. Additionally, we believe EBITDA is useful to investors to assist them in getting a more complete picture of our results from operations.

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Americas		
Net income attributable to CBRE Group, Inc.	$ 33,567	$ 29,509
Add:		
Depreciation and amortization	18,326	12,831
Interest expense	35,601	25,832
Royalty and management service income	(6,617)	(6,620)
Provision for income taxes	21,753	18,376
Less:		
Interest income	1,393	1,800
EBITDA	$ 101,237	$ 78,128
EMEA		
Net loss attributable to CBRE Group, Inc.	$ (9,376)	$ (149)
Add:		
Depreciation and amortization	3,291	2,262
Interest expense	2,468	139
Royalty and management service expense	2,608	2,731
Benefit of income taxes	(1,410)	(1,460)
Less:		
Interest income	4,678	517
EBITDA	$ (7,097)	$ 3,006
Asia Pacific		
Net (loss) income attributable to CBRE Group, Inc.	$ (3,135)	$ 2,901
Add:		
Depreciation and amortization	2,739	1,983
Interest expense	861	420
Royalty and management service expense	3,962	3,607
(Benefit of) provision for income taxes	(1,999)	3,790
Less:		
Interest income	145	259
EBITDA	$ 2,283	$ 12,442
Global Investment Management		
Net income (loss) attributable to CBRE Group, Inc.	$ 3,591	$ (2,455)
Add:		
Depreciation and amortization (1)	19,225	3,786
Interest expense (2)	6,359	4,590
Royalty and management service expense	47	282
Provision for (benefit of) income taxes	5,652	(160)
Less:		
Interest income	281	53

EBITDA (3)	$ 34,593	$ 5,990
Development Services		
Net income attributable to CBRE Group, Inc.	$ 2,328	$ 4,563
Add:		
Depreciation and amortization	2,876	2,607
Interest expense	2,972	3,487
Provision for income taxes	1,417	2,860
Less:		
Interest income	86	39
EBITDA	$ 9,507	$ 13,478

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(1) Includes depreciation and amortization related to discontinued operations of $0.3 million for the three months ended March 31, 2011.
(2) Includes interest expense related to discontinued operations of $0.7 million for the three months ended March 31, 2011.
(3) Includes EBITDA related to discontinued operations of $1.0 million for the three months ended March 31, 2011.

16. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of March 31, 2012 and December 31, 2011; condensed consolidating statements of operations for the three months ended March 31, 2012 and 2011; condensed consolidating statements of comprehensive income for the three months ended March 31, 2012 and 2011; and condensed consolidating statements of cash flows for the three months ended March 31, 2012 and 2011 of (a) CBRE Group, Inc. as the parent, (b) CBRE Services, Inc. (CBRE) as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and

(2) Elimination entries necessary to consolidate CBRE Group, Inc. as the parent, with CBRE and its guarantor and nonguarantor subsidiaries.

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 5	$ 95,912	$ 271,994	$ 336,026	$	$ 703,937
Restricted cash		4,860	25,394	30,619		60,873
Receivables, net		5	461,191	614,299		1,075,495
Warehouse receivables (a)			418,111			418,111
Trading securities			98	124,743		124,841
Income taxes receivable	3,846	5,085		27,950	(4,156)	32,725
Prepaid expenses		1,956	40,567	72,996		115,519
Deferred tax assets, net			144,799	25,652		170,451
Real estate under development				31,153		31,153
Real estate and other assets held for sale				1,415		1,415
Available for sale securities			2,073			2,073
Other current assets			27,574	17,538		45,112
Total Current Assets	3,851	107,818	1,391,801	1,282,391	(4,156)	2,781,705
Property and equipment, net			194,420	93,128		287,548
Goodwill			1,003,751	834,850		1,838,601
Other intangible assets, net			509,857	285,758		795,615
Investments in unconsolidated subsidiaries			123,262	63,613		186,875
Investments in consolidated subsidiaries	1,548,535	2,116,018	1,221,667		(4,886,220)	
Intercompany loan receivable		1,531,237	700,000	4,557	(2,235,794)	
Real estate under development			766	6,125		6,891
Real estate held for investment			4,007	443,982		447,989
Available for sale securities			52,368			52,368
Other assets, net		47,342	45,472	49,151		141,965
Total Assets	$ 1,552,386	$ 3,802,415	$ 5,247,371	$ 3,063,555	$ (7,126,170)	$ 6,539,557
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 28,675	$ 111,427	$ 384,131	$	$ 524,233
Compensation and employee benefits payable		626	190,619	171,931		363,176
Accrued bonus and profit sharing			136,824	186,844		323,668
Securities sold, not yet purchased				52,398		52,398
Income taxes payable			4,156		(4,156)	
Short-term borrowings:						
Warehouse lines of credit (a)			410,259			410,259
Revolving credit facility		10,410		24,496		34,906
Other			16			16
Total short-term borrowings		10,410	410,275	24,496		445,181
Current maturities of long-term debt		46,000		22,494		68,494
Notes payable on real estate				169,723		169,723
Liabilities related to real estate and other assets held for sale				1,345		1,345
Other current liabilities			41,939	2,522		44,461

