CBRE GROUP, INC.
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _______________ to _______________

Commission File Number 001 – 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-3391143 (I.R.S. Employer Identification Number)
400 South Hope Street, 25th Floor Los Angeles, California (Address of principal executive offices)	90071 (Zip Code)
(213) 613-3333 (Registrant's telephone number, including area code)	Not applicable (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of Class A common stock outstanding at July 31, 2018 was 339,798,242.

FORM 10-Q

June 30, 2018

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements
CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands, except share data)

	June 30, 2018	December 31, 2017 (As Adjusted)
ASSETS		
Current Assets:		
Cash and cash equivalents	$531,481	$751,774
Restricted cash	71,865	73,045
Receivables, less allowance for doubtful accounts of $55,753 and $46,789 at June 30, 2018 and December 31, 2017, respectively	3,324,522	3,112,289
Warehouse receivables	1,488,324	928,038
Prepaid expenses	268,226	215,336
Contract assets	109,272	273,053
Income taxes receivable	47,752	49,628
Other current assets	265,268	227,421
Total Current Assets	6,106,710	5,630,584
Property and equipment, net	705,469	617,739
Goodwill	3,407,169	3,254,740
Other intangible assets, net of accumulated amortization of $1,106,169 and $1,000,738 at June 30, 2018 and December 31, 2017, respectively	1,448,284	1,399,112
Investments in unconsolidated subsidiaries	233,889	238,001
Deferred tax assets, net	97,890	98,746
Other assets, net	536,046	479,474
Total Assets	$12,535,457	$11,718,396
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$1,642,030	$1,573,672
Compensation and employee benefits payable	870,626	904,434
Accrued bonus and profit sharing	629,044	1,078,345
Contract liabilities	76,216	100,615
Income taxes payable	21,918	70,634
Short-term borrowings:		
Warehouse lines of credit (which fund loans that U.S. Government Sponsored	1,471,591	910,766

Enterprises have committed to purchase)		
Revolving credit facility	598,000	—
Other	16	16
Total short-term borrowings	2,069,607	910,782
Current maturities of long-term debt	1,466	8
Other current liabilities	70,228	74,454
Total Current Liabilities	5,381,135	4,712,944
Long-term debt, net of current maturities	1,762,885	1,999,603
Deferred tax liabilities, net	187,062	147,218
Non-current tax liabilities	140,050	140,792
Other liabilities	547,454	543,225
Total Liabilities	8,018,586	7,543,782
Commitments and contingencies	—	—
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 339,793,072 and 339,459,138 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	3,398	3,395
Additional paid-in capital	1,278,251	1,220,508
Accumulated earnings	3,820,420	3,443,007
Accumulated other comprehensive loss	(648,492)	(552,414)
Total CBRE Group, Inc. Stockholders' Equity	4,453,577	4,114,496
Non-controlling interests	63,294	60,118
Total Equity	4,516,871	4,174,614
Total Liabilities and Equity	$12,535,457	$11,718,396

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted)	2018	2017 (As Adjusted)
Revenue	$5,111,434	$4,439,571	$9,785,386	$8,490,537
Costs and expenses:				
Cost of services	3,958,748	3,409,540	7,578,709	6,556,017
Operating, administrative and other	826,282	712,615	1,558,517	1,319,241
Depreciation and amortization	113,399	100,386	221,564	194,423
Total costs and expenses	4,898,429	4,222,541	9,358,790	8,069,681
Gain on disposition of real estate	12,311	11,298	12,329	12,683
Operating income	225,316	228,328	438,925	433,539
Equity income from unconsolidated subsidiaries	96,021	75,384	136,200	90,402
Other income (loss)	4,009	3,186	(271)	7,301
Interest income	1,489	1,427	5,110	3,838
Interest expense	26,885	35,430	55,743	69,440
Write-off of financing costs on extinguished debt	—	—	27,982	—
Income before provision for income taxes	299,950	272,895	496,239	465,640
Provision for income taxes	70,319	69,887	116,483	123,706
Net income	229,631	203,008	379,756	341,934
Less: Net income attributable to non-controlling interests	964	1,231	801	3,137
Net income attributable to CBRE Group, Inc.	$228,667	$201,777	$378,955	$338,797
Basic income per share:				
Net income per share attributable to CBRE Group, Inc.	$0.67	$0.60	$1.12	$1.01
Weighted average shares outstanding for basic income per share	339,081,556	336,975,149	338,986,354	336,941,681
Diluted income per share:				
Net income per share attributable to CBRE Group, Inc.	$0.67	$0.59	$1.10	$1.00
Weighted average shares outstanding for diluted income per share	343,471,513	340,882,603	343,031,189	340,214,246

