CBRE GROUP, INC.
Form 10-Q
May 11, 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 March 31, 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	94-3391143
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
400 South Hope Street, 25th Floor	
Los Angeles, California	90071

(Address of principal executive offices)	**(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 April 30, 2015 was 332,977,943.

Table of Contents

FORM 10-Q

March 31, 2015

TABLE OF CONTENTS

		Page
PART I - FINANCIAL INFORMATION		
Item 1.	**Financial Statements**	
	Consolidated Balance Sheets at March 31, 2015 (Unaudited) and December 31, 2014	3
	Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014 (Unaudited)	4
	Consolidated Statements of Comprehensive (Loss) Income for the three months ended March 31, 2015 and 2014 (Unaudited)	5
	Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (Unaudited)	6
	Consolidated Statement of Equity for the three months ended March 31, 2015 (Unaudited)	7
	Notes to Consolidated Financial Statements (Unaudited)	8
Item 2.	**Management s Discussion and Analysis of Financial Condition and Results of Operations**	34
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**	56
Item 4.	**Controls and Procedures**	57
PART II - OTHER INFORMATION		
Item 1.	**Legal Proceedings**	58
Item 1A.	**Risk Factors**	58
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	58
Item 6.	**Exhibits**	59
Signatures		63

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 379,028	$ 740,884
Restricted cash	56,694	28,090
Receivables, less allowance for doubtful accounts of $39,846 and $41,831 at March 31, 2015 and December 31, 2014, respectively	1,537,100	1,736,229
Warehouse receivables	1,080,364	506,294
Trading securities	64,124	62,804
Income taxes receivable	30,847	12,709
Prepaid expenses	143,197	142,719
Deferred tax assets, net	193,324	205,866
Real estate and other assets held for sale	5,122	3,845
Available for sale securities	849	663
Other current assets	103,230	84,401
Total Current Assets	3,593,879	3,524,504
Property and equipment, net	479,751	497,926
Goodwill	2,267,009	2,333,821
Other intangible assets, net of accumulated amortization of $481,795 and $463,400 at March 31, 2015 and December 31, 2014, respectively	789,017	802,360
Investments in unconsolidated subsidiaries	209,805	218,280
Real estate under development	7,520	4,630
Real estate held for investment	34,880	37,129
Available for sale securities	55,587	59,512
Other assets, net	188,212	168,943
Total Assets	$ 7,625,660	$ 7,647,105
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 702,125	$ 827,530
Compensation and employee benefits payable	491,318	623,814
Accrued bonus and profit sharing	501,337	788,858
Short-term borrowings:		
Warehouse lines of credit	1,065,891	501,185
Revolving credit facility	110,000	4,840
Other	16	25
Total short-term borrowings	1,175,907	506,050
Current maturities of long-term debt	15,296	42,407
Notes payable on real estate	23,253	23,229
Other current liabilities	63,753	63,746
Total Current Liabilities	2,972,989	2,875,634
Long-Term Debt:		
5.00% senior notes	800,000	800,000
Senior secured term loans	487,500	605,963
5.25% senior notes	426,819	426,813
Other long-term debt	23	26

Total Long-Term Debt	1,714,342	1,832,802
Notes payable on real estate	19,952	19,614
Deferred tax liabilities, net	152,738	149,233
Non-current tax liabilities	47,733	46,003
Pension liability	87,152	92,923
Other liabilities	325,733	329,498
Total Liabilities	5,320,639	5,345,707
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 332,958,718 and 332,991,031 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	3,330	3,330
Additional paid-in capital	1,052,496	1,039,425
Accumulated earnings	1,634,032	1,541,095
Accumulated other comprehensive loss	(430,550)	(324,020)
Total CBRE Group, Inc. Stockholders Equity	2,259,308	2,259,830
Non-controlling interests	45,713	41,568
Total Equity	2,305,021	2,301,398
Total Liabilities and Equity	$ 7,625,660	$ 7,647,105

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

3

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended March 31,	
	2015	**2014**
Revenue	$ 2,052,503	$ 1,860,842
Costs and expenses:		
Cost of services	1,290,777	1,161,460
Operating, administrative and other	531,775	528,395
Depreciation and amortization	69,846	65,203
Total costs and expenses	1,892,398	1,755,058
Gain on disposition of real estate		6,697
Operating income	160,105	112,481
Equity income from unconsolidated subsidiaries	15,451	15,000
Other income	1,087	4,801
Interest income	2,297	1,577
Interest expense	26,214	28,015
Write-off of financing costs	2,685	
Income before provision for income taxes	150,041	105,844
Provision for income taxes	56,903	37,902
Net income	93,138	67,942
Less: Net income attributable to non-controlling interests	201	279
Net income attributable to CBRE Group, Inc.	$ 92,937	$ 67,663
Basic income per share attributable to CBRE Group, Inc.	$ 0.28	$ 0.21
Weighted average shares outstanding for basic income per share	331,976,907	330,035,445
Diluted income per share attributable to CBRE Group, Inc.	$ 0.28	$ 0.20
Weighted average shares outstanding for diluted income per share	335,698,590	333,349,519

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

Table of Contents

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2015	2014
Net income	$ 93,138	$ 67,942
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(105,420)	11,573
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	1,795	1,800
Unrealized losses on interest rate swaps and interest rate caps, net of tax	(2,774)	(1,504)
Unrealized holding (losses) gains on available for sale securities, net of tax	(166)	438
Other, net	2	275
Total other comprehensive (loss) income	(106,563)	12,582
Comprehensive (loss) income	(13,425)	80,524
Less: Comprehensive income attributable to non-controlling interests	168	285
Comprehensive (loss) income attributable to CBRE Group, Inc.	$ (13,593)	$ 80,239

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,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 93,138	$ 67,942
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	69,846	65,203
Amortization and write-off of financing costs	4,947	1,816
Gain on sale of loans, servicing rights and other assets	(38,414)	(17,403)
Net realized and unrealized gains from investments	(1,087)	(4,801)
Equity income from unconsolidated subsidiaries	(15,451)	(15,000)
Provision for doubtful accounts	1,483	1,564
Compensation expense related to equity awards	15,941	11,171
Incremental tax benefit from stock options exercised	(532)	(1,239)
Distribution of earnings from unconsolidated subsidiaries	8,925	3,417
Tenant concessions received	5,077	1,252
Purchase of trading securities	(20,522)	(15,809)
Proceeds from sale of trading securities	19,433	15,726
Decrease in receivables	155,574	78,169
Increase in prepaid expenses and other assets	(35,952)	(25,209)
Increase in real estate held for sale and under development	(1,749)	(1,521)
Decrease in accounts payable and accrued expenses	(46,795)	(70,779)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(383,965)	(294,866)
Decrease (increase) in income taxes receivable/payable	444	(59,344)
Decrease in other liabilities	(7,836)	(5,433)
Other operating activities, net	(2,355)	(4,822)
Net cash used in operating activities	(179,850)	(269,966)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,628)	(13,653)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired	(75,033)	(14,704)
Contributions to unconsolidated subsidiaries	(14,841)	(9,710)
Distributions from unconsolidated subsidiaries	24,422	17,279
Additions to real estate held for investment	(670)	
Proceeds from the sale of servicing rights and other assets	4,941	9,316
(Increase) decrease in restricted cash	(31,358)	9,611
Purchase of available for sale securities	(11,878)	(12,660)
Proceeds from the sale of available for sale securities	15,854	10,999
Other investing activities, net	358	26
Net cash used in investing activities	(106,833)	(3,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans	500,000	
Repayment of senior secured term loans	(645,613)	(9,913)
Proceeds from revolving credit facility	264,000	617,765
Repayment of revolving credit facility	(158,512)	(401,112)
Repayment of notes payable on real estate held for investment	(385)	(906)
Proceeds from notes payable on real estate held for sale and under development	746	2,058
Shares repurchased for payment of taxes on equity awards	(5,092)	
Incremental tax benefit from stock options exercised	532	1,239
Non-controlling interests contributions	4,192	119
Non-controlling interests distributions	(748)	(2,024)

Payment of financing costs	(21,183)	(9)
Other financing activities, net	1,628	1,111
Net cash (used in) provided by financing activities	(60,435)	208,328
Effect of currency exchange rate changes on cash and cash equivalents	(14,738)	1,459
NET DECREASE IN CASH AND CASH EQUIVALENTS	(361,856)	(63,675)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	740,884	491,912
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 379,028	$ 428,237
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 37,163	$ 29,424
Income tax payments, net	$ 56,890	$ 98,063

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

6

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			92,937		201	93,138
Stock options exercised (including tax benefit)	1	2,159				2,160
Compensation expense for equity awards		15,941				15,941
Shares repurchased for payment of taxes on equity awards	(1)	(5,091)				(5,092)
Foreign currency translation loss				(105,387)	(33)	(105,420)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax				1,795		1,795
Unrealized losses on interest rate swaps, net of tax				(2,774)		(2,774)
Unrealized holding losses on available for sale securities, net of tax				(166)		(166)
Contributions from non-controlling interests					4,192	4,192
Distributions to non-controlling interests					(748)	(748)
Other		62		2	533	597
Balance at March 31, 2015	$ 3,330	$ 1,052,496	$ 1,634,032	$ (430,550)	$ 45,713	$ 2,305,021

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 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 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 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 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. Certain reclassifications have been made to the 2014 financial statements to conform with the 2015 presentation.

The results of operations for the three months ended March 31, 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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 accounting principles generally accepted in the United States, or GAAP, when it becomes effective on January 1, 2017. 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.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* This ASU requires that debt issuance costs related to a

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 2015-03 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 this ASU will have a material impact on our consolidated financial position.

3. 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 2014, the remaining two commercial properties were sold.

No financial support was provided by the Venture to the Entities during the three months ended March 31, 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 three months ended March 31, 2014 included the following (dollars in thousands):

Revenue	$ 2,102
Operating, administrative and other expenses	$ 1,233
Net income attributable to non-controlling interests	$ 478

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

	March 31, 2015	December 31, 2014
Investments in unconsolidated subsidiaries	$ 22,863	$ 26,353
Other assets, current	3,427	3,337
Co-investment commitments	200	200
Maximum exposure to loss	$ 26,490	$ 29,890

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. 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 or out of Level 1 and Level 2 during the three months ended March 31, 2015 and 2014.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 March 31, 2015 and December 31, 2014 (dollars in thousands):

	As of March 31, 2015			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities:				
U.S. treasury securities	$ 6,337	$	$	$ 6,337
Debt securities issued by U.S. federal agencies		6,583		6,583
Corporate debt securities		15,391		15,391
Asset-backed securities		2,749		2,749
Collateralized mortgage obligations		1,933		1,933
Total debt securities	6,337	26,656		32,993
Equity securities	23,443			23,443
Total available for sale securities	29,780	26,656		56,436
Trading securities	64,124			64,124
Warehouse receivables		1,080,364		1,080,364
Loan commitments			4,015	4,015
Foreign currency exchange forward contracts		17,827		17,827
Total assets at fair value	$ 93,904	$ 1,124,847	$ 4,015	$ 1,222,766
Liabilities				
Interest rate swaps	$	$ 28,500	$	$ 28,500
Securities sold, not yet purchased	3,004			3,004
Foreign currency exchange forward contracts		319		319
Total liabilities at fair value	$ 3,004	$ 28,819	$	$ 31,823

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

There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2015 and 2014.

The following table provides additional information about fair value measurements for these Level 3 assets for the three months ended March 31, 2015 (dollars in thousands):

Balance at January 1, 2015	$ 2,372
Net gains included in earnings	4,015
Settlements	(2,372)
Transfers into (out of) Level 3	
Ending balance at March 31, 2015	$ 4,015

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.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 5).

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 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 $500.0 million and $645.1 million at March 31, 2015 and December 31, 2014, respectively. Their actual carrying value totaled $500.0 million and $645.6 million at March 31, 2015 and December 31, 2014, respectively (see Note 10).

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 5).

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 $832.0 million and $818.0 million at March 31, 2015 and December 31, 2014, respectively. Their actual carrying value totaled $800.0 million at both March 31, 2015 and December 31, 2014.

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 $457.9 million and $439.7 million at March 31, 2015 and December 31, 2014, respectively. Their actual carrying value totaled $426.8 million at both March 31, 2015 and December 31, 2014.

Notes Payable on Real Estate: As of March 31, 2015 and December 31, 2014, the carrying value of our notes payable on real estate was $43.2 million and $42.8 million, respectively (see Note 9). These borrowings generally have floating interest rates at spreads added to 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 the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, these notes payable were not recourse to us as of March 31, 2015 or December 31, 2014.

5. 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 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 attempt 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. 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 months ended March 31, 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 $2.9 million and $3.0 million for the three months ended March 31, 2015 and 2014, respectively, from accumulated other comprehensive loss to interest expense. During the next twelve months, we estimate that $11.2 million will be reclassified from accumulated other comprehensive loss to interest expense. In addition, we recorded net losses of $4.5 million and $2.6 million for the three months ended March 31, 2015 and 2014, respectively, to other comprehensive income/loss in relation to such interest rate swap agreements. As of March 31, 2015 and December 31, 2014, the fair values of such interest rate swap agreements were reflected as a $28.5 million liability and a $26.9 million liability, respectively, 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 currency. 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, Canadian dollars, Japanese yen, Euros and British pound sterling 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 $18.4 million from foreign currency exchange forward contracts for the three months ended March 31, 2015. The net impact on earnings resulting from gains and/or losses associated with these contracts during the three months ended March 31, 2014 was not significant. As of March 31, 2015, we had 44 foreign currency exchange forward contracts outstanding covering a notional amount of $257.5 million. As of March 31, 2015, the fair value of forward contracts with four counterparties aggregated to a $16.6 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of March 31, 2015, 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. 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.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 for the three months ended March 31, 2015 resulting from net gains on these foreign currency exchange option and forward contracts. The net impact on earnings resulting from gains and/or losses associated with these contracts during the three months ended March 31, 2014 was not significant. As of March 31, 2015, we had four foreign currency exchange option and forward contracts outstanding covering a notional amount of $35.9 million. As of March 31, 2015, the fair value of forward contracts with one counterparty aggregated to a $1.2 million asset position, which was included in other current assets in the accompanying consolidated balance sheets. As of March 31, 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 $4.0 million for the three months ended March 31, 2015, resulting from gains on these loan commitments. The net impact on earnings resulting from gains and/or losses associated with these loan commitments during the three months ended March 31, 2014 was not significant. As of March 31, 2015, the fair value of such contracts with three counterparties aggregated to a $4.0 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.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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,	
	2015	**2014**
Global Investment Management:		
Revenue	$ 255,727	$ 234,335
Operating income (loss)	$ 28,627	$ (171,593)
Net loss	$ (42,956)	$ (160,151)
Development Services:		
Revenue	$ 9,259	$ 14,436
Operating income	$ 39,047	$ 16,462
Net income	$ 37,636	$ 15,083
Other:		
Revenue	$ 27,587	$ 25,205
Operating income	$ 3,526	$ 1,667
Net income	$ 3,637	$ 1,688
Total:		
Revenue	$ 292,573	$ 273,976
Operating income (loss)	$ 71,200	$ (153,464)
Net loss	$ (1,683)	$ (143,380)

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.

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 within other current liabilities in the accompanying consolidated balance sheets.

16

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	March 31, 2015	December 31, 2014
Assets:		
Real estate held for sale (see Note 8)	$ 5,115	$ 3,840
Other current assets	7	5
Total real estate and other assets held for sale	5,122	3,845
Liabilities:		
Accounts payable and accrued expenses	40	61
Total liabilities related to real estate and other assets held for sale	40	61
Net real estate and other assets held for sale	$ 5,082	$ 3,784

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

	March 31, 2015	December 31, 2014
Real estate included in assets held for sale (see Note 7)	$ 5,115	$ 3,840
Real estate under development (non-current)	7,520	4,630
Real estate held for investment (1)	34,880	37,129
Total real estate (2)	$ 47,515	$ 45,599

(1) Net of accumulated depreciation of $12.7 million and $12.3 million at March 31, 2015 and December 31, 2014, respectively.

(2) Includes balances for lease intangibles of $3.6 million at both March 31, 2015 and December 31, 2014. 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.

9. Notes Payable on Real Estate

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

	March 31, 2015	December 31, 2014
Current portion of notes payable on real estate	$ 23,253	$ 23,229
Notes payable on real estate, non-current portion	19,951	19,614
Total notes payable on real estate	$ 43,204	$ 42,843

At both March 31, 2015 and December 31, 2014, none of our notes payable on real estate was recourse to us, but was recourse to the single-purpose entity that held the real estate asset and was the primary obligor on the note payable.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. Debt

Since 2001, we have maintained credit facilities to fund strategic acquisitions and to provide for our working capital needs. On March 28, 2013, we entered into a credit agreement (the 2013 Credit Agreement) with a syndicate of banks led by Credit Suisse Group 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 previously outstanding balance on our revolving credit facility under the 2013 Credit Agreement.

As of March 31, 2015, our 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; and (2) a $500.0 million tranche A term loan facility requiring quarterly principal payments, which begin on June 30, 2015 and continue through maturity on January 9, 2020.

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 the applicable fixed rate plus 1.175% to 1.50% or the daily rate plus 0.175% to 0.50% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the 2015 Credit Agreement). As of March 31, 2015, we had $110.0 million of revolving credit facility principal outstanding under the 2015 Credit Agreement with a related weighted average annual interest rate of 2.7%, which was included in short-term borrowings in the accompanying consolidated balance sheets. As of March 31, 2015, letters of credit totaling $4.0 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 tranche A term loan facility under the 2015 Credit Agreement as of March 31, 2015 bear interest, based on our option, on either the applicable fixed rate plus 1.375% to 1.85% or the daily rate plus 0.375% to 0.85%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the 2015 Credit Agreement). As of March 31, 2015, we had $500.0 million of term loan facility principal outstanding under the 2015 Credit Agreement, which was included in the accompanying consolidated balance sheets. As of December 31, 2014, we had $645.6 million of term loan facilities principal outstanding (including $434.4 million of tranche A term loan facility and $211.2 million of tranche B term loan facility) under the 2013 Credit Agreement, which are also included in the accompanying consolidated balance sheets.

As of March 10, 2015, we obtained Investment Grade Status (as defined in the 2015 Credit Agreement). As such, upon delivery of our first quarter 2015 compliance certificate (due 45 days following the end of such quarter), borrowings under the revolving credit facility will 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). Borrowings under the tranche A term loan facility will bear interest, based on our option, 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).

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The 2015 Credit Agreement is jointly and severally guaranteed by us and substantially all of our material domestic subsidiaries. Borrowings under the 2015 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, in each case, held by us and the U.S. guarantor subsidiaries. Also, the 2015 Credit Agreement requires us to pay a fee based on the total amount of the unused revolving credit facility commitment.

Our 2015 Credit Agreement and the indentures governing our 5.00% senior notes and 5.25% senior 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 2015 Credit Agreement also currently 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 13.02x for the trailing twelve months ended March 31, 2015 and our leverage ratio of total debt less available cash to EBITDA was 1.23x as of March 31, 2015.

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 unlikely to be significant, 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 materially in excess of that anticipated by management.

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 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 $10.6 billion at March 31, 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 $91.4 million at March 31, 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 March 31, 2015 and December 31, 2014, CBRE MCI had a $32.0 million and a $29.0 million, respectively, letter of credit under this reserve arrangement, and had provided approximately $18.7 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 totaled approximately $855.6 million (including $710.2 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, 2015.

We had outstanding letters of credit totaling $43.3 million as of March 31, 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 $32.0 million referred to in the preceding paragraph represented the majority of the $43.3 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 December 2015.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

We had guarantees totaling $17.4 million as of March 31, 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 operating leases. The $17.4 million primarily represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through December 2018, 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, 2015, 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.

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, 2015, we had aggregate commitments of $16.5 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, 2015, we had committed to fund $22.0 million of additional capital to these unconsolidated subsidiaries.

12. Income Per Share Information

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

	Three Months Ended March 31,	
	2015	**2014**
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 92,937	$ 67,663
Weighted average shares outstanding for basic income per share	331,976,907	330,035,445
Basic income per share attributable to CBRE Group, Inc. shareholders	$ 0.28	$ 0.21

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 92,937	$ 67,663
Weighted average shares outstanding for basic income per share	331,976,907	330,035,445
Dilutive effect of contingently issuable shares	3,444,604	2,880,113
Dilutive effect of stock options	277,079	433,961
Weighted average shares outstanding for diluted income per share	335,698,590	333,349,519
Diluted income per share attributable to CBRE Group, Inc. shareholders	$ 0.28	$ 0.20

For the three months ended March 31, 2015 and 2014, 47,757 and 20,065, respectively, 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 the three months ended March 31, 2014, options to purchase 37,598 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.

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.

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

	Three Months Ended March 31,	
	2015	2014
Interest cost	$ 3,741	$ 4,431
Expected return on plan assets	(4,612)	(5,796)
Amortization of unrecognized net loss	1,031	662
Net periodic pension cost (benefit)	$ 160	$ (703)

We contributed $1.9 million to fund our pension plans during the three months ended March 31, 2015. We expect to contribute a total of $6.4 million to fund our pension plans for the year ending December 31, 2015.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

14. Segments

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

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

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

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,	
	2015	**2014**
Revenue		
Americas	$ 1,227,616	$ 1,021,681
EMEA	494,024	518,679
Asia Pacific	208,366	195,643
Global Investment Management	110,224	112,463
Development Services	12,273	12,376
	$ 2,052,503	$ 1,860,842

	Three Months Ended March 31,	
	2015	**2014**
EBITDA		
Americas	$ 187,321	$ 125,762
EMEA	7,578	23,365
Asia Pacific	10,550	8,241
Global Investment Management	34,880	28,263
Development Services	5,959	11,575
	$ 246,288	$ 197,206

EBITDA represents earnings before net interest expense, write-off of financing costs, income taxes, depreciation and amortization. Our management believes EBITDA is useful in evaluating our operating

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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 March 31,	
	2015	**2014**
Americas		
Net income attributable to CBRE Group, Inc.	$ 95,202	$ 70,466
Add:		
Depreciation and amortization	42,950	34,158
Interest expense, net	3,546	9,186
Write-off of financing costs	2,685	
Royalty and management service expense (income)	108	(864)
Provision for income taxes	42,830	12,816
EBITDA	$ 187,321	$ 125,762
EMEA		
Net loss attributable to CBRE Group, Inc.	$ (18,486)	$ (6,990)
Add:		
Depreciation and amortization	14,792	17,463
Interest expense, net	11,447	7,159
Royalty and management service income	(1,217)	(3,885)
Provision for income taxes	1,042	9,618
EBITDA	$ 7,578	$ 23,365

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Asia Pacific		
Net income (loss) attributable to CBRE Group, Inc.	$ 2,659	$ (4,244)
Add:		
Depreciation and amortization	3,846	3,068
Interest expense, net	898	335
Royalty and management service expense	63	3,639
Provision for income taxes	3,084	5,443
EBITDA	$ 10,550	$ 8,241
Global Investment Management		
Net income attributable to CBRE Group, Inc.	$ 10,708	$ 2,828
Add:		
Depreciation and amortization	7,611	9,366
Interest expense, net	7,684	8,841
Royalty and management service expense	1,046	1,110
Provision for income taxes	7,831	6,118
EBITDA	$ 34,880	$ 28,263
Development Services		
Net income attributable to CBRE Group, Inc.	$ 2,854	$ 5,603
Add:		
Depreciation and amortization	647	1,148
Interest expense, net	342	917
Provision for income taxes	2,116	3,907
EBITDA	$ 5,959	$ 11,575

15. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of March 31, 2015 and December 31, 2014; condensed consolidating statements of operations for the three months ended March 31, 2015 and 2014; condensed consolidating statements of comprehensive income (loss) for the three months ended March 31, 2015 and 2014; and condensed consolidating statements of cash flows for the three months ended March 31, 2015 and 2014 of (a) CBRE Group, Inc. as the parent, (b) CBRE Services, Inc. (CBRE) as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and

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

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

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2015

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 5	$ 5,653	$ 33,654	$ 339,716	$	$ 379,028
Restricted cash			3,961	52,733		56,694
Receivables, net			641,188	895,912		1,537,100
Warehouse receivables (a)			343,406	736,958		1,080,364
Trading securities			113	64,011		64,124
Income taxes receivable	4,960		12,557	13,330		30,847
Prepaid expenses			58,348	84,849		143,197
Deferred tax assets, net			140,746	52,578		193,324
Real estate and other assets held for sale			1,062	4,060		5,122
Available for sale securities			849			849
Other current assets		17,777	51,474	33,979		103,230
Total Current Assets	4,965	23,430	1,287,358	2,278,126		3,593,879
Property and equipment, net			350,384	129,367		479,751
Goodwill						