Total Current Liabilities		85,711	895,240	1,015,884	(4,156)	1,992,679
Long-Term Debt:						
Senior secured term loans		1,341,000		265,795		1,606,795
11.625% senior subordinated notes, net		439,376				439,376
6.625% senior notes		350,000				350,000
Other long-term debt				56		56
Intercompany loan payable	340,159		1,895,635		(2,235,794)	
Total Long-Term Debt	340,159	2,130,376	1,895,635	265,851	(2,235,794)	2,396,227
Notes payable on real estate				220,524		220,524
Deferred tax liabilities, net			149,677	16,337		166,014
Non-current tax liabilities			79,137	3,140		82,277
Pension liability				62,267		62,267
Other liabilities		37,793	111,664	67,769		217,226
Total Liabilities	340,159	2,253,880	3,131,353	1,651,772	(2,239,950)	5,137,214
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders Equity	1,212,227	1,548,535	2,116,018	1,221,667	(4,886,220)	1,212,227
Non-controlling interests				190,116		190,116
Total Equity	1,212,227	1,548,535	2,116,018	1,411,783	(4,886,220)	1,402,343
Total Liabilities and Equity	$ 1,552,386	$ 3,802,415	$ 5,247,371	$ 3,063,555	$ (7,126,170)	$ 6,539,557

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 5	$ 298,370	$ 375,176	$ 419,631	$	$ 1,093,182
Restricted cash		4,845	21,827	40,466		67,138
Receivables, net			405,902	729,469		1,135,371
Warehouse receivables (a)			720,061			720,061
Trading securities			83	151,401		151,484
Income taxes receivable	15,526	6,879		3,669	(26,074)	
Prepaid expenses			46,040	65,839		111,879
Deferred tax assets, net			143,065	25,874		168,939
Real estate under development				30,617		30,617
Real estate and other assets held for sale				26,201		26,201
Available for sale securities			2,790			2,790
Other current assets			26,468	15,917		42,385
Total Current Assets	15,531	310,094	1,741,412	1,509,084	(26,074)	3,550,047
Property and equipment, net			202,674	92,814		295,488
Goodwill			1,004,875	823,532		1,828,407
Other intangible assets, net			510,219	284,106		794,325
Investments in unconsolidated subsidiaries			105,664	61,168		166,832
Investments in consolidated subsidiaries	1,432,638	1,832,044	1,211,409		(4,476,091)	
Intercompany loan receivable		1,490,897	700,000	34,378	(2,225,275)	
Real estate under development			693	3,259		3,952
Real estate held for investment			4,007	399,691		403,698
Available for sale securities			34,605			34,605
Other assets, net		49,389	48,603	43,797		141,789
Total Assets	$ 1,448,169	$ 3,682,424	$ 5,564,161	$ 3,251,829	$ (6,727,440)	$ 7,219,143
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 11,674	$ 151,260	$ 411,202	$	$ 574,136
Compensation and employee benefits payable		626	208,692	189,370		398,688
Accrued bonus and profit sharing			308,748	235,880		544,628
Securities sold, not yet purchased				98,810		98,810
Income taxes payable			54,442		(26,074)	28,368
Short-term borrowings:						
Warehouse lines of credit (a)			713,362			713,362
Revolving credit facility		10,098		34,727		44,825
Other			16			16
Total short-term borrowings		10,098	713,378	34,727		758,203
Current maturities of long-term debt		46,000		21,838		67,838
Notes payable on real estate				146,120		146,120
Liabilities related to real estate and other assets held for sale				21,482		21,482
Other current liabilities			39,885	2,490		42,375

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

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 797,035	$ 552,954	$	$ 1,349,989
Costs and expenses:						
Cost of services			481,776	305,780		787,556
Operating, administrative and other	10,328	941	207,698	221,755		440,722
Depreciation and amortization			20,907	25,550		46,457
Total costs and expenses	10,328	941	710,381	553,085		1,274,735
Gain on disposition of real estate				809		809
Operating (loss) income	(10,328)	(941)	86,654	678		76,063
Equity income from unconsolidated subsidiaries			13,294	1,092		14,386
Other income			267	6,321		6,588
Interest income		23,077	975	777	(22,526)	2,303
Interest expense		35,791	22,652	8,064	(22,526)	43,981
Royalty and management service (income) expense			(7,861)	7,861		
Income (loss) from consolidated subsidiaries	33,457	42,027	(10,818)		(64,666)	
Income (loss) before (benefit of) provision for income taxes	23,129	28,372	75,581	(7,057)	(64,666)	55,359
(Benefit of) provision for income taxes	(3,846)	(5,085)	33,554	790		25,413
Net income (loss)	26,975	33,457	42,027	(7,847)	(64,666)	29,946
Less: Net income attributable to non-controlling interests				2,971		2,971
Net income (loss) attributable to CBRE Group, Inc.	$ 26,975	$ 33,457	$ 42,027	$ (10,818)	$ (64,666)	$ 26,975

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 696,135	$ 488,970	$	$ 1,185,105
Costs and expenses:						
Cost of services			420,960	292,795		713,755
Operating, administrative and other	9,805	187	208,423	158,610		377,025
Depreciation and amortization			12,285	10,893		23,178
Total costs and expenses	9,805	187	641,668	462,298		1,113,958
Gain on disposition of real estate				1,972		1,972
Operating (loss) income	(9,805)	(187)	54,467	28,644		73,119
Equity income (loss) from unconsolidated subsidiaries			16,448	(1,269)		15,179
Interest income		26,055	841	1,502	(25,730)	2,668
Interest expense		25,894	24,494	9,060	(25,730)	33,718
Royalty and management service (income) expense			(8,247)	8,247		
Income from consolidated subsidiaries	40,539	40,555	5,430		(86,524)	
Income from continuing operations before (benefit of) provision for income taxes	30,734	40,529	60,939	11,570	(86,524)	57,248
(Benefit of) provision for income taxes	(3,635)	(10)	20,384	6,667		23,406
Income from continuing operations	34,369	40,539	40,555	4,903	(86,524)	33,842
Income from discontinued operations, net of income taxes				10,644		10,644
Net income	34,369	40,539	40,555	15,547	(86,524)	44,486
Less: Net income attributable to non-controlling interests				10,117		10,117
Net income attributable to CBRE Group, Inc.	$ 34,369	$ 40,539	$ 40,555	$ 5,430	$ (86,524)	$ 34,369

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income (loss)	$ 26,975	$ 33,457	$ 42,027	$ (7,847)	$ (64,666)	$ 29,946
Other comprehensive income (loss):						
Foreign currency translation gain				18,522		18,522
Unrealized gains on interest rate swaps and interest rate caps, net		1,252		2		1,254
Unrealized gains on available for sale securities, net			914			914
Other, net			(500)			(500)
Total other comprehensive income		1,252	414	18,524		20,190
Comprehensive income	26,975	34,709	42,441	10,677	(64,666)	50,136
Less: Comprehensive income attributable to non-controlling interests				3,167		3,167
Comprehensive income attributable to CBRE Group, Inc.	$ 26,975	$ 34,709	$ 42,441	$ 7,510	$ (64,666)	$ 46,969

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	$ 34,369	$ 40,539	$ 40,555	$ 15,547	$ (86,524)	$ 44,486
Other comprehensive income (loss):						
Foreign currency translation gain				29,995		29,995
Unrealized gains on interest rate swaps and interest rate caps, net		1,030		26		1,056
Unrealized gains on available for sale securities, net			94			94
Other, net			(586)			(586)
Total other comprehensive income (loss)		1,030	(492)	30,021		30,559
Comprehensive income	34,369	41,569	40,063	45,568	(86,524)	75,045
Less: Comprehensive income attributable to non-controlling interests				10,475		10,475
Comprehensive income attributable to CBRE Group, Inc.	$ 34,369	$ 41,569	$ 40,063	$ 35,093	$ (86,524)	$ 64,570

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 16,837	$ 10,685	$ (272,348)	$ (54,123)	$ (298,949)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(1,910)	(6,176)	(8,086)
Contributions to unconsolidated subsidiaries			(8,272)	(3,083)	(11,355)
Distributions from unconsolidated subsidiaries			1,859	2,791	4,650
Additions to real estate held for investment				(1,171)	(1,171)
Proceeds from the sale of servicing rights and other assets			5,971	38	6,009
(Increase) decrease in restricted cash		(15)	(3,567)	10,427	6,845
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P.				(73,187)	(73,187)
Other investing activities, net			1,659	241	1,900
Net cash used in investing activities		(15)	(4,260)	(70,120)	(74,395)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior secured term loans		(11,500)		(5,563)	(17,063)
Repayment of revolving credit facility				(10,795)	(10,795)
Proceeds from notes payable on real estate held for investment				3,251	3,251
Repayment of notes payable on real estate held for investment				(1,716)	(1,716)
Proceeds from notes payable on real estate held for sale and under development				1,207	1,207
Repayment of notes payable on real estate held for sale and under development				(561)	(561)
Incremental tax benefit from stock options exercised	39				39
Non-controlling interests contributions				15,186	15,186
Non-controlling interests distributions				(14,117)	(14,117)
Payment of financing costs		(15)		(20)	(35)
(Increase) decrease in intercompany receivables, net	(19,001)	(201,613)	173,426	47,188	
Other financing activities, net	2,125			(6)	2,119
Net cash (used in) provided by financing activities	(16,837)	(213,128)	173,426	34,054	(22,485)
Effect of currency exchange rate changes on cash and cash equivalents				6,584	6,584