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,		Six Months Ended June 30,	
	2018	2017 (As Adjusted)	2018	2017 (As Adjusted)
Net income	$229,631	$ 203,008	$379,756	$ 341,934
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(165,926)	88,649	(99,894)	139,837
Adoption of Accounting Standards Update 2016-01, net of tax	—	—	(3,964)	—
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	628	1,380	1,383	2,888
Unrealized gains (losses) on interest rate swaps, net of tax	214	(217)	817	77
Unrealized holding (losses) gains on available for sale debt securities, net of tax	(122)	977	(627)	1,900
Other, net	–	(10)	5,528	(16)
Total other comprehensive (loss) income	(165,206)	90,779	(96,757)	144,686
Comprehensive income	64,425	293,787	282,999	486,620
Less: Comprehensive income attributable to non-controlling interests	480	1,390	122	3,317
Comprehensive income attributable to CBRE Group, Inc.	$63,945	$ 292,397	$282,877	$ 483,303

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2018	2017 (As Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$379,756	$341,934
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	221,564	194,423
Amortization and write-off of financing costs on extinguished debt	31,646	4,912
Gains related to mortgage servicing rights, premiums on loan sales and sales of other assets	(98,707)	(80,893)
Gains on disposition of real estate held for investment	(3,197)	—
Net realized and unrealized losses (gains) from investments	271	(7,301)
Equity income from unconsolidated subsidiaries	(136,200)	(90,402)
Provision for doubtful accounts	11,809	5,578
Compensation expense for equity awards	61,675	48,283
Proceeds from sale of mortgage loans	7,019,614	7,071,928
Origination of mortgage loans	(7,552,229)	(6,848,102)
Increase (decrease) in warehouse lines of credit	560,825	(199,683)
Distribution of earnings from unconsolidated subsidiaries	131,395	85,952
Tenant concessions received	16,130	7,436
Purchase of equity securities	(41,389)	(43,525)
Proceeds from sale of equity securities	37,715	34,476
(Increase) decrease in receivables, prepaid expenses and other assets (including contract assets)	(198,469)	15,995
Decrease in real estate held for sale and under development	701	9,787
Increase (decrease) in accounts payable and accrued expenses and other liabilities (including contract liabilities)	9,543	(115,288)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(496,292)	(494,205)
Increase in net income taxes receivable/payable	(41,830)	(47,384)
Other operating activities, net	(6,393)	(11,358)
Net cash used in operating activities	(92,062)	(117,437)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(107,482)	(59,863)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired	(264,702)	(25,326)

Contributions to unconsolidated subsidiaries	(21,042)	(32,660)
Distributions from unconsolidated subsidiaries	28,235	23,970
Net proceeds from disposition of real estate held for investment	14,174	—
Purchase of equity securities	(13,718)	(9,280)
Proceeds from sale of equity securities	8,889	9,428
Purchase of available for sale debt securities	(18,723)	(10,454)
Proceeds from the sale of available for sale debt securities	4,121	7,849
Other investing activities, net	(6,384)	2,279
Net cash used in investing activities	(376,632)	(94,057)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior term loans	550,000	—
Proceeds from revolving credit facility	2,000,000	911,000
Repayment of revolving credit facility	(1,402,000)	(911,000)
Repayment of 5.00% senior notes (including premium)	(820,000)	—
Proceeds from notes payable on real estate held for investment	52	—
Repayment of notes payable on real estate held for investment	(13,028)	—
Proceeds from notes payable on real estate held for sale and under development	1,101	2,137
Repayment of notes payable on real estate held for sale and under development	(2,991)	(9,189)
Acquisition of businesses (cash paid for acquisitions more than three months after purchase date)	(11,183)	(15,126)
Repayment of debt assumed in acquisition of FacilitySource	(26,295)	—
Units repurchased for payment of taxes on equity awards	(4,630)	(1,900)
Non-controlling interest contributions	2,744	1,941
Non-controlling interest distributions	(7,652)	(3,904)
Other financing activities, net	(76)	(3,666)
Net cash provided by (used in) financing activities	266,042	(29,707)
Effect of currency exchange rate changes on cash and cash equivalents and restricted cash	(18,821)	20,190
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(221,473)	(221,011)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, AT BEGINNING OF PERIOD	824,819	831,412
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, AT END OF PERIOD	$603,346	$610,401
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$59,337	$59,490
Income taxes, net	$159,833	$163,885

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

CBRE GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Dollars in thousands)

	CBRE Group, Inc. Shareholders					
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss	Non-controlling interests	Total
Balance at December 31, 2017 (As Adjusted)	$3,395	$1,220,508	$3,443,007	$(552,414)	$60,118	$4,174,614
Net income	—	—	378,955	—	801	379,756
Adoption of Accounting Standards Update 2016-01, net of tax (see Note 3)	—	—	3,964	(3,964)	—	—
Compensation expense for equity awards	—	61,675	—	—	—	61,675
Units repurchased for payment of taxes on equity awards	—	(4,630)	—	—	—	(4,630)
Foreign currency translation loss	—	—	—	(99,215)	(679)	(99,894)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	—	—	—	1,383	—	1,383
Unrealized gains on interest rate swaps, net of tax	—	—	—	817	—	817
Unrealized holding losses on available for sale debt securities, net of tax	—	—	—	(627)	—	(627)
Contributions from non-controlling interests	—	—	—	—	2,744	2,744
Distributions to non-controlling interests	—	—	—	—	(7,652)	(7,652)
Other	3	698	(5,506)	5,528	7,962	8,685
Balance at June 30, 2018	$3,398	$1,278,251	$3,820,420	$(648,492)	$63,294	$4,516,871

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

Readers of this Quarterly Report on Form 10-Q (Quarterly Report) should refer to the audited financial statements and notes to 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”), for the year ended December 31, 2017, which are included in our 2017 Annual Report on Form 10-K (2017 Annual Report), filed with the United States Securities and Exchange Commission (SEC) and also available on our website (www.cbre.com), since we have omitted from this Quarterly Report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to Note 2, Significant Accounting Policies, in the notes to consolidated financial statements in our 2017 Annual Report for further discussion of our significant accounting policies and estimates.

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

Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation in connection with our adoption of new revenue recognition guidance (as further described in notes 2, 3 and 12). In addition, certain reclassifications have been made to the 2017 financial statements to conform with the 2018 presentation. Such reclassifications primarily relate to the adoption of Accounting Standards Update (ASU) 2016 01, ASU 2016-15 and ASU 2016-18 as further described in Note 3.

The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2018.

2. Significant Accounting Policies Update

Revenue Recognition

We account for revenue in accordance with Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers.” Topic 606 also includes Subtopic 340-40, “Other Assets and Deferred Costs – Contracts with

Customers," which requires deferral of incremental costs to obtain and fulfill a contract with a customer. We adopted new revenue recognition guidance on January 1, 2018, using the full retrospective method (see Note 3). Revenue is recognized when or as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

The following is a description of principal activities – separated by reportable segments – from which we generate revenue. For more detailed information about our reportable segments, see Notes 12 and 13.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The Americas, Europe, Middle East and Africa (EMEA), and Asia Pacific

The Americas segment is our largest segment of operations and provides a comprehensive range of services throughout the United States (U.S.), in the largest regions of Canada and in key markets in Latin America. The primary services offered consist of the following: property leasing, property sales, mortgage services, appraisal and valuation, occupier outsourcing and property management services.

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

Property Leasing and Property Sales

Through our Advisory & Transaction Services business line, we provide strategic advice and execution to owners, investors, and occupiers of real estate in connection with the leasing of office, industrial and retail space. We also offer clients fully integrated property sales services under the CBRE Capital Markets brand. We are compensated for our services in the form of a commission and, in some instances may earn various forms of variable incentive consideration. Our commission is paid upon the occurrence of certain contractual event(s) which may be contingent. For example, a portion of our leasing commission may be paid upon signing of the lease by the tenant, with the remaining paid upon occurrence of another future contingent event (e.g. payment of first month’s rent or tenant move-in). For sales, our commission is typically paid at the closing of the sale. We typically satisfy our performance obligation at a point in time when control is transferred; generally, at the time of the first contractual event where there is a present right to payment. We look to history, experience with a customer, and deal specific considerations to support our judgement that the second contingency (if applicable) will be met. Therefore, we typically accelerate the recognition of the revenue associated with the second contingent event.

In addition to our commission, we may recognize other forms of variable consideration which can include, but are not limited to, commissions subject to concession or claw back and volume based discounts or rebates. We assess variable consideration on a contract by contract basis, and when appropriate, recognize revenue based on our assessment of the outcome (using the most likely outcome approach or weighted probability) and historical results, if comparable and representative. We recognize variable consideration if it is deemed probable that there will not be significant reversal in the future.

Mortgage Originations and Loan Sales

Under the CBRE Capital Markets brand, we offer clients fully integrated commercial mortgage and structured financing services. Fees from services within our mortgage brokerage business that are in the scope of Topic 606 include fees earned for the brokering of commercial mortgage loans primarily through relationships established with investment banking firms, national and regional banks, credit companies, insurance companies and pension funds. We are compensated for our brokerage services via a fee paid upon successful placement of a commercial mortgage borrower with a lender who will provide financing. The fee earned is contingent upon the funding of the loan. We typically satisfy our performance obligation when control is transferred at the point in time of the funding of the loan.

We also earn fees from the origination and sale of commercial mortgage loans for which the company retains the servicing rights. These fees are governed by the “Fair Value Measurements and Disclosures” topic (Topic 820) and “Transfers and Servicing” topic (Topic 860) of the FASB ASC. Upon origination of a mortgage loan held for sale, the fair value of the mortgage servicing rights (MSR) to be retained is included in the forecasted proceeds from the anticipated loan sale and results in a net gain (which is reflected in revenue). Upon sale, we record a servicing asset or liability based on the fair value of the retained MSR associated with the transferred loan. Subsequent to the initial recording, MSRs are amortized and carried at the lower of amortized cost or fair value in other intangible assets in the accompanying consolidated balance sheets. They are amortized in proportion to and over the estimated period that the servicing income is expected to be received.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Appraisal and Valuation

We provide valuation services that include market-value appraisals, litigation support, discounted cash flow analyses, feasibility studies as well as consulting services such as property condition reports, hotel advisory and environmental consulting. We are compensated for valuation services in the form of a fee, which is payable on the occurrence of certain events (e.g., a portion on the delivery of a draft report with the remaining on the delivery of the final report). For consulting services, we may be paid based on the occurrence of time or event-based milestones (such as the delivery of draft reports). We typically satisfy our performance obligation as services are rendered over time.

Occupier Outsourcing Services

We provide a broad suite of services to occupiers of real estate, including facilities management, project management, transaction management and strategic consulting. We report facilities and project management as well as strategic consulting activities in our occupier outsourcing revenue line and transaction management in our lease and sales revenue lines.

Facilities management involves the day-to-day management of client-occupied space and includes headquarter buildings, regional offices, administrative offices, data centers and other critical facilities, manufacturing and laboratory facilities, distribution facilities and retail space. Contracts for facilities management services are often structured so we are reimbursed for client-dedicated personnel costs and subcontracted vendor costs as well as associated overhead expenses plus a monthly fee, and, in some cases, annual incentives tied to agreed-upon performance targets, with any penalties typically capped. Facilities management services represent a series of distinct daily services rendered over time.

Project management services are often provided on a portfolio wide or programmatic basis. Revenues from project management services generally includes fixed management fees, variable fees, and incentive fees if certain agreed-upon performance targets are met. Revenues from project management may also include reimbursement of payroll and related costs for personnel providing the services and subcontracted vendor costs. Project management services represent a series of distinct daily services rendered over time.

The amount of revenue recognized is presented gross for any services provided by our employees, as we control them. This is evidenced by our obligation for their performance and our ability to direct and redirect their work, as well as negotiate the value of such services. The amount of revenue recognized related to the majority of facilities management contracts and certain project management arrangements is presented gross (with offsetting expense recorded in cost of services) for reimbursements of costs of third-party services because we control those services that are delivered to the client. In the instances when we do not control third-party services delivered to the client, we report revenues net of the third-party reimbursements.

In addition to our management fee, we receive various types of variable consideration which can include, but is not limited to; key performance indicator bonuses or penalties which may be linked to subcontractor performance, gross maximum price, glidepaths, savings guarantees, shared savings, or fixed fee structures. We assess variable consideration on a contract by contract basis, and when appropriate, recognize revenue based on our assessment of the outcome (using the most likely outcome approach or weighted probability) and historical results, if comparable and representative. Using management assessment and historical results and statistics, we accelerate revenue if it is deemed probable there will not be significant reversal in the future.

Property Management

We provide property management services on a contractual basis for owners of and investors in office, industrial and retail properties. These services include construction management, marketing, building engineering, accounting and financial services. We are compensated for our services through a monthly management fee earned based on either a specified percentage of the monthly rental income, rental receipts generated from the property under management or a fixed fee. We are also often reimbursed for our administrative and payroll costs directly attributable to the properties under management. Property management services represent a series of distinct daily services rendered over time. The amount of revenue recognized is presented gross for any services provided by our employees, as we control them. We generally do not control third-party services delivered to property management clients. As such, we report revenues net of third-party reimbursements.

Global Investment Management

Our Global Investment Management business segment provides investment management services to pension funds, insurance companies, sovereign wealth funds, foundations, endowments and other institutional investors seeking to generate returns and diversification through investment in real estate. We sponsor investment programs that span the risk/return spectrum in: North America, Europe, Asia and Australia. We are typically compensated in the form of a base management fee, disposition fees, acquisition fees and incentive fees in the form of performance fees or carried interest based on fund type (open or closed ended, respectively). For the base management fee, we typically satisfy the performance obligation as service is rendered over time pursuant to the series guidance. For acquisition and disposition services, we typically satisfy the performance obligation at a point in time (at acquisition or upon disposition). For contracts with contingent fees, including performance fees, incentive fees and carried interest, we assess variable consideration on a contract by contract basis, and when appropriate, recognize revenue based on our assessment of the outcome (using the most likely outcome approach or weighted probability) and historical results, if comparable and representative. Revenue associated with performance fees and carried interest are typically constrained due to volatility in the real estate market, a broad range of possible outcomes, and other factors in the market that are outside of our control.

Development Services

Our Development Services business segment consists of real estate development and investment activities primarily in the United States to users of and investors in commercial real estate, as well as for our own account. We pursue opportunistic, risk-mitigated development and investment in commercial real estate across a wide spectrum of property types, including: industrial, office and retail properties; healthcare facilities of all types (medical office buildings, hospitals and ambulatory surgery centers); and residential/mixed-use projects. We pursue development and investment activity on behalf of our clients on a fee basis with no, or limited, ownership interest in a property, in partnership with our clients through co-investment – either on an individual project basis or through programs with certain strategic capital partners or for our own account with 100% ownership. Development services represent a series of distinct daily services rendered over time. Fees are typically payable monthly over the service term or upon contractual defined events, like project milestones. In addition to development fee revenue, we receive various types of variable consideration which can include, but is not limited to, contingent lease-up bonuses, cost saving incentives, profit sharing on sales and at-risk fees. We assess variable consideration on a contract by contract basis, and when appropriate, recognize revenue based on our assessment of the outcome (using the most likely outcome approach or weighted probability) and historical results, if comparable and representative. We accelerate revenue if it is deemed probable there will not be significant reversal in the future.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable for our unconditional rights to consideration arising from our performance under contracts with customers. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. We estimate our allowance for doubtful accounts for specific accounts receivable balances based on historical collection trends, the age of outstanding accounts receivables and existing economic conditions associated with the receivables. Past-due accounts receivable balances are written off when our internal collection efforts have been unsuccessful. As a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised service to a customer and when the customer pays for that service will be one year or less. We do not typically include extended payment terms in our contracts with customers.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction prices for contracts where our performance obligations have not yet been satisfied. As of June 30, 2018, the aggregate amount of transaction price allocated to remaining performance obligations in our property leasing business was not significant. We apply the practical expedient related to remaining performance obligations that are part of a contract that has an original expected duration of one year or less and the practical expedient related to variable consideration from remaining performance obligations pursuant to the series guidance. All of our remaining performance obligations apply to one of these practical expedients.

Contract Assets and Contract Liabilities

Contract assets represent assets for revenue that has been recognized in advance of billing the customer and for which the right to bill is contingent upon something other than the passage of time. This is common for contingent portions of commissions in brokerage and incentive fees present in various businesses. Billing requirements vary by contract but are generally structured around fixed monthly fees, reimbursement of employee and other third-party costs, and the achievement or completion of certain contingent events.

When we receive consideration, or such consideration is unconditionally due, from a customer prior to transferring services to the customer under the terms of the services contract, we record deferred revenue, which represents a contract liability. Such deferred revenue typically results from milestone payments pertaining to future services not yet rendered. We recognize the contract liability as revenue once we have transferred control of service to the customer and all revenue recognition criteria are met.

Contract assets and contract liabilities are determined for each contract on a net basis. For contract assets, we classify the short-term portion as a separate line item within current assets and the long-term portion within other assets, long-term in the accompanying consolidated balance sheets. For contract liabilities, we classify the short-term portion as a separate line item within current liabilities and the long-term portion within other liabilities, long-term in the accompanying consolidated balance sheets.

Contract Costs

Contract costs primarily consist of upfront costs incurred to obtain or to fulfill a contract. These costs are typically found within our Occupier Outsourcing business line. Such costs relate to transition costs to fulfill contracts prior to services being rendered and are included within other intangible assