CBRE GROUP, INC.
Form 10-Q
August 09, 2012
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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 June 30, 2012

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

For the Transition Period from to

Commission File Number 001 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3391143**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
11150 Santa Monica Boulevard, Suite 1600	
Los Angeles, California	**90025**
(Address of principal executive offices)	**(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 July 31, 2012 was 328,219,385.

FORM 10-Q

June 30, 2012

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CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 731,202	$ 1,093,182
Restricted cash	64,328	67,138
Receivables, less allowance for doubtful accounts of $38,770 and $33,915 at June 30, 2012 and December 31, 2011, respectively	1,092,964	1,135,371
Warehouse receivables	423,681	720,061
Trading securities	79,115	151,484
Income taxes receivable	48,414	
Prepaid expenses	110,538	111,879
Deferred tax assets, net	173,211	168,939
Real estate under development	37,426	30,617
Real estate and other assets held for sale	13,667	26,201
Available for sale securities	2,068	2,790
Other current assets	52,084	42,385
Total Current Assets	2,828,698	3,550,047
Property and equipment, net	299,310	295,488
Goodwill	1,816,040	1,828,407
Other intangible assets, net of accumulated amortization of $237,295 and $194,982 at June 30, 2012 and December 31, 2011, respectively	784,779	794,325
Investments in unconsolidated subsidiaries	210,115	166,832
Real estate under development	7,813	3,952
Real estate held for investment	432,585	403,698
Available for sale securities	55,136	34,605
Other assets, net	141,919	141,789
Total Assets	$ 6,576,395	$ 7,219,143
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 496,127	$ 574,136
Compensation and employee benefits payable	399,216	398,688
Accrued bonus and profit sharing	284,729	544,628
Securities sold, not yet purchased	63,833	98,810
Income taxes payable		28,368
Short-term borrowings:		
Warehouse lines of credit	417,245	713,362
Revolving credit facility	52,838	44,825
Other	4,692	16
Total short-term borrowings	474,775	758,203
Current maturities of long-term debt	68,060	67,838
Notes payable on real estate	139,410	146,120
Liabilities related to real estate and other assets held for sale	6,939	21,482
Other current liabilities	45,369	42,375
Total Current Liabilities	1,978,458	2,680,648
Long-Term Debt:		
Senior secured term loans	1,584,774	1,615,773

11.625% senior subordinated notes, net of unamortized discount of $10,253 and $10,984 at June 30, 2012 and December 31, 2011, respectively	439,747	439,016
6.625% senior notes	350,000	350,000
Other long-term debt	57	59
Total Long-Term Debt	2,374,578	2,404,848
Notes payable on real estate	243,334	206,339
Deferred tax liabilities, net	158,707	148,969
Non-current tax liabilities	86,062	79,927
Pension liability	60,627	60,860
Other liabilities	239,687	220,389
Total Liabilities	5,141,453	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; 328,219,385 and 327,972,156 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	3,282	3,280
Additional paid-in capital	908,657	882,141
Accumulated earnings	527,347	424,499
Accumulated other comprehensive loss	(184,424)	(158,439)
Total CBRE Group, Inc. Stockholders Equity	1,254,862	1,151,481
Non-controlling interests	180,080	265,682
Total Equity	1,434,942	1,417,163
Total Liabilities and Equity	$ 6,576,395	$ 7,219,143

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenue	$ 1,601,117	$ 1,422,218	$ 2,951,106	$ 2,607,323
Costs and expenses:				
Cost of services	908,143	839,822	1,695,699	1,553,577
Operating, administrative and other	482,377	432,856	923,099	809,881
Depreciation and amortization	38,336	25,385	84,793	48,563
Total costs and expenses	1,428,856	1,298,063	2,703,591	2,412,021
Gain on disposition of real estate	439	6,027	1,248	7,999
Operating income	172,700	130,182	248,763	203,301
Equity income from unconsolidated subsidiaries	2,609	17,068	16,995	32,247
Other (loss) income	(2,104)		4,484	
Interest income	1,585	1,902	3,888	4,570
Interest expense	44,411	34,216	88,392	67,934
Income from continuing operations before provision for income taxes	130,379	114,936	185,738	172,184
Provision for income taxes	54,780	46,336	80,193	69,742
Income from continuing operations	75,599	68,600	105,545	102,442
Income from discontinued operations, net of income taxes		6,267		16,911
Net income	75,599	74,867	105,545	119,353
Less: Net (loss) income attributable to non-controlling interests	(274)	13,644	2,697	23,761
Net income attributable to CBRE Group, Inc.	$ 75,873	$ 61,223	$ 102,848	$ 95,592
Basic income per share attributable to CBRE Group, Inc. shareholders				
Income from continuing operations attributable to CBRE Group, Inc.	$ 0.24	$ 0.19	$ 0.32	$ 0.30
Income from discontinued operations attributable to CBRE Group, Inc.				
Net income attributable to CBRE Group, Inc.	$ 0.24	$ 0.19	$ 0.32	$ 0.30
Weighted average shares outstanding for basic income per share	320,852,344	317,698,275	320,761,873	317,133,967
Diluted income per share attributable to CBRE Group, Inc. shareholders				
	$ 0.23	$ 0.19	$ 0.32	$ 0.30

Income from continuing operations attributable to CBRE Group, Inc.								
Income from discontinued operations attributable to CBRE Group, Inc.								
Net income attributable to CBRE Group, Inc.	$	0.23	$	0.19	$	0.32	$	0.30
Weighted average shares outstanding for diluted income per share		326,081,681		324,093,042		325,910,274		323,510,069
Amounts attributable to CBRE Group, Inc. shareholders								
Income from continuing operations, net of tax	$	75,873	$	61,223	$	102,848	$	95,592
Income from discontinued operations, net of tax								
Net income	$	75,873	$	61,223	$	102,848	$	95,592

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income	$ 75,599	$ 74,867	$ 105,545	$ 119,353
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(40,181)	15,550	(21,659)	45,545
Unrealized losses on interest rate swaps and interest rate caps, net	(5,614)	(7,833)	(4,360)	(6,777)
Unrealized (losses) gains on available for sale securities, net	(1,100)	89	(186)	183
Other, net	333	909	(167)	323
Total other comprehensive (loss) income	(46,562)	8,715	(26,372)	39,274
Comprehensive income	29,037	83,582	79,173	158,627
Less: Comprehensive (loss) income attributable to non-controlling interests	(857)	14,116	2,310	24,591
Comprehensive income attributable to CBRE Group, Inc.	$ 29,894	$ 69,466	$ 76,863	$ 134,036

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 105,545	$ 119,353
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	84,793	49,088
Amortization of financing costs	4,643	3,241
Gain on sale of loans, servicing rights and other assets	(43,776)	(25,437)
Net realized and unrealized gains from investments	(4,484)	
Gain on disposition of real estate held for investment		(19,695)
Equity income from unconsolidated subsidiaries	(16,995)	(32,247)
Provision for doubtful accounts	6,842	6,830
Compensation expense related to stock options and non-vested stock awards	22,606	21,292
Incremental tax benefit from stock options exercised	(861)	(14,495)
Distribution of earnings from unconsolidated subsidiaries	8,017	11,855
Tenant concessions received	8,428	11,807
Purchase of trading securities	(121,412)	
Proceeds from sale of trading securities	125,412	
Proceeds from securities sold, not yet purchased	86,059	
Securities purchased to cover short sales	(73,250)	
Decrease in receivables	17,010	4,131
Increase in prepaid expenses and other assets	(10,831)	(4,523)
(Increase) decrease in real estate held for sale and under development	(9,378)	32,525
Decrease in accounts payable and accrued expenses	(47,455)	(34,955)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(284,895)	(256,597)
Increase in income taxes receivable/payable	(62,527)	(28,245)
Increase in other liabilities	5,721	400
Other operating activities, net	(871)	(718)
Net cash used in operating activities	(201,659)	(156,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(38,705)	(47,148)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired	(183)	(41,075)
Contributions to unconsolidated subsidiaries	(48,518)	(17,094)
Distributions from unconsolidated subsidiaries	11,583	34,988
Net proceeds from disposition of real estate held for investment		109,667
Additions to real estate held for investment	(2,562)	(6,315)
Proceeds from the sale of servicing rights and other assets	13,490	11,416
Decrease in restricted cash	2,909	3,974
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)	(73,187)	
Other investing activities, net	1,626	(704)
Net cash (used in) provided by investing activities	(133,547)	47,709
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans		400,000
Repayment of senior secured term loans	(33,966)	(19,000)
Proceeds from revolving credit facility	23,222	744,733
Repayment of revolving credit facility	(15,230)	(652,000)

Proceeds from notes payable on real estate held for investment	4,515	3,551
Repayment of notes payable on real estate held for investment	(9,727)	(91,471)
Proceeds from notes payable on real estate held for sale and under development	6,146	1,665
Repayment of notes payable on real estate held for sale and under development	(1,394)	(26,594)
Proceeds from short-term borrowings	4,683	
Proceeds from exercise of stock options	3,137	4,858
Incremental tax benefit from stock options exercised	861	14,495
Non-controlling interests contributions	15,909	8,630
Non-controlling interests distributions	(24,080)	(30,679)
Payment of financing costs	(55)	(18,454)
Other financing activities, net	(58)	(91)
Net cash (used in) provided by financing activities	(26,037)	339,643
Effect of currency exchange rate changes on cash and cash equivalents	(737)	14,573
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(361,980)	245,535
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,093,182	506,574
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 731,202	$ 752,109
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 81,320	$ 68,221
Income tax payments, net	$ 143,350	$ 95,744

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

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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			102,848		2,697	105,545
Stock options exercised (including tax benefit)	4	3,994				3,998
Compensation expense for stock options and non-vested stock awards		22,606				22,606
Foreign currency translation loss				(21,272)	(387)	(21,659)
Unrealized losses on interest rate swaps and interest rate caps, net				(4,360)		(4,360)
Unrealized losses on available for sale securities, net				(186)		(186)
Contributions from non-controlling interests					15,909	15,909
Distributions to non-controlling interests					(24,080)	(24,080)
Deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)					(91,580)	(91,580)
Other	(2)	(84)		(167)	11,839	11,586
Balance at June 30, 2012	$ 3,282	$ 908,657	$ 527,347	$ (184,424)	$ 180,080	$ 1,434,942

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

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

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

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

2. New Accounting Pronouncements

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

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. REIM Acquisitions

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

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

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

Purchase of CRES on July 1, 2011	$ 324,072
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	$ 870,496

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 June 30, 2012, there is a possibility of an additional closing of approximately $80 million and co-investments of up to $20 million in the future related to our acquisition of ING REIM Europe.

In connection with our acquisition of CRES, we acquired CRES co-investments from ING in three funds (CRES Funds) for an aggregate purchase price of $58.6 million, which has been included above. We determined that the CRES Funds were not variable interest entities and accordingly determined the method of accounting based upon voting control. The limited partners/members of the CRES Funds lack substantive rights that would overcome our presumption of control. Accordingly, we began consolidating the CRES Funds as of the acquisition date of July 1, 2011. Included in the consolidation of the CRES Funds on July 1, 2011 was $182.9 million of non-controlling interests. In connection with the REIM Acquisitions, we also acquired three ING REIM Asia co-investments from ING for an aggregate amount of $13.9 million on October 3, 2011 and several ING REIM Europe co-investments, including one for $7.4 million on October 31, 2011, and nine additional co-investments for an aggregate amount of $34.8 million during the six months ended June 30, 2012.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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. 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 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 and six months ended June 30, 2011, including $6.4 million and $12.8 million, respectively, of increased amortization expense as a result of intangible assets acquired in the REIM Acquisitions, $8.0 million and $16.2 million, respectively, of additional interest expense as a result of debt incurred to finance the REIM Acquisitions, the removal of $5.1 million and $12.7 million, respectively, of direct costs incurred by us and ING related to the REIM Acquisitions, and the tax impact of the pro forma adjustments. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the REIM Acquisitions occurred on January 1, 2011 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Revenue	$ 1,505,281	$ 2,767,756
Operating income	$ 147,274	$ 236,242
Net income attributable to CBRE Group, Inc.	$ 69,938	$ 112,692
Basic income per share	$ 0.22	$ 0.36
Weighted average shares outstanding for basic income per share	317,698,275	317,133,967
Diluted income per share	$ 0.22	$ 0.35
Weighted average shares outstanding for diluted income per share	324,093,042	323,510,069

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

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

economic performance of the properties held by the Entities. An additional Entity was consolidated during the six months ended June 30, 2012. The related real estate assets held for investment were $26.5 million, nonrecourse mortgage notes payable were $15.9 million and non-controlling interests were $10.7 million as of June 30, 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 both the six months ended June 30, 2012 and 2011, the Venture funded $0.2 million of financial support to the Entities.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	$ 3,720	$ 7,253	$ 6,594	$ 15,818
Operating, administrative and other expenses	$ 2,359	$ 4,373	$ 4,025	$ 8,088
Income from discontinued operations, net of income taxes	$	$ 6,267	$	$ 16,911
Net (loss) income attributable to non-controlling interests	$ (1,170)	$ 4,091	$ (2,017)	$ 13,068

Investments in real estate of $86.5 million and $61.3 million and nonrecourse mortgage notes payable of $77.2 million ($17.2 million of which is current) and $60.9 million ($1.2 million of which is current) are included in real estate held for investment and notes payable on real estate, respectively, in the accompanying consolidated balance sheets as of June 30, 2012 and December 31, 2011, respectively. In addition, non-controlling interests of $10.8 million and $1.6 million in the accompanying consolidated balance sheets as of June 30, 2012 and December 31, 2011, respectively, are attributable to the Entities.

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

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

	June 30, 2012	December 31, 2011
Investments in unconsolidated subsidiaries	$ 46,490	$ 15,483
Available for sale securities	14,363	
Other assets, current	3,016	
Co-investment commitments	7,303	37,019
Maximum exposure to loss	$ 71,172	$ 52,502

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. Fair Value Measurements

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

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

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

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

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

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

	As of June 30, 2012			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities:				
U.S. treasury securities	$ 10,378	$	$	$ 10,378
Debt securities issued by U.S. federal agencies		3,158		3,158
Corporate debt securities		8,782		8,782
Asset-backed securities		5,534		5,534
Collateralized mortgage obligations		3,325		3,325
Total debt securities	10,378	20,799		31,177
Equity securities	26,027			26,027
Total available for sale securities	36,405	20,799		57,204
Trading securities	79,115			79,115
Warehouse receivables		423,681		423,681

Total assets at fair value	$ 115,520	$ 444,480	$	$ 560,000
Liabilities				
Securities sold, not yet purchased	$ 63,833	$	$	$ 63,833
Interest rate swaps		47,024		47,024
Total liabilities at fair value	$ 63,833	$ 47,024	$	$ 110,857

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CBRE GROUP, INC.

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(Unaudited)

	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

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

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

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

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

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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 June 30, 2012, we have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

There were no significant non-recurring fair value measurements recorded during the three and six months ended June 30, 2012 and 2011.

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

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

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

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

Senior Secured Term Loans: Based upon information from third-party banks (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our senior secured term loans was approximately $1.6 billion at June 30, 2012. Their actual carrying value totaled $1.7 billion at June 30, 2012 (see Note 10).

11.625% Senior Subordinated Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 11.625% senior subordinated notes was $499.1 million at June 30, 2012. Their actual carrying value totaled $439.7 million at June 30, 2012.

6.625% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 6.625% senior notes was $371.4 million at June 30, 2012. Their actual carrying value totaled $350.0 million at June 30, 2012.

Notes Payable on Real Estate: As of June 30, 2012, the carrying value of our notes payable on real estate was $389.5 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 June 30, 2012.

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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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Global Investment Management:				
Revenue	$ 200,895	$ 158,903	$ 371,615	$ 299,155
Operating income (loss)	$ 170,322	$ (8,636)	$ 159,848	$ (43,298)
Net income (loss)	$ 93,872	$ (20,102)	$ 137,078	$ (70,267)
Development Services:				
Revenue	$ 23,659	$ 28,167	$ 41,640	$ 47,581
Operating income	$ 6,048	$ 37,424	$ 32,480	$ 76,797
Net (loss) income	$ (981)	$ 26,689	$ 19,971	$ 59,131
Other:				
Revenue	$ 38,456	$ 32,417	$ 69,977	$ 66,802
Operating income	$ 4,682	$ 4,643	$ 7,729	$ 8,433
Net income	$ 5,533	$ 4,640	$ 8,649	$ 8,499
Total:				
Revenue	$ 263,010	$ 219,487	$ 483,232	$ 413,538
Operating income	$ 181,052	$ 33,431	$ 200,057	$ 41,932
Net income (loss)	$ 98,424	$ 11,227	$ 165,698	$ (2,637)

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.

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CBRE GROUP, INC.

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(Unaudited)

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

	June 30, 2012	December 31, 2011
Assets:		
Real estate held for sale (see Note 8)	$ 13,123	$ 21,833
Other current assets	282	531
Other assets	262	3,837
Total real estate and other assets held for sale	13,667	26,201
Liabilities:		
Notes payable on real estate held for sale (see Note 9)	6,727	20,453
Accounts payable and accrued expenses	96	891
Other current liabilities	60	8
Other liabilities	56	130
Total liabilities related to real estate and other assets held for sale	6,939	21,482
Net real estate and other assets held for sale	$ 6,728	$ 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):

	June 30, 2012	December 31, 2011
Real estate included in assets held for sale (see Note 7)	$ 13,123	$ 21,833
Real estate under development (current)	37,426	30,617
Real estate under development (non-current)	7,813	3,952
Real estate held for investment (1)	432,585	403,698
Total real estate (2)	$ 490,947	$ 460,100

(1) Net of accumulated depreciation of $47.5 million and $40.7 million at June 30, 2012 and December 31, 2011, respectively.

(2) Includes balances for lease intangibles and tenant origination costs of $8.4 million and $1.8 million, respectively, at June 30, 2012 and $8.7 million and $2.0 million, respectively, at December 31, 2011. We record lease intangibles and tenant origination costs upon acquiring real estate projects with in-place leases. The balances are shown net of amortization, which is recorded as an increase to, or a reduction of, rental income for lease intangibles and as amortization expense for tenant origination costs.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. Notes Payable on Real Estate

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

	June 30, 2012	December 31, 2011
Current portion of notes payable on real estate	$ 139,410	$ 146,120
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 7)	6,727	20,453
Total notes payable on real estate, current portion	146,137	166,573
Notes payable on real estate, non-current portion	243,334	206,339
Total notes payable on real estate	$ 389,471	$ 372,912

At both June 30, 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 June 30, 2012, our Credit Agreement provides for the following: (1) a $700.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on May 10, 2015; (2) a $350.0 million tranche A term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2015, with the balance payable on November 10, 2015; (3) a £187.0 million (approximately $300.0 million) tranche A-1 term loan facility requiring quarterly principal payments, which began on December 30, 2011 and continue through March 31, 2016, with the balance payable on May 10, 2016; (4) a $300.0 million tranche B term loan facility requiring quarterly principal payments, which began on December 31, 2010 and continue through September 30, 2016, with the balance payable on November 10, 2016; (5) a $400.0 million tranche C term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through December 31, 2017, with the balance payable on March 4, 2018; (6) a $400.0 million tranche D term loan facility requiring quarterly principal payments, which began on September 30, 2011 and continue through June 30, 2019, with the balance payable on September 4, 2019 and (7) an accordion provision which provides the ability to borrow additional funds under an incremental facility. The incremental facility is equivalent to the sum of $800.0 million and the aggregate amount of all repayments of term loans and permanent reductions of revolver commitments under the Credit Agreement.

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(Unaudited)

However, at no time may the sum of all outstanding amounts under the Credit Agreement exceed $2.95 billion. On November 10, 2011, we utilized the incremental facility to issue the tranche A-1 term loan facility.

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

The revolving credit facility allows for borrowings outside of the U.S., with sub-facilities of $5.0 million available to one of our Canadian subsidiaries, $35.0 million in aggregate available to one of our Australian and 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 June 30, 2012 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.65% to 3.15% or the daily rate plus 0.65% to 2.15% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of June 30, 2012 and December 31, 2011, we had $52.8 million and $44.8 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 3.7% and 4.3%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of June 30, 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 June 30, 2012 bear interest, based at our option, on the following: for the tranche A and A-1 term loan facilities, on either the applicable fixed rate plus 2.00% to 3.75% or the daily rate plus 1.00% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement), for the tranche B term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25%, for the tranche C term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25% and for the tranche D term loan facility, on either the applicable fixed rate plus 3.50% or the daily rate plus 2.50%. As of June 30, 2012 and December 31, 2011, we had $288.8 million and $306.3 million, respectively, of tranche A term loan facility principal outstanding, $277.3 million and $285.1 million, respectively, of tranche A-1 term loan facility principal outstanding, $294.7 million and $296.3 million, respectively, of tranche B term loan facility principal outstanding, $396.0 million and $398.0 million, respectively, of tranche C term loan facility principal outstanding and $396.0 million and $398.0 million, respectively, of tranche D term loan facility principal outstanding, which are included in the accompanying consolidated balance sheets.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is $400.0 million, with $200.0 million expiring in October 2017 and $200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and six months ended June 30, 2012 and 2011. We recorded net losses of $9.2 million and $7.1 million, respectively, during the three and six

CBRE GROUP, INC.

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(Unaudited)

months ended June 30, 2012 and $13.2 million and $11.5 million, respectively, during the three and six months ended June 30, 2011 to other comprehensive loss in relation to these interest rate swap agreements. As of June 30, 2012 and December 31, 2011, the fair values of these interest rate swap agreements were reflected as a $47.0 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 11.13x for the trailing twelve months ended June 30, 2012 and our leverage ratio of total debt less available cash to EBITDA was 1.76x as of June 30, 2012.

11. Commitments and Contingencies

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

We had outstanding letters of credit totaling $16.6 million as of June 30, 2012, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through July 2013.

We had guarantees totaling $33.3 million as of June 30, 2012, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The $33.3 million primarily consists of guarantees related to our defined benefit pension plans in the United Kingdom (U.K.) (in excess of our outstanding pension liability of $60.6 million as of June 30, 2012), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through May 2014, 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 June 30, 2012, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services

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

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, Inc., entered into an agreement with Fannie Mae, under Fannie Mae s DUS Lender Program (DUS Program), to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of $4.3 billion at June 30, 2012. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately $514.0 million at June 30, 2012. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of June 30, 2012 and December 31, 2011, CBRE MCI had $6.5 million and $4.6 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately $8.0 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 $254.7 million (including $164.2 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 June 30, 2012.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of June 30, 2012, we had aggregate commitments of $30.3 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 June 30, 2012, we had committed to fund $15.5 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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	$ 75,873	$ 61,223	$ 102,848	$ 95,592
Weighted average shares outstanding for basic income per share	320,852,344	317,698,275	320,761,873	317,133,967
Basic income per share attributable to CBRE Group, Inc. shareholders	$ 0.24	$ 0.19	$ 0.32	$ 0.30

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	$ 75,873	$ 61,223	$ 102,848	$ 95,592
Weighted average shares outstanding for basic income per share	320,852,344	317,698,275	320,761,873	317,133,967
Dilutive effect of contingently issuable shares	3,520,310	4,040,084	3,376,807	3,776,379
Dilutive effect of stock options	1,709,027	2,354,683	1,771,594	2,599,723
Weighted average shares outstanding for diluted income per share	326,081,681	324,093,042	325,910,274	323,510,069
Diluted income per share attributable to CBRE Group, Inc. shareholders	$ 0.23	$ 0.19	$ 0.32	$ 0.30

For the three and six months ended June 30, 2012, 47,974 and 43,494 contingently issuable shares, respectively, were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three and six months ended June 30, 2012, options to purchase 103,423 shares of common stock were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

For the three and six months ended June 30, 2011, options to purchase 55,587 shares of common stock were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

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13. Pensions

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest cost	$ 3,898	$ 4,209	$ 7,758	$ 8,322
Expected return on plan assets	(3,635)	(4,337)	(7,234)	(8,573)
Amortization of unrecognized net loss	587	345	1,168	682
Net periodic pension cost	$ 850	$ 217	$ 1,692	$ 431

We contributed $1.4 million and $2.9 million to fund our pension plans during the three and six months ended June 30, 2012, respectively. 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 and six months ended June 30, 2011 were reported in our Global Investment Management segment as follows (dollars in thousands):

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Revenue	$ 1,355	$ 2,385
Costs and expenses:		
Operating, administrative and other	852	1,234
Depreciation and amortization	234	525
Total costs and expenses	1,086	1,759
Gain on disposition of real estate	6,601	17,638
Operating income	6,870	18,264

Interest expense		603		1,353
Income from discontinued operations, before provision for income taxes		6,267		16,911
Provision for income taxes				
Income from discontinued operations, net of income taxes		6,267		16,911
Less: Income from discontinued operations attributable to non-controlling interests		6,267		16,911
Income from discontinued operations attributable to CBRE Group, Inc.	$		$	

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. Industry Segments

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

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

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

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Americas	$ 1,014,193	$ 897,828	$ 1,859,519	$ 1,647,943
EMEA	248,244	261,087	445,630	466,055
Asia Pacific	201,245	188,546	368,446	349,046
Global Investment Management	119,674	57,554	244,874	107,876
Development Services	17,761	17,203	32,637	36,403
	$ 1,601,117	$ 1,422,218	$ 2,951,106	$ 2,607,323

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
EBITDA				
Americas	$ 149,318	$ 115,375	$ 250,555	$ 193,503
EMEA	15,745	21,375	8,648	24,381
Asia Pacific	23,316	17,437	25,599	29,879
Global Investment Management	20,674	2,470	55,267	8,460
Development Services	2,762	9,438	12,269	22,916
	$ 211,815	$ 166,095	$ 352,338	$ 279,139

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

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Americas				
Net income attributable to CBRE Group, Inc.	$ 60,664	$ 52,015	$ 94,231	$ 81,524
Add:				
Depreciation and amortization	19,485	14,831	37,811	27,662
Interest expense	35,363	25,740	70,964	51,572
Royalty and management service income	(7,241)	(6,895)	(13,858)	(13,515)
Provision for income taxes	41,964	30,951	63,717	49,327
Less:				
Interest income	917	1,267	2,310	3,067
EBITDA	$ 149,318	$ 115,375	$ 250,555	$ 193,503
EMEA				
Net income (loss) attributable to CBRE Group, Inc.	$ 8,313	$ 10,541	$ (1,063)	$ 10,392
Add:				
Depreciation and amortization	3,202	2,253	6,493	4,515
Interest expense	2,095	18	4,563	157
Royalty and management service expense	3,176	3,422	5,784	6,153
Provision for income taxes	3,544	5,248	2,134	3,788
Less:				
Interest income	4,585	107	9,263	624
EBITDA	$ 15,745	$ 21,375	$ 8,648	$ 24,381
Asia Pacific				
Net income attributable to CBRE Group, Inc.	$ 10,804	$ 6,186	$ 7,669	$ 9,087
Add:				
Depreciation and amortization	2,814	1,988	5,553	3,971
Interest expense	1,203	809	2,064	1,229
Royalty and management service expense	4,034	3,239	7,996	6,846
Provision for income taxes	4,834	5,745	2,835	9,535
Less:				
Interest income	373	530	518	789
EBITDA	$ 23,316	$ 17,437	$ 25,599	$ 29,879
Global Investment Management				
Net (loss) income attributable to CBRE Group, Inc.	$ (1,925)	$ (9,777)	$ 1,666	$ (12,232)
Add:				
Depreciation and amortization (1)	10,054	3,405	29,279	7,191
Interest expense (2)	7,460	5,688	13,819	10,453
Royalty and management service expense	31	234	78	516
Provision for income taxes	5,293	3,093	10,945	2,933
Less:				

Interest income	239	173	520	401
EBITDA (3)	$ 20,674	$ 2,470	$ 55,267	$ 8,460
Development Services				
Net (loss) income attributable to CBRE Group, Inc.	$ (1,983)	$ 2,258	$ 345	$ 6,821
Add:				
Depreciation and amortization	2,781	3,142	5,657	5,749
Interest expense	2,939	2,753	5,911	6,240
(Benefit of) provision for income taxes	(855)	1,299	562	4,159
Less:				
Interest income	120	14	206	53
EBITDA	$ 2,762	$ 9,438	$ 12,269	$ 22,916

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(1) Includes depreciation and amortization related to discontinued operations of $0.2 million and $0.5 million for the three and six months ended June 30, 2011, respectively.
(2) Includes interest expense related to discontinued operations of $0.6 million and $1.4 million for the three and six months ended June 30, 2011, respectively.
(3) Includes EBITDA related to discontinued operations of $0.8 million and $1.9 million for the three and six months ended June 30, 2011, respectively.

16. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of June 30, 2012 and December 31, 2011; condensed consolidating statements of operations for the three and six months ended June 30, 2012 and 2011; condensed consolidating statements of comprehensive income for the three and six months ended June 30, 2012 and 2011; and condensed consolidating statements of cash flows for the six months ended June 30, 2012 and 2011, of (a) CBRE Group, Inc. as the parent, (b) CBRE Services, Inc. (CBRE) as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and

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

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

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 5	$ 94,893	$ 283,381	$ 352,923	$	$ 731,202
Restricted cash		4,855	26,046	33,427		64,328
Receivables, net			458,953	634,011		1,092,964
Warehouse receivables (a)			423,681			423,681
Trading securities			96	79,019		79,115
Income taxes receivable	7,679	10,196		33,039	(2,500)	48,414
Prepaid expenses		2,229	44,660	63,649		110,538
Deferred tax assets, net			144,473	28,738		173,211
Real estate under development				37,426		37,426
Real estate and other assets held for sale				13,667		13,667
Available for sale securities			2,068			2,068
Other current assets			35,172	16,912		52,084
Total Current Assets	7,684	112,173	1,418,530	1,292,811	(2,500)	2,828,698
Property and equipment, net			203,117	96,193		299,310
Goodwill			1,005,003	811,037		1,816,040
Other intangible assets, net			517,518	267,261		784,779
Investments in unconsolidated subsidiaries			119,532	90,583		210,115
Investments in consolidated subsidiaries	1,627,847	2,089,599	1,216,333		(4,933,779)	
Intercompany loan receivable		1,613,525	700,000		(2,313,525)	
Real estate under development				7,813		7,813
Real estate held for investment			4,007	428,578		432,585
Available for sale securities			52,280	2,856		55,136
Other assets, net		45,270	48,166	48,483		141,919
Total Assets	$ 1,635,531	$ 3,860,567	$ 5,284,486	$ 3,045,615	$ (7,249,804)	$ 6,576,395
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 9,609	$ 117,950	$ 368,568	$	$ 496,127
Compensation and employee benefits payable		626	241,146	157,444		399,216
Accrued bonus and profit sharing			165,375	119,354		284,729
Securities sold, not yet purchased				63,833		63,833
Income taxes payable			2,500		(2,500)	
Short-term borrowings:						
Warehouse lines of credit (a)			417,245			417,245
Revolving credit facility		10,214		42,624		52,838
Other			16	4,676		4,692
Total short-term borrowings		10,214	417,261	47,300		474,775
Current maturities of long-term debt		46,000		22,060		68,060
Notes payable on real estate				139,410		139,410

Liabilities related to real estate and other assets held for sale				6,939		6,939
Other current liabilities			43,480	1,889		45,369
Total Current Liabilities		66,449	987,712	926,797	(2,500)	1,978,458
Long-Term Debt:						
Senior secured term loans		1,329,500		255,274		1,584,774
11.625% senior subordinated notes, net		439,747				439,747
6.625% senior notes		350,000				350,000
Other long-term debt				57		57
Intercompany loan payable	380,669		1,863,652	69,204	(2,313,525)	
Total Long-Term Debt	380,669	2,119,247	1,863,652	324,535	(2,313,525)	2,374,578
Notes payable on real estate				243,334		243,334
Deferred tax liabilities, net			143,425	15,282		158,707
Non-current tax liabilities			81,426	4,636		86,062
Pension liability				60,627		60,627
Other liabilities		47,024	118,672	73,991		239,687
Total Liabilities	380,669	2,232,720	3,194,887	1,649,202	(2,316,025)	5,141,453
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders Equity	1,254,862	1,627,847	2,089,599	1,216,333	(4,933,779)	1,254,862
Non-controlling interests				180,080		180,080
Total Equity	1,254,862	1,627,847	2,089,599	1,396,413	(4,933,779)	1,434,942
Total Liabilities and Equity	$ 1,635,531	$ 3,860,567	$ 5,284,486	$ 3,045,615	$ (7,249,804)	$ 6,576,395

(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 Bank of America (BofA), Fannie Mae As Soon As Pooled (ASAP) Program, Kemps Landing Capital Company, LLC (Kemps Landing), JP Morgan Chase Bank, N.A. (JP Morgan) and TD Bank, N.A. (TD Bank) lines of credit are pledged to BofA, Fannie Mae, Kemps Landing, JP Morgan and TD Bank, and accordingly, are not included as collateral for these notes or our other outstanding debt.

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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, 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.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 947,080	$ 654,037	$	$ 1,601,117
Costs and expenses:						
Cost of services			569,854	338,289		908,143
Operating, administrative and other	10,293	1,369	223,005	247,710		482,377
Depreciation and amortization			22,298	16,038		38,336
Total costs and expenses	10,293	1,369	815,157	602,037		1,428,856
Gain on disposition of real estate				439		439
Operating (loss) income	(10,293)	(1,369)	131,923	52,439		172,700
Equity income (loss) from unconsolidated subsidiaries			3,161	(552)		2,609
Other income (loss)			997	(3,101)		(2,104)
Interest income		23,585	726	1,384	(24,110)	1,585
Interest expense		35,943	22,797	9,781	(24,110)	44,411
Royalty and management service (income) expense			(8,551)	8,551		
Income from consolidated subsidiaries	82,334	90,950	18,498		(191,782)	
Income before (benefit of) provision for income taxes	72,041	77,223	141,059	31,838	(191,782)	130,379
(Benefit of) provision for income taxes	(3,832)	(5,111)	50,109	13,614		54,780
Net income	75,873	82,334	90,950	18,224	(191,782)	75,599
Less: Net loss attributable to non-controlling interests				(274)		(274)
Net income attributable to CBRE Group, Inc.	$ 75,873	$ 82,334	$ 90,950	$ 18,498	$ (191,782)	$ 75,873

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 834,952	$ 587,266	$	$ 1,422,218
Costs and expenses:						
Cost of services			502,310	337,512		839,822
Operating, administrative and other	9,437	1,701	231,817	189,901		432,856
Depreciation and amortization			14,320	11,065		25,385
Total costs and expenses	9,437	1,701	748,447	538,478		1,298,063
Gain on disposition of real estate				6,027		6,027
Operating (loss) income	(9,437)	(1,701)	86,505	54,815		130,182
Equity income from unconsolidated subsidiaries			11,979	5,089		17,068
Interest income		26,492	400	2,039	(27,029)	1,902
Interest expense		25,979	27,656	7,610	(27,029)	34,216
Royalty and management service (income) expense			(7,988)	7,988		
Income from consolidated subsidiaries	67,158	67,906	15,327		(150,391)	
Income from continuing operations before (benefit of) provision for income taxes	57,721	66,718	94,543	46,345	(150,391)	114,936
(Benefit of) provision for income taxes	(3,502)	(440)	26,637	23,641		46,336
Net income from continuing operations	61,223	67,158	67,906	22,704	(150,391)	68,600
Income from discontinued operations, net of income taxes				6,267		6,267
Net income	61,223	67,158	67,906	28,971	(150,391)	74,867
Less: Net income attributable to non-controlling interests				13,644		13,644
Net income attributable to CBRE Group, Inc.	$ 61,223	$ 67,158	$ 67,906	$ 15,327	$ (150,391)	$ 61,223

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 1,744,115	$ 1,206,991	$	$ 2,951,106
Costs and expenses:						
Cost of services			1,051,630	644,069		1,695,699
Operating, administrative and other	20,621	2,310	430,703	469,465		923,099
Depreciation and amortization			43,205	41,588		84,793
Total costs and expenses	20,621	2,310	1,525,538	1,155,122		2,703,591
Gain on disposition of real estate				1,248		1,248
Operating (loss) income	(20,621)	(2,310)	218,577	53,117		248,763
Equity income from unconsolidated subsidiaries			16,455	540		16,995
Other income			1,264	3,220		4,484
Interest income		46,662	1,701	2,161	(46,636)	3,888
Interest expense		71,734	45,449	17,845	(46,636)	88,392
Royalty and management service (income) expense			(16,412)	16,412		
Income from consolidated subsidiaries	115,791	132,977	7,680		(256,448)	
Income before (benefit of) provision for income taxes	95,170	105,595	216,640	24,781	(256,448)	185,738
(Benefit of) provision for income taxes	(7,678)	(10,196)	83,663	14,404		80,193
Net income	102,848	115,791	132,977	10,377	(256,448)	105,545
Less: Net income attributable to non-controlling interests				2,697		2,697
Net income attributable to CBRE Group, Inc.	$ 102,848	$ 115,791	$ 132,977	$ 7,680	$ (256,448)	$ 102,848

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 1,531,087	$ 1,076,236	$	$ 2,607,323
Costs and expenses:						
Cost of services			923,270	630,307		1,553,577
Operating, administrative and other	19,242	1,888	440,240	348,511		809,881
Depreciation and amortization			26,605	21,958		48,563
Total costs and expenses	19,242	1,888	1,390,115	1,000,776		2,412,021
Gain on disposition of real estate				7,999		7,999
Operating (loss) income	(19,242)	(1,888)	140,972	83,459		203,301
Equity income from unconsolidated subsidiaries			28,427	3,820		32,247
Interest income		52,547	1,241	3,541	(52,759)	4,570
Interest expense		51,873	52,150	16,670	(52,759)	67,934
Royalty and management service (income) expense			(16,235)	16,235		
Income from consolidated subsidiaries	107,697	108,461	20,757		(236,915)	
Income from continuing operations before (benefit of) provision for income taxes	88,455	107,247	155,482	57,915	(236,915)	172,184
(Benefit of) provision for income taxes	(7,137)	(450)	47,021	30,308		69,742
Net income from continuing operations	95,592	107,697	108,461	27,607	(236,915)	102,442
Income from discontinued operations, net of income taxes				16,911		16,911
Net income	95,592	107,697	108,461	44,518	(236,915)	119,353
Less: Net income attributable to non-controlling interests				23,761		23,761
Net income attributable to CBRE Group, Inc.	$ 95,592	$ 107,697	$ 108,461	$ 20,757	$ (236,915)	$ 95,592

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE MONTHS ENDED JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	$ 75,873	$ 82,334	$ 90,950	$ 18,224	$ (191,782)	$ 75,599
Other comprehensive loss:						
Foreign currency translation loss				(40,181)		(40,181)
Unrealized losses on interest rate swaps and interest rate caps, net		(5,568)		(46)		(5,614)
Unrealized losses on available for sale securities, net			(922)	(178)		(1,100)
Other, net			333			333
Total other comprehensive loss		(5,568)	(589)	(40,405)		(46,562)
Comprehensive income (loss)	75,873	76,766	90,361	(22,181)	(191,782)	29,037
Less: Comprehensive loss attributable to non-controlling interests				(857)		(857)
Comprehensive income (loss) attributable to CBRE Group, Inc.	$ 75,873	$ 76,766	$ 90,361	$ (21,324)	$ (191,782)	$ 29,894

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	$ 61,223	$ 67,158	$ 67,906	$ 28,971	$ (150,391)	$ 74,867
Other comprehensive (loss) income:						
Foreign currency translation gain				15,550		15,550
Unrealized (losses) gains on interest rate swaps and interest rate caps, net		(7,843)		10		(7,833)
Unrealized gains on available for sale securities, net			89			89
Other, net			909			909
Total other comprehensive (loss) income		(7,843)	998	15,560		8,715
Comprehensive income	61,223	59,315	68,904	44,531	(150,391)	83,582
Less: Comprehensive income attributable to non-controlling interests				14,116		14,116
Comprehensive income attributable to CBRE Group, Inc.	$ 61,223	$ 59,315	$ 68,904	$ 30,415	$ (150,391)	$ 69,466

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	$ 102,848	$ 115,791	$ 132,977	$ 10,377	$ (256,448)	$ 105,545
Other comprehensive loss:						
Foreign currency translation loss				(21,659)		(21,659)
Unrealized losses on interest rate swaps and interest rate caps, net		(4,316)		(44)		(4,360)
Unrealized losses on available for sale securities, net			(8)	(178)		(186)
Other, net			(167)			(167)
Total other comprehensive loss		(4,316)	(175)	(21,881)		(26,372)
Comprehensive income (loss)	102,848	111,475	132,802	(11,504)	(256,448)	79,173
Less: Comprehensive income attributable to non-controlling interests				2,310		2,310
Comprehensive income (loss) attributable to CBRE Group, Inc.	$ 102,848	$ 111,475	$ 132,802	$ (13,814)	$ (256,448)	$ 76,863

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Net income	$ 95,592	$ 107,697	$ 108,461	$ 44,518	$ (236,915)	$ 119,353
Other comprehensive (loss) income:						
Foreign currency translation gain				45,545		45,545
Unrealized (losses) gains on interest rate swaps and interest rate caps, net		(6,813)		36		(6,777)
Unrealized gains on available for sale securities, net			183			183
Other, net			323			323
Total other comprehensive (loss) income		(6,813)	506	45,581		39,274
Comprehensive income	95,592	100,884	108,967	90,099	(236,915)	158,627
Less: Comprehensive income attributable to non-controlling interests				24,591		24,591
Comprehensive income attributable to CBRE Group, Inc.	$ 95,592	$ 100,884	$ 108,967	$ 65,508	$ (236,915)	$ 134,036

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 17,510	$ (19,932)	$ (123,215)	$ (76,022)	$ (201,659)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(20,012)	(18,693)	(38,705)
Acquisition of business, including net assets acquired, intangibles and goodwill, net of cash acquired			(177)	(6)	(183)
Contributions to unconsolidated subsidiaries			(13,031)	(35,487)	(48,518)
Distributions from unconsolidated subsidiaries			8,034	3,549	11,583
Additions to real estate held for investment				(2,562)	(2,562)
Proceeds from the sale of servicing rights and other assets			13,451	39	13,490
(Increase) decrease in restricted cash		(10)	(4,219)	7,138	2,909
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P.				(73,187)	(73,187)
Other investing activities, net			1,626		1,626
Net cash used in investing activities		(10)	(14,328)	(119,209)	(133,547)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior secured term loans		(23,000)		(10,966)	(33,966)
Proceeds from revolving credit facility				23,222	23,222
Repayment of revolving credit facility				(15,230)	(15,230)
Proceeds from notes payable on real estate held for investment				4,515	4,515
Repayment of notes payable on real estate held for investment				(9,727)	(9,727)
Proceeds from notes payable on real estate held for sale and under development				6,146	6,146
Repayment of notes payable on real estate held for sale and under development				(1,394)	(1,394)
Proceeds from short-term borrowings				4,683	4,683
Proceeds from exercise of stock options	3,137				3,137
Incremental tax benefit from stock options exercised	861				861
Non-controlling interests contributions				15,909	15,909
Non-controlling interests distributions				(24,080)	(24,080)
Payment of financing costs		(15)		(40)	(55)
(Increase) decrease in intercompany receivables, net	(21,461)	(160,520)	45,748	136,233	
Other financing activities, net	(47)			(11)	(58)
Net cash (used in) provided by financing activities	(17,510)	(183,535)	45,748	129,260	(26,037)
Effect of currency exchange rate changes on cash and cash equivalents				(737)	(737)

NET DECREASE IN CASH AND CASH EQUIVALENTS				(203,477)		(91,795)		(66,708)		(361,980)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD		5		298,370		375,176		419,631		1,093,182
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$	5	$	94,893	$	283,381	$	352,923	$	731,202
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:										
Cash paid during the period for:										
Interest	$		$	67,734	$	7	$	13,579	$	81,320
Income tax payments, net	$		$		$	91,754	$	51,596	$	143,350

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 18,631	$ 30,098	$ (144,258)	$ (60,861)	$ (156,390)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(40,694)	(6,454)	(47,148)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired			(2,290)	(38,785)	(41,075)
Contributions to unconsolidated subsidiaries			(16,873)	(221)	(17,094)
Distributions from unconsolidated subsidiaries			24,352	10,636	34,988
Net proceeds from disposition of real estate held for investment				109,667	109,667
Additions to real estate held for investment				(6,315)	(6,315)
Proceeds from the sale of servicing rights and other assets			11,332	84	11,416
(Increase) decrease in restricted cash		(10)	(300)	4,284	3,974
Other investing activities, net			(704)		(704)
Net cash (used in) provided by investing activities		(10)	(25,177)	72,896	47,709
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from senior secured term loans		400,000			400,000
Repayment of senior secured term loans		(19,000)			(19,000)
Proceeds from revolving credit facility		718,000		26,733	744,733
Repayment of revolving credit facility		(652,000)			(652,000)
Proceeds from notes payable on real estate held for investment				3,551	3,551
Repayment of notes payable on real estate held for investment				(91,471)	(91,471)
Proceeds from notes payable on real estate held for sale and under development				1,665	1,665
Repayment of notes payable on real estate held for sale and under development				(26,594)	(26,594)
Proceeds from exercise of stock options	4,858				4,858
Incremental tax benefit from stock options exercised	14,495				14,495
Non-controlling interests contributions				8,630	8,630
Non-controlling interests distributions				(30,679)	(30,679)
Payment of financing costs		(18,255)		(199)	(18,454)
(Increase) decrease in intercompany receivables, net	(37,922)	(564,086)	507,119	94,889	
Other financing activities, net				(91)	(91)
Net cash (used in) provided by financing activities	(18,569)	(135,341)	507,119	(13,566)	339,643
Effect of currency exchange rate changes on cash and cash equivalents				14,573	14,573
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62	(105,253)	337,684	13,042	245,535
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	4	223,845	96,862	185,863	506,574

CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 66	$ 118,592	$ 434,546	$ 198,905	$ 752,109
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Cash paid during the period for:					
Interest	$	$ 53,102	$ 12	$ 15,107	$ 68,221
Income tax payments, net	$	$	$ 55,955	$ 39,789	$ 95,744

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

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

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

Overview

We are the world s largest commercial real estate services firm, based on 2011 revenue, with leading full-service operations in major metropolitan areas throughout the world. We offer a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other types of commercial real estate. As of December 31, 2011, we operated more than 300 offices worldwide, excluding affiliate offices, with approximately 34,000 employees providing commercial real estate services under the CBRE brand name, investment management services under the CBRE Global Investors brand name and development services under the Trammell Crow brand name. Our business is focused on several competencies, including commercial property and corporate facilities management, occupier and property/agency leasing, property sales, valuation, real estate investment management, commercial mortgage origination and servicing, capital markets (equity and debt) solutions, development services and proprietary research. We generate revenue from management fees on a contractual and per-project basis, and from commissions on transactions. We have been the only commercial real estate services company in the S&P 500 since 2006, and in the *Fortune 500* since 2008. In 2012, for the second year in a row, we were the highest ranked commercial real estate services company among the *Fortune* Most Admired Companies, and in 2011, we achieved the highest brand reputation ranking among all commercial real estate companies in a survey of *Wall Street Journal* subscribers. Additionally, the International Association of Outsourcing Professionals has included us among the top 100 global outsourcing companies across all industries for six consecutive years, including 2011 when we ranked 4^{th} overall and were the highest ranked commercial real estate services company.

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

Macroeconomic Conditions

Economic trends and government policies affect global and regional commercial real estate markets as well as our operations directly. These include: overall economic activity and employment growth, interest rate levels, the cost and availability of credit and the impact of tax and regulatory policies. Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, decreasing demand for real estate, falling real estate values, or the public perception that any of these events may occur, will negatively affect the performance of some or all of our business lines. From late 2007 through 2009, the severe global economic downturn and credit market crisis had significant adverse effects on our operations and reduced our revenue from property management fees and commissions derived from property sales, leasing, valuation and financing, and funds available to invest in commercial real estate and related assets. These negative trends began to reverse in 2010 and 2011 as commercial real estate markets improved in step with the stabilization and recovery of global economic activity.

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

Economic conditions first began to negatively affect our performance in the Americas, our largest segment in terms of revenue, beginning in the third quarter of 2007. The effects became more severe as the decline in economic activity (particularly in the United States) accelerated throughout 2008 and most of 2009. The global capital markets disruption in late 2008, in particular, caused a significant and prolonged decline in property sales, leasing, financing and investment activity that adversely affected all our business lines. Commercial real estate fundamentals began to stabilize in early 2010 and to improve later that year following a return to positive economic growth in the United States. The recovery continued at a slow pace in 2011 and 2012, as vacancy rates dipped moderately, rental rates stabilized or edged up slightly, credit became more readily available and property sales and leasing activity increased. However, market activity has remained well below levels experienced in 2006 and 2007.

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

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

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

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

Effects of Acquisitions

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

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

On July 1, 2011, we completed the acquisition of CRES for $324.1 million and CRES co-investments from ING for an aggregate amount of $58.6 million. On October 3, 2011, we completed the acquisition of ING REIM Asia for $45.3 million and three ING REIM Asia co-investments from ING for an aggregate amount of $13.9 million. On October 31, 2011, we completed the acquisition of ING REIM Europe for $442.5 million and one co-investment from ING for $7.4 million. During the six months ended June 30, 2012, we also funded nine additional co-investments for an aggregate amount of $34.8 million related to ING REIM Europe. Our initial estimate of $940 million in total purchase price for the REIM Acquisitions has been reduced by approximately $47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. There is a possibility of an additional closing of approximately $80 million and further co-investments of up to $20 million in the future related to our acquisition of ING REIM Europe.

As of June 30, 2012, CBRE Global Investors assets under management, or AUM, totaled $91.2 billion. AUM generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, securities portfolios and investments in operating companies and joint ventures. Our AUM is intended principally to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our material assets under management consist of:

a) the total fair market value of the real estate properties and other assets either wholly-owned or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested or to which they have provided financing. Committed (but unfunded) capital from investors in our sponsored funds is not included in this component of our AUM. The value of development properties is included at estimated completion cost. In the case of real estate operating companies, the total value of real properties controlled by the companies, generally through joint ventures, is included in AUM; and

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

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

Strategic in-fill acquisitions have also played a key role in expanding our geographic coverage and broadening and strengthening our service offerings. The companies we acquired have generally been quality regional firms or niche specialty firms that complement our existing platform within a region, or affiliates in which, in some cases, we held an equity interest. From 2005 to 2008, we completed 58 in-fill acquisitions for an aggregate purchase price of approximately $592 million. Because of the economic downturn, no acquisitions were completed in 2009 and 2010, except for a small niche industrial practice in the United Kingdom acquired in the second quarter of 2010 and a small commercial property asset management and consultancy services firm in Hong Kong acquired in the fourth quarter of 2010. In 2011, we completed five in-fill acquisitions, including a valuation business in Australia, a retail property management business in central and eastern Europe, our former affiliate company in Switzerland, a retail services business in the United Kingdom and a shopping center management business in the Netherlands. In the second quarter of 2012, we completed one in-fill acquisition, acquiring our former affiliate company in Turkey. As market conditions continue to improve, we believe acquisitions may once again serve as a growth engine, supplementing our organic growth.

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenditures, which include severance, lease termination, transaction and deferred financing costs, among others, and the charges and costs of integrating the acquired business and its financial and accounting systems into our own. For example, through June 30, 2012, we incurred $258.9 million of transaction-related expenditures and integration costs in connection with the Trammell Crow Company Acquisition. In addition, through June 30, 2012, we incurred $89.3 million of transaction-related expenditures and integration costs in connection with the REIM Acquisitions. As with prior material acquisitions, we anticipate incurring significant integration expenses associated with the REIM Acquisitions in 2012 and beyond. We expect the total transaction costs relating to the REIM Acquisitions, including retention and integration costs, to be approximately $150 million.

International Operations

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

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

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

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

Leverage

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

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

Critical Accounting Policies

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

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Results of Operations

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
Revenue	$ 1,601,117	100.0%	$ 1,422,218	100.0%	$ 2,951,106	100.0%	$ 2,607,323	100.0%
Costs and expenses:								
Cost of services	908,143	56.7	839,822	59.1	1,695,699	57.5	1,553,577	59.6
Operating, administrative and other	482,377	30.1	432,856	30.4	923,099	31.3	809,881	31.1
Depreciation and amortization	38,336	2.4	25,385	1.8	84,793	2.9	48,563	1.8
Total costs and expenses	1,428,856	89.2	1,298,063	91.3	2,703,591	91.7	2,412,021	92.5
Gain on disposition of real estate	439		6,027	0.5	1,248	0.1	7,999	0.3
Operating income	172,700	10.8	130,182	9.2	248,763	8.4	203,301	7.8
Equity income from unconsolidated subsidiaries	2,609	0.1	17,068	1.2	16,995	0.6	32,247	1.2
Other (loss) income	(2,104)	(0.1)			4,484	0.2		
Interest income	1,585	0.1	1,902	0.1	3,888	0.1	4,570	0.2
Interest expense	44,411	2.8	34,216	2.4	88,392	3.0	67,934	2.6
Income from continuing operations before provision for income taxes	130,379	8.1	114,936	8.1	185,738	6.3	172,184	6.6
Provision for income taxes	54,780	3.4	46,336	3.3	80,193	2.7	69,742	2.7
Income from continuing operations	75,599	4.7	68,600	4.8	105,545	3.6	102,442	3.9
Income from discontinued operations, net of income taxes			6,267	0.5			16,911	0.7
Net income	75,599	4.7	74,867	5.3	105,545	3.6	119,353	4.6
Less: Net (loss) income attributable to non-controlling interests	(274)		13,644	1.0	2,697	0.1	23,761	0.9
Net income attributable to CBRE Group, Inc.	$ 75,873	4.7%	$ 61,223	4.3%	$ 102,848	3.5%	$ 95,592	3.7%
EBITDA (1)	$ 211,815	13.2%	$ 166,095	11.7%	$ 352,338	11.9%	$ 279,139	10.7%
EBITDA, as adjusted (1)	$ 220,948	13.8%	$ 172,367	12.1%	$ 371,436	12.6%	$ 292,922	11.2%

(1) Includes EBITDA related to discontinued operations of $0.8 million and $1.9 million for the three and six months ended June 30, 2011, respectively.

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to CBRE Group, Inc.	$ 75,873	$ 61,223	$ 102,848	$ 95,592
Add:				
Depreciation and amortization (1)	38,336	25,619	84,793	49,088
Interest expense (2)	44,411	34,819	88,392	69,287
Provision for income taxes	54,780	46,336	80,193	69,742
Less:				
Interest income	1,585	1,902	3,888	4,570
EBITDA (3)	$ 211,815	$ 166,095	$ 352,338	$ 279,139
Adjustments:				
Integration and other costs related to acquisitions	9,133	6,272	19,098	13,783
EBITDA, as adjusted (3)	$ 220,948	$ 172,367	$ 371,436	$ 292,922

(1) Includes depreciation and amortization related to discontinued operations of $0.2 million and $0.5 million for the three and six months ended June 30, 2011, respectively.
(2) Includes interest expense related to discontinued operations of $0.6 million and $1.4 million for the three and six months ended June 30, 2011, respectively.
(3) Includes EBITDA related to discontinued operations of $0.8 million and $1.9 million for the three and six months ended June 30, 2011, respectively.

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

We reported consolidated net income of $75.9 million for the three months ended June 30, 2012 on revenue of $1.6 billion as compared to consolidated net income of $61.2 million on revenue of $1.4 billion for the three months ended June 30, 2011.

Our revenue on a consolidated basis for the three months ended June 30, 2012 increased by $178.9 million, or 12.6%, as compared to the three months ended June 30, 2011. This increase was driven by contributions from the REIM Acquisitions acquired in the second half of 2011. Increased commercial mortgage brokerage activity (up 35.8%) in our Americas segment as well as higher worldwide sales (up 15.7%) and outsourcing activity (up 9.9%) also contributed to the variance. Foreign currency translation had a $46.2 million negative impact on total revenue during the three months ended June 30, 2012.

Our cost of services on a consolidated basis increased by $68.3 million, or 8.1%, during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily due to higher salaries and related costs associated with our global property and facilities management contracts. In addition, our sales and leasing professionals generally are paid on a commission basis, which substantially correlates with our transaction revenue performance. Accordingly, the increase in sales transaction revenue led to a corresponding increase in commission accruals. Foreign currency translation had a $23.2 million positive impact on cost of services during the three months ended June 30, 2012. Cost of services as a percentage of revenue decreased from 59.1% for the three months ended June 30, 2011 to 56.7% for the three months ended June 30, 2012, primarily attributable to our mix of revenue, with a higher composition of revenue being non-commissionable in the current year as a result of the REIM Acquisitions. In addition, all costs associated with the ING REIM businesses are included in operating, administrative and other expenses.

Our operating, administrative and other expenses on a consolidated basis increased by $49.5 million, or 11.4%, during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had a $16.2 million positive impact on total operating expenses during the three months ended June 30, 2012. Operating expenses as a percentage of revenue decreased slightly to 30.1% for the three months ended June 30, 2012 from 30.4% for the three months ended June 30, 2011.

Our depreciation and amortization expense on a consolidated basis increased by $13.0 million, or 51.0%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily attributable to higher amortization expense relative to intangibles acquired in the REIM Acquisitions. Higher depreciation expense in our Americas segment also contributed to the increase.

Our gain on disposition of real estate on a consolidated basis was $0.4 million for the three months ended June 30, 2012 as compared to $6.0 million for the three months ended June 30, 2011. These gains resulted from activity within our Development Services segment.

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by $14.5 million, or 84.7%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This decrease was primarily driven by higher equity earnings associated with gains on property sales within our Development Services segment in the prior year, which did not occur to the same extent in the current year.

Our other loss on a consolidated basis was $2.1 million for the three months ended June 30, 2012 and was reported within our Global Investment Management segment. This loss represented net realized and unrealized losses related to trading securities, which we acquired in our acquisition of CRES.

Our consolidated interest income decreased by $0.3 million, or 16.7%, as compared to the three months ended June 30, 2011. This decrease was mainly driven by lower interest income reported in our Americas segment in the current year.

Our consolidated interest expense increased by $10.2 million, or 29.8%, during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily due to higher interest expense attributable to additional borrowings made to finance the REIM Acquisitions and the British pound sterling A-1 term loan facility entered into in the fourth quarter of 2011.

Our provision for income taxes on a consolidated basis was $54.8 million for the three months ended June 30, 2012 as compared to $46.3 million for the three months ended June 30, 2011. Our effective tax rate from continuing operations, after adjusting pre-tax income to remove the portion attributable to non-controlling interests, decreased to 41.9% for the three months ended June 30, 2012 as compared to 43.1% for the three months ended June 30, 2011. The changes in our provision for income taxes and our effective tax rate were primarily the result of a change in our mix of domestic and foreign earnings (losses) and a greater impact in the prior year quarter of losses sustained in jurisdictions where no tax benefit could be provided. We currently expect our full year 2012 effective tax rate to be slightly below 40%.

Our consolidated income from discontinued operations, net of income taxes, was $6.3 million for the three months ended June 30, 2011. This income was reported in our Global Investment Management segment and mostly related to a gain from a property sale, which was all attributable to non-controlling interests.

Our net loss attributable to non-controlling interests on a consolidated basis was $0.3 million for the three months ended June 30, 2012 as compared to net income attributable to non-controlling interests of $13.6 million for the three months ended June 30, 2011. This activity primarily reflects our non-controlling interests share of income within our Global Investment Management and Development Services segments.

Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

We reported consolidated net income of $102.8 million for the six months ended June 30, 2012 on revenue of $3.0 billion as compared to consolidated net income of $95.6 million on revenue of $2.6 billion for the six months ended June 30, 2011.

Our revenue on a consolidated basis for the six months ended June 30, 2012 increased by $343.8 million, or 13.2%, as compared to the six months ended June 30, 2011. This increase was driven by contributions from the REIM Acquisitions acquired in the second half of 2011. Increased commercial mortgage brokerage activity (up 39.9%) in our Americas segment as well as higher worldwide sales (up 13.4%) and outsourcing activity (up 9.9%) also contributed to the variance. Foreign currency translation had a $54.5 million negative impact on total revenue during the six months ended June 30, 2012.

Our cost of services on a consolidated basis increased by $142.1 million, or 9.1%, during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase was primarily due to higher salaries and related costs associated with our global property and facilities management contracts. In addition, as previously mentioned, our sales and leasing professionals generally are paid on a commission basis, which substantially correlates with our transaction revenue performance. Accordingly, the increase in sales transaction revenue led to a corresponding increase in commission accruals. Foreign currency translation had a $27.7 million positive impact on cost of services during the six months ended June 30, 2012. Cost of services as a percentage of revenue decreased from 59.6% for the six months ended June 30, 2011 to 57.5% for the six months ended June 30, 2012, primarily attributable to our mix of revenue, with a higher composition of revenue being non-commissionable in the current year as a result of the REIM Acquisitions. In addition, all costs associated with the ING REIM businesses are included in operating, administrative and other expenses.

Our operating, administrative and other expenses on a consolidated basis increased by $113.2 million, or 14.0%, during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had an $18.9 million positive impact on total operating expenses during the six months ended June 30, 2012. Operating expenses as a percentage of revenue increased slightly to 31.3% for the six months ended June 30, 2012 from 31.1% for the six months ended June 30, 2011.

Our depreciation and amortization expense on a consolidated basis increased by $36.2 million, or 74.6%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase was primarily attributable to higher amortization expense relative to intangibles acquired in the REIM Acquisitions. Higher depreciation expense in our Americas segment also contributed to the increase.

Our gain on disposition of real estate on a consolidated basis was $1.2 million for the six months ended June 30, 2012 as compared to $8.0 million for the six months ended June 30, 2011. These gains resulted from activity within our Development Services segment.

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by $15.3 million, or 47.3%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This decrease was primarily driven by higher equity earnings associated with gains on property sales within our Development Services segment in the prior year, which did not occur to the same extent in the current year.

Our other income on a consolidated basis was $4.5 million for the six months ended June 30, 2012 and was reported within our Global Investment Management segment. This income represented net realized and unrealized gains related to trading securities, which we acquired in our acquisition of CRES.

Our consolidated interest income decreased by $0.7 million, or 14.9%, as compared to the six months ended June 30, 2011. This decrease was mainly driven by lower interest income reported in our Americas segment in the current year.

Our consolidated interest expense increased by $20.5 million, or 30.1%, during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily due to higher interest expense attributable to additional borrowings made to finance the REIM Acquisitions and the British pound sterling A-1 term loan facility entered into in the fourth quarter of 2011.

Our provision for income taxes on a consolidated basis was $80.2 million for the six months ended June 30, 2012 as compared to $69.7 million for the six months ended June 30, 2011. Our effective tax rate from continuing operations, after adjusting pre-tax income to remove the portion attributable to non-controlling interests, increased to 43.8% for the six months ended June 30, 2012 as compared to 42.2% for the six months ended June 30, 2011. The changes in our provision for income taxes and our effective tax rate were primarily the result of a change in our mix of domestic and foreign earnings (losses) and a greater impact in the current year of losses sustained in jurisdictions where no tax benefit could be provided.

Our consolidated income from discontinued operations, net of income taxes, was $16.9 million for the six months ended June 30, 2011. This income was reported in our Global Investment Management segment and mostly related to a gain from a property sale, which was all attributable to non-controlling interests.

Our net income attributable to non-controlling interests on a consolidated basis was $2.7 million for the six months ended June 30, 2012 as compared to $23.8 million for the six months ended June 30, 2011. This activity primarily reflects our non-controlling interests share of income within our Global Investment Management and Development Services segments.

Segment Operations

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

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
Americas								
Revenue	$ 1,014,193	100.0%	$ 897,828	100.0%	$ 1,859,519	100.0%	$ 1,647,943	100.0%
Costs and expenses:								
Cost of services	637,624	62.9	567,338	63.2	1,180,024	63.5	1,044,667	63.4
Operating, administrative and other	229,212	22.6	217,473	24.2	433,049	23.3	414,890	25.2
Depreciation and amortization	19,485	1.9	14,831	1.7	37,811	2.0	27,662	1.6
Operating income	$ 127,872	12.6%	$ 98,186	10.9%	$ 208,635	11.2%	$ 160,724	9.8%
EBITDA (1)	$ 149,318	14.7%	$ 115,375	12.9%	$ 250,555	13.5%	$ 193,503	11.7%
EMEA								
Revenue	$ 248,244	100.0%	$ 261,087	100.0%	$ 445,630	100.0%	$ 466,055	100.0%
Costs and expenses:								
Cost of services	145,625	58.7	155,738	59.6	275,757	61.9	287,011	61.6
Operating, administrative and other	86,823	35.0	84,195	32.2	162,089	36.4	154,977	33.3
Depreciation and amortization	3,202	1.2	2,253	0.9	6,493	1.4	4,515	0.9
Operating income	$ 12,594	5.1%	$ 18,901	7.3%	$ 1,291	0.3%	$ 19,552	4.2%
EBITDA (1)	$ 15,745	6.3%	$ 21,375	8.2%	$ 8,648	1.9%	$ 24,381	5.2%
Asia Pacific								
Revenue	$ 201,245	100.0%	$ 188,546	100.0%	$ 368,446	100.0%	$ 349,046	100.0%
Costs and expenses:								
Cost of services	124,894	62.1	116,746	61.9	239,918	65.1	221,899	63.6
Operating, administrative and other	52,817	26.2	53,862	28.6	102,641	27.9	95,966	27.5
Depreciation and amortization	2,814	1.4	1,988	1.0	5,553	1.5	3,971	1.1
Operating income	$ 20,720	10.3%	$ 15,950	8.5%	$ 20,334	5.5%	$ 27,210	7.8%
EBITDA (1)	$ 23,316	11.6%	$ 17,437	9.2%	$ 25,599	6.9%	$ 29,879	8.6%
Global Investment Management								
Revenue	$ 119,674	100.0%	$ 57,554	100.0%	$ 244,874	100.0%	$ 107,876	100.0%
Costs and expenses:								
Operating, administrative and other	96,719	80.8	57,942	100.7	191,294	78.1	103,498	95.9
Depreciation and amortization	10,054	8.4	3,171	5.5	29,279	12.0	6,666	6.2
Operating income (loss)	$ 12,901	10.8%	$ (3,559)	(6.2)%	$ 24,301	9.9%	$ (2,288)	(2.1)%
EBITDA (1) (2)	$ 20,674	17.3%	$ 2,470	4.3%	$ 55,267	22.6%	$ 8,460	7.8%
Development Services								
Revenue	$ 17,761	100.0%	$ 17,203	100.0%	$ 32,637	100.0%	$ 36,403	100.0%
Costs and expenses:								

Operating, administrative and other		16,806	94.6		19,384	112.7		34,026	104.3		40,550	111.4
Depreciation and amortization		2,781	15.7		3,142	18.2		5,657	17.3		5,749	15.8
Gain on disposition of real estate		439	2.5		6,027	35.0		1,248	3.8		7,999	22.0
Operating (loss) income	$	(1,387)	(7.8)%	$	704	4.1%	$	(5,798)	(17.8)%	$	(1,897)	(5.2)%
EBITDA (1)	$	2,762	15.6%	$	9,438	54.9%	$	12,269	37.6%	$	22,916	63.0%

(1) See Note 15 of the Notes to Consolidated Financial Statements (Unaudited) for a reconciliation of segment EBITDA to the most comparable financial measure calculated and presented in accordance with GAAP, which is segment net income (loss) attributable to CBRE Group, Inc.

(2) Includes EBITDA related to discontinued operations of $0.8 million and $1.9 million for the three and six months ended June 30, 2011, respectively.

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

Americas

Revenue increased by $116.4 million, or 13.0%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This improvement was primarily driven by higher sales, leasing and outsourcing activity as well as increased commercial mortgage brokerage revenue. Foreign currency translation had an $11.5 million negative impact on total revenue during the three months ended June 30, 2012.

Cost of services increased by $70.3 million, or 12.4%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, primarily due to higher salaries and related costs associated with our property and facilities management contracts. Increased commission expense resulting from higher sales and lease transaction revenue also contributed to an increase in cost of services in the current year. Foreign currency translation had a $5.0 million positive impact on cost of services during the three months ended June 30, 2012. Cost of services as a percentage of revenue decreased slightly to 62.9% for the three months ended June 30, 2012 from 63.2% for the three months ended June 30, 2011.

Operating, administrative and other expenses increased by $11.7 million, or 5.4%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily driven by higher bonuses, which resulted from improved operating performance, as well as higher professional fees incurred in the current year. Foreign currency translation had a $3.7 million positive impact on total operating expenses during the three months ended June 30, 2012.

EMEA

Revenue decreased by $12.8 million, or 4.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Foreign currency translation had a $20.7 million negative impact on total revenue during the three months ended June 30, 2012. In addition, Europe s continuing weak economic growth resulted in lower leasing activity throughout the region. However, sales and outsourcing revenue improved, despite uncertainty created by the region s sovereign debt challenges. Total revenue grew modestly in Germany, the Netherlands and the United Kingdom, but this was offset by reduced revenue in other countries in the region, most notably in France, which had a particularly strong second quarter in 2011.

Cost of services decreased by $10.1 million, or 6.5%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Foreign currency translation had an $11.9 million positive impact on cost of services during the three months ended June 30, 2012. This was partially offset by higher costs associated with increased headcount attributable to in-fill acquisitions completed in mid to late 2011. Cost of services as a percentage of revenue decreased to 58.7% for the three months ended June 30, 2012 from 59.6% for the three months ended June 30, 2011, primarily driven by the overall revenue mix in the current year, partially offset by the aforementioned headcount increases.

Operating, administrative and other expenses increased by $2.6 million, or 3.1%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, primarily due to higher costs, including payroll-related and occupancy costs, partially stemming from in-fill acquisitions made in mid to late 2011, largely offset by foreign currency translation, which had a $6.5 million positive impact on total operating expenses during the three months ended June 30, 2012.

Asia Pacific

Revenue increased by $12.7 million, or 6.7%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, reflecting improved overall performance in several countries, particularly Australia, India and Japan. Foreign currency translation had an $8.8 million negative impact on total revenue during the three months ended June 30, 2012.

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Cost of services increased by $8.1 million, or 7.0%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, driven by higher salaries and related costs associated with our property and facilities management contracts throughout the region and increases in headcount, particularly in Australia (partially due to an in-fill acquisition completed in May 2011) as well as investments in China. Foreign currency translation had a $6.3 million positive impact on cost of services during the three months ended June 30, 2012. Cost of services as a percentage of revenue increased slightly to 62.1% for the three months ended June 30, 2012 as compared to 61.9% for the three months ended June 30, 2011.

Operating, administrative and other expenses decreased by $1.0 million, or 1.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This decrease was primarily driven by foreign currency translation, which had a $1.0 million positive impact on total operating expenses during the three months ended June 30, 2012.

Global Investment Management

Revenue increased by $62.1 million, or 107.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, driven by contributions from the REIM Acquisitions acquired in the second half of 2011. Foreign currency translation had a $5.2 million negative impact on total revenue during the three months ended June 30, 2012.

Operating, administrative and other expenses increased by $38.8 million, or 66.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had a $5.0 million positive impact on total operating expenses during the three months ended June 30, 2012.

Total AUM as of June 30, 2012 amounted to $91.2 billion, representing a 3% decrease from year-end 2011 but a 133% increase from the second quarter of 2011 as a result of the REIM Acquisitions.

Development Services

Revenue increased slightly to $17.8 million for the three months ended June 30, 2012 as compared to $17.2 million for the three months ended June 30, 2011.

Operating, administrative and other expenses decreased by $2.6 million, or 13.3%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This decrease was primarily driven by reduced bonus accruals resulting from lower gains on property sales in the current year.

As of June 30, 2012, development projects in process totaled $4.7 billion, down $0.2 billion from both year-end 2011 and the second quarter of 2011. The inventory of pipeline deals totaled $1.4 billion, up $0.2 billion from year-end 2011 and consistent with the level in the second quarter of 2011.

Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

Americas

Revenue increased by $211.6 million, or 12.8%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This improvement was primarily driven by higher sales, leasing and outsourcing activity as well as increased commercial mortgage brokerage revenue. Foreign currency translation had a $14.3 million negative impact on total revenue during the six months ended June 30, 2012.

Cost of services increased by $135.4 million, or 13.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to higher salaries and related costs associated with our property and facilities management contracts. Increased commission expense resulting from higher sales and lease transaction revenue also contributed to an increase in cost of services in the current year. Foreign currency translation had a $6.6 million positive impact on cost of services during the six months ended June 30, 2012. Cost of services as a percentage of revenue was relatively consistent at 63.5% for the six months ended June 30, 2012 versus 63.4% for the six months ended June 30, 2011.

Operating, administrative and other expenses increased by $18.2 million, or 4.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily driven by higher payroll-related costs, including bonuses, which resulted from increased headcount and improved operating performance as well as higher professional fees incurred in the current year. Foreign currency translation had a $4.5 million positive impact on total operating expenses during the six months ended June 30, 2012.

EMEA

Revenue decreased by $20.4 million, or 4.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Foreign currency translation had a $26.0 million negative impact on total revenue during the six months ended June 30, 2012. In addition, Europe s continuing weak economic growth resulted in lower leasing activity market-wide. However, sales and outsourcing revenue improved, despite uncertainty created by the region s sovereign debt challenges. Revenue grew modestly in the Netherlands and the United Kingdom, but this was offset by reduced revenue in other countries in the region, most notably in France, which had a particularly strong first half in 2011.

Cost of services decreased by $11.3 million, or 3.9%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Foreign currency translation had a $15.3 million positive impact on cost of services during the six months ended June 30, 2012. This was partially offset by higher costs associated with increased headcount attributable to in-fill acquisitions completed in mid to late 2011. Cost of services as a percentage of revenue increased slightly to 61.9% for the six months ended June 30, 2012 from 61.6% for the six months ended June 30, 2011.

Operating, administrative and other expenses increased by $7.1 million, or 4.6%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, partially due to higher costs, including payroll-related and occupancy costs, partly stemming from in-fill acquisitions made in mid to late 2011. These costs were somewhat offset by foreign currency translation, which had an $8.3 million positive impact on total operating expenses during the six months ended June 30, 2012.

Asia Pacific

Revenue increased by $19.4 million, or 5.6%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, reflecting improved overall performance in several countries, particularly Australia, India and Japan. However, investment sales in the region saw decidedly less activity than in the prior year period. Foreign currency translation had a $7.1 million negative impact on total revenue during the six months ended June 30, 2012.

Cost of services increased by $18.0 million, or 8.1%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, driven by higher salaries and related costs associated with our property and facilities management contracts throughout the region and increases in headcount, particularly in Australia (partially due to an in-fill acquisition completed in May 2011) as well as investments in China. Foreign currency translation had a $5.8 million positive impact on cost of services during the six months ended June 30, 2012. Cost of services as a percentage of revenue increased to 65.1% for the six months ended June 30, 2012 as compared to 63.6% for the six months ended June 30, 2011, primarily driven by the aforementioned additions to headcount.

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Operating, administrative and other expenses increased by $6.7 million, or 7.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was partially due to higher costs stemming from an in-fill acquisition completed in Australia as well as an increase in bonuses. Foreign currency translation also had a $0.3 million negative impact on total operating expenses during the six months ended June 30, 2012.

Global Investment Management

Revenue increased by $137.0 million, or 127.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, driven by contributions from the REIM Acquisitions acquired in the second half of 2011. Foreign currency translation had a $7.1 million negative impact on total revenue during the six months ended June 30, 2012.

Operating, administrative and other expenses increased by $87.8 million, or 84.8%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase was primarily driven by an increase in costs attributable to the REIM Acquisitions, including transaction and integration costs. Foreign currency translation had a $6.4 million positive impact on total operating expenses during the six months ended June 30, 2012.

Development Services

Revenue decreased by $3.8 million, or 10.3%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, attributable to a decrease in incentive fees and lower rental income as a result of property dispositions in the later quarters of 2011.

Operating, administrative and other expenses decreased by $6.5 million, or 16.1%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This decrease was primarily driven by lower bonus accruals resulting from higher gains on property sales in the prior year as well as lower property operating expenses as a result of the property dispositions noted above in this segment s revenue discussion.

Liquidity and Capital Resources

We believe that we can satisfy our working capital requirements and funding of investments with internally generated cash flow and, as necessary, borrowings under our revolving credit facility. Our 2012 expected capital requirements include up to $170 million of anticipated net capital expenditures, including requirements associated with the REIM Acquisitions. During the six months ended June 30, 2012, we incurred $30.3 million of net capital expenditures. As of June 30, 2012, we had aggregate commitments of $30.3 million to fund future co-investments in our Global Investment Management business, $8.9 million of which is expected to be funded in 2012. Additionally, as of June 30, 2012, we had committed to fund $15.5 million of additional capital to unconsolidated subsidiaries within our Development Services business, which we may be required to fund at any time. In recent years, the global credit markets have experienced unprecedented tightening, which could affect both the availability and cost of our funding sources in the future.

On February 15, 2011, we announced that we had entered into definitive agreements to acquire the majority of the real estate investment management business of Netherlands-based ING for approximately $940 million in cash. The acquisitions included substantially all of the ING REIM operations in Europe and Asia, as well as substantially all of CRES, its U.S.-based global real estate listed securities business. On February 15, 2011, we also announced that we expected to acquire approximately $55 million of CRES co-investments from ING and potentially additional interests in other funds managed by ING REIM Europe and ING REIM Asia. On July 1, 2011, we acquired CRES for $324.1 million and CRES co-investments from ING for an aggregate amount of $58.6 million, using borrowings from our tranche D term loan facility under our credit agreement to finance these transactions. On October 3, 2011, we acquired ING REIM s operations in Asia for $45.3 million and three

ING REIM Asia co-investments from ING for an aggregate amount of $13.9 million, using borrowings from our tranche C term loan facility under our credit agreement to finance these transactions. On October 31, 2011, we completed the ING REIM Europe portion of the REIM Acquisitions, acquiring ING REIM s operations in Europe for $442.5 million and one co-investment from ING for $7.4 million, using borrowings from our tranche C term loan facility under our credit agreement, cash on hand and borrowings under our revolving credit facility to finance these transactions. During the six months ended June 30, 2012, we also funded nine additional co-investments for an aggregate amount of $34.8 million related to ING REIM Europe. Our initial estimate of $940 million in total purchase price for the REIM Acquisitions has been reduced by approximately $47 million for certain fund and separate account management contracts that were not acquired and for certain balance sheet adjustments. There is a possibility of an additional closing of approximately $80 million and further co-investments of up to $20 million in the future related to our acquisition of ING REIM Europe.

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

As evidenced above, from time to time, we consider potential strategic acquisitions. We believe that any future significant acquisitions that we may make most likely would require us to obtain additional debt or equity financing. In the past, we have been able to obtain such financing for material transactions on terms that we believed to be reasonable. However, it is possible that we may not be able to find acquisition financing on favorable terms, or at all, in the future if we decide to make any further material acquisitions.

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

The second long-term liquidity need is the repayment of obligations under our pension plans in the United Kingdom. Our subsidiaries based in the United Kingdom maintain two contributory defined benefit pension plans to provide retirement benefits to existing and former employees participating in the plans. With respect to these plans, our historical policy has been to contribute annually, an amount to fund pension cost as actuarially determined and as required by applicable laws and regulations. Our contributions to these plans are invested and, if these investments do not perform in the future as well as we expect, we will be required to provide additional funding to cover any shortfall. The underfunded status of our defined benefit pension plans included in pension liability in the accompanying consolidated balance sheets was $60.6 million and $60.9 million at June 30, 2012 and December 31, 2011, respectively. We expect to contribute a total of $5.9 million to fund our pension plans for the year ending December 31, 2012, of which $2.9 million was funded as of June 30, 2012.

Historical Cash Flows

Operating Activities

Net cash used in operating activities totaled $201.7 million for the six months ended June 30, 2012, an increase of $45.3 million as compared to the six months ended June 30, 2011. The increase in cash used by operating activities in the current year was primarily due to higher bonuses and income taxes paid as well as an increase in real estate held for sale and under development in the current year. These items were partially offset by an increase in depreciation and amortization expense in the current year and activities associated with securities acquired in our acquisition of CRES.

Investing Activities

Net cash used in investing activities totaled $133.5 million for the six months ended June 30, 2012 as compared to net cash provided by investing activities of $47.7 million for the six months ended June 30, 2011. The increase in cash used in investing activities in the current year was primarily driven by higher net proceeds received from the disposition of real estate held for investment in the prior year, a decrease in cash as a result of the deconsolidation of CBRE Clarion U.S., L.P. in the current year and higher contributions to investments in unconsolidated subsidiaries in the current year. These items were partially offset by a greater use of cash for in-fill acquisitions in the prior year.

Financing Activities

Net cash used in financing activities totaled $26.0 million for the six months ended June 30, 2012 versus net cash provided by financing activities of $339.6 million for the six months ended June 30, 2011. The increase in cash used in financing activities was primarily due to $400.0 million of tranche D term loan facilities drawn at June 30, 2011 to finance the CRES portion of the REIM Acquisitions that closed on July 1, 2011. Also contributing to the increase was higher net borrowings under our revolving credit facility in the prior year. These items were partially offset by higher net repayments of notes payable on real estate in the prior year as well as greater financing cost paid in the prior year.

Significant Indebtedness

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

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

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

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

The revolving credit facility allows for borrowings outside of the U.S., with sub-facilities of $5.0 million available to one of our Canadian subsidiaries, $35.0 million in aggregate available to one of our Australian and 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 June 30, 2012 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.65% to 3.15% or the daily rate plus 0.65% to 2.15% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of June 30, 2012 and December 31, 2011, we had $52.8 million and $44.8 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 3.7% and 4.3%, respectively, which are included in short-term borrowings in the consolidated balance sheets set forth in Item 1 of this Quarterly Report. As of June 30, 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 June 30, 2012 bear interest, based at our option, on the following: for the tranche A and A-1 term loan facilities, on either the applicable fixed rate plus 2.00% to 3.75% or the daily rate plus 1.00% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement), for the tranche B term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25%, for the tranche C term loan facility, on either the applicable fixed rate plus 3.25% or the daily rate plus 2.25% and for the tranche D term loan facility, on either the applicable fixed rate plus 3.50% or the daily rate plus 2.50%. As of June 30, 2012 and December 31, 2011, we had $288.8 million and $306.3 million, respectively, of tranche A term loan facility principal outstanding, $277.3 million and $285.1 million, respectively, of tranche A-1 term loan facility principal outstanding, $294.7 million and $296.3 million, respectively, of tranche B term loan facility principal outstanding, $396.0 million and $398.0 million, respectively, of tranche C term loan facility principal outstanding and $396.0 million and $398.0 million, respectively, of tranche D term loan facility principal outstanding, which are included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is $400.0 million, with $200.0 million expiring in October 2017 and $200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and six months ended June 30, 2012 and 2011. As of June 30, 2012 and December 31, 2011, the fair values of these interest rate swap agreements were reflected as a $47.0 million liability and a $39.9 million liability, respectively, and were included in other long-term liabilities in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

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

On October 8, 2010, CBRE Services, Inc., or CBRE, our wholly-owned subsidiary, issued $350.0 million in aggregate principal amount of 6.625% senior notes due October 15, 2020. The 6.625% senior notes are unsecured obligations of CBRE, senior to all of its current and future subordinated indebtedness, but effectively subordinated to all of its current and future secured indebtedness. The 6.625% senior notes are jointly and severally guaranteed on a senior basis by us and each subsidiary of CBRE that guarantees our Credit Agreement. Interest accrues at a rate of 6.625% per year and is payable semi-annually in arrears on April 15 and October 15, having commenced on April 15, 2011. The 6.625% senior notes are redeemable at our option, in whole or in part, on or after October 15, 2014 at a redemption price of 104.969% of the principal amount on that date and at declining prices thereafter. At any time prior to October 15, 2014, the 6.625% senior notes may be redeemed by us, in whole or in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and an applicable premium (as defined in the indenture governing these notes), which is based on the present value of the October 15, 2014 redemption price plus all remaining interest payments through October 15, 2014. In addition, prior to October 15, 2013, up to 35.0% of the original issued amount of the 6.625% senior notes may be redeemed at a redemption price of 106.625% of the principal amount, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. If a change of control triggering event (as defined in the indenture governing our 6.625% senior notes) occurs, we are obligated to make an offer to purchase the remaining 6.625% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 6.625% senior notes included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report was $350.0 million at both June 30, 2012 and December 31, 2011.

On June 18, 2009, CBRE issued $450.0 million in aggregate principal amount of 11.625% senior subordinated notes due June 15, 2017 for approximately $435.9 million, net of discount. The 11.625% senior subordinated notes are unsecured senior subordinated obligations of CBRE and are jointly and severally guaranteed on a senior subordinated basis by us and our domestic subsidiaries that guarantee our Credit Agreement. Interest accrues at a rate of 11.625% per year and is payable semi-annually in arrears on June 15 and December 15. The 11.625% senior subordinated notes are redeemable at our option, in whole or in part, on or after June 15, 2013 at 105.813% of par on that date and at declining prices thereafter. At any time prior to June 15, 2013, the 11.625% senior subordinated notes may be redeemed by us, in whole or in part, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and an applicable premium (as defined in the indenture governing these notes), which is based on the present value of the June 15, 2013 redemption price plus all remaining interest payments through June 15, 2013. In addition, prior to June 15, 2012, up to 35.0%

of the original issued amount of the 11.625% senior subordinated notes may be redeemed at 111.625% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control (as defined in the indenture governing our 11.625% senior subordinated notes), we are obligated to make an offer to purchase the remaining 11.625% senior subordinated notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 11.625% senior subordinated notes included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report, net of unamortized discount, was $439.7 million and $439.0 million at June 30, 2012 and December 31, 2011, respectively.

Our Credit Agreement and the indentures governing our 6.625% senior notes and 11.625% senior subordinated notes contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of EBITDA (as defined in the Credit Agreement) to total interest expense of 2.25x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 3.75x. Our coverage ratio of EBITDA to total interest expense was 11.13x for the trailing twelve months ended June 30, 2012 and our leverage ratio of total debt less available cash to EBITDA was 1.76x as of June 30, 2012. We may from time to time, in our sole discretion, look for opportunities to refinance or reduce our outstanding debt under our Credit Agreement and under our 6.625% senior notes and 11.625% senior subordinated notes.

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

We had short-term borrowings of $474.8 million and $758.2 million with related average interest rates of 2.5% and 2.9% as of June 30, 2012 and December 31, 2011, respectively, which are included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

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

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

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

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

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

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

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

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

On December 21, 2010, CBRE Capital Markets entered into an uncommitted funding arrangement with Kemps Landing providing CBRE Capital Markets with the ability to fund Freddie Mac multi-family loans. Effective March 2, 2012, the maximum outstanding balance allowed under this arrangement was decreased from $500.0 million to $475.0 million. Effective June 13, 2012, the maximum outstanding balance allowed under this arrangement was decreased further to $375.0 million. The outstanding borrowings bear interest at LIBOR plus 2.75% with a LIBOR floor of 0.25% and the agreement expires on December 19, 2012. On January 6, 2012, the Federal Housing Finance Agency announced a termination of Freddie Mac s purchase commitment agreement with Kemps Landing effective June 30, 2012. As of July 13, 2012, CBRE Capital Markets had no outstanding balances with Kemps Landing.

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

During the six months ended June 30, 2012, we had a maximum of $781.0 million of warehouse lines of credit principal outstanding. As of June 30, 2012 and December 31, 2011, we had $417.2 million and $713.4 million of warehouse lines of credit principal outstanding, respectively, which are included in short-term borrowings in the consolidated balance sheets set forth in Item 1 of this Quarterly Report. Additionally, we had $423.7 million and $720.1 million of mortgage loans held for sale (warehouse receivables), as of June 30, 2012 and December 31, 2011, respectively, which substantially represented mortgage loans funded through the lines of credit that, while committed to be purchased, had not yet been purchased and which are also included in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

A significant number of our subsidiaries in Europe have had a Euro cash pool loan since 2001, which is used to fund their short-term liquidity needs. The Euro cash pool loan is an overdraft line for our European operations issued by HSBC Bank. The Euro cash pool loan has no stated maturity date and bears interest at varying rates based on LIBOR plus 2.5%. As of June 30, 2012, there was $4.7 million of Euro cash pool loan outstanding, which has been included in short-term borrowings in the consolidated balance sheets set forth in Item 1 of this Quarterly Report. There were no amounts outstanding under this facility as of December 31, 2011.

Off-Balance Sheet Arrangements

We had outstanding letters of credit totaling $16.6 million as of June 30, 2012, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through July 2013.

We had guarantees totaling $33.3 million as of June 30, 2012, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The $33.3 million primarily consists of guarantees related to our defined benefit pension plans in the United Kingdom (in excess of our outstanding pension liability of $60.6 million as of June 30, 2012), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through May 2014, 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 June 30, 2012, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

In January 2008, CBRE Multifamily Capital, Inc., or CBRE MCI, a wholly-owned subsidiary of CBRE Capital Markets, Inc., entered into an agreement with Fannie Mae, under Fannie Mae s Delegated Underwriting and Servicing Lender Program, or DUS Program, to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of $4.3 billion at June 30, 2012. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately $514.0 million at June 30, 2012. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of June 30, 2012 and December 31, 2011, CBRE MCI had $6.5 million and $4.6 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately $8.0 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 $254.7 million (including $164.2 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 June 30, 2012.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of June 30, 2012, we had aggregate commitments of $30.3 million to fund future co-investments, $8.9 million of which is expected to be funded in 2012. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

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

Seasonality

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

New Accounting Pronouncements

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

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

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Cautionary Note on Forward-Looking Statements

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

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

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

- integration issues arising out of the REIM Acquisitions and other companies we may acquire;
- costs relating to the REIM Acquisitions and other businesses we may acquire;
- the sustainability of the recovery in our investment sales and leasing business from the recessionary levels in 2008 and 2009, particularly in light of the European sovereign debt crisis and slowing economic activity globally in 2012;
- disruptions in general economic and business conditions, particularly in geographies where our business may be concentrated;
- volatility and disruption of the securities, capital and credit markets, interest rate increases, the cost and availability of capital for investment in real estate, clients willingness to make real estate or long-term contractual commitments and other factors impacting the value of real estate assets, inside and outside the United States, particularly Europe, which is experiencing a sovereign debt crisis;
- continued high levels of, or increases in, unemployment and general slowdowns in commercial activity;
- variations in historically customary seasonal patterns;
- the impairment or weakened financial condition of certain of our clients;
- client actions to restrain project spending and reduce outsourced staffing levels as well as the potential loss of clients in our outsourcing business due to consolidation or bankruptcies;
- our ability to diversify our revenue model to offset cyclical economic trends in the commercial real estate industry;

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

our ability to attract new user and investor clients;

our ability to retain major clients and renew related contracts;

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

During the six months ended June 30, 2012, approximately 40% of our business was transacted in local currencies of foreign countries, the majority of which includes the Euro, the British pound sterling, the Canadian dollar, the Chinese yuan, the Hong Kong dollar, the Japanese yen, the Singapore dollar, the Australian dollar and the Indian rupee. We attempt to manage our exposure primarily by balancing assets and liabilities and maintaining cash positions in foreign currencies only at levels necessary for operating purposes. We routinely monitor our exposure to currency exchange rate changes in connection with transactions and sometimes enter into foreign currency exchange option and forward contracts to limit our exposure to such transactions, as appropriate. In the normal course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange contracts to mitigate foreign currency exchange exposure resulting from intercompany loans, expected cash flow and earnings. Included in the consolidated statement of operations set forth in Item 1 of this Quarterly Report were gains of $0.8 million and charges of $2.3 million for the three and six months ended June 30, 2012, respectively, and charges of $1.2 million and $2.6 million for the three and six months ended June 30, 2011, respectively, resulting from net gains and losses on foreign currency exchange option agreements. As of June 30, 2012, the fair values of these foreign currency exchange option agreements were reflected as a $2.2 million asset and were included in prepaid expenses in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with Topic 815. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is $400.0 million, with $200.0 million expiring in October 2017 and $200.0 million expiring in September 2019. There was no hedge ineffectiveness for the three and six months ended June 30, 2012 and 2011. As of June 30, 2012, the fair values of these interest rate swap agreements were reflected as a $47.0 million liability and were included in other long-term liabilities in the consolidated balance sheets set forth in Item 1 of this Quarterly Report.

Based upon information from third-party banks, the estimated fair value of our senior secured term loans was approximately $1.6 billion at June 30, 2012. Based on dealers quotes, the estimated fair values of our 6.625% senior notes and 11.625% senior subordinated notes were $371.4 million and $499.1 million, respectively, at June 30, 2012.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase by 10.0% on our outstanding variable rate debt, excluding notes payable on real estate, at June 30, 2012, the net impact of the additional interest cost would be a decrease of $3.3 million on pre-tax income and an increase of $3.3 million on cash used in operating activities for the six months ended June 30, 2012.

We also have $389.5 million of notes payable on real estate as of June 30, 2012. Interest costs relating to notes payable on real estate include both interest that is expensed and interest that is capitalized as part of the cost of real estate. If interest rates were to increase by 10.0%, our total estimated interest cost related to notes payable would increase by approximately $1.0 million for the six months ended June 30, 2012. From time to time, we enter into interest rate swap and cap agreements in order to limit our interest expense related to our notes payable on real estate. If any of these agreements are not designated as effective hedges, then they are marked to market each period with the change in fair value recognized in current period earnings. The net impact on our earnings resulting from gains and/or losses on interest rate swap and cap agreements associated with notes payable on real estate has not been significant.

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

ITEM 4. CONTROLS AND PROCEDURES

Our policy for disclosure controls and procedures provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and

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procedures include, without limitation, controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Our Disclosure Committee consisting of the principal accounting officer, general counsel, chief communication officer, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(c) as of the end of the period covered by this report.

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

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of CBRE Group, Inc. filed on June 16, 2004, as amended by the Certificate of Amendment filed on June 4, 2009 and the Certificate of Ownership and Merger filed on October 3, 2011(incorporated by reference to Exhibit 3.1 of the CBRE Group, Inc. Quarterly Report on Form 10-Q filed with the SEC on November 9, 2011)
3.2	Second Amended and Restated By-laws of CBRE Group, Inc. (incorporated by reference to Exhibit 3.2 of the CBRE Group, Inc. Current Report on Form 8-K filed with the SEC on October 3, 2011)
4.1(a)	Securityholders Agreement, dated as of July 20, 2001 (Securityholders Agreement), by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc., Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Credit Suisse First Boston Corporation, DLJ Investment Funding, Inc., The Koll Holding Company, Frederic V. Malek, the management investors named therein and the other persons from time to time party thereto (incorporated by reference to Exhibit 25 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
4.1(b)	Amendment and Waiver to Securityholders Agreement, dated as of April 14, 2004, by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.2(b) of the CB Richard Ellis Group, Inc. Amendment No. 2 to Registration Statement on Form S-1 filed with the SEC (No. 333-112867) on April 30, 2004)
4.1(c)	Second Amendment and Waiver to Securityholders Agreement, dated as of November 24, 2004, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and certain of the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.2(c) of the CB Richard Ellis Group, Inc. Amendment No. 1 to Registration Statement on Form S-1 filed with the SEC (No. 333-120445) on November 24, 2004)
4.1(d)	Third Amendment and Waiver to Securityholders Agreement, dated as of August 1, 2005, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and certain of the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on August 2, 2005)
4.2(a)	Indenture, dated as of June 18, 2009, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on June 23, 2009)
4.2(b)	Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on September 10, 2009)
4.2(c)	Form of Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 11.625% Senior Subordinated Notes Due June 15, 2017 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on July 29, 2011)
4.3(a)	Indenture, dated as of October 8, 2010, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 6.625% Senior Notes Due October 15, 2020 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on October 12, 2010)

Exhibit Number	Description
4.3(b)	Form of Supplemental Indenture among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., certain new U.S. subsidiaries from time-to-time, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, for the 6.625% Senior Notes Due October 15, 2020 (incorporated by reference to Exhibit 4.2 of the CB Richard Ellis Group, Inc. Current Report on Form 8-K filed with the SEC on July 29, 2011)
10.1	CBRE Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 of the CBRE Group, Inc. Registration Statement on Form S-8 filed with the SEC on May 8, 2012)+
10.2	Form of Nonstatutory Stock Option Agreement for the CBRE Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 of the CBRE Group, Inc. Registration Statement on Form S-8 filed with the SEC on May 8, 2012)+
10.3	Form of Restricted Stock Unit Agreement for the CBRE Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.3 of the CBRE Group, Inc. Registration Statement on Form S-8 filed with the SEC on May 8, 2012)+
10.4	Form of Restricted Stock Agreement for the CBRE Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.4 of the CBRE Group, Inc. Registration Statement on Form S-8 filed with the SEC on May 8, 2012)+
10.5	Transition Agreement, dated as of May 15, 2012, by and between CBRE, Inc., CBRE Group, Inc. and Brett White+*
11	Statement concerning Computation of Per Share Earnings (filed as Note 12 of the Consolidated Financial Statements)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

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

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

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SIGNATURES

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

CBRE GROUP, INC.

Date: August 9, 2012	/s/ GIL BOROK **Gil Borok** **Chief Financial Officer (principal financial officer)**
Date: August 9, 2012	/s/ ARLIN GAFFNER **Arlin Gaffner** **Chief Accounting Officer (principal accounting officer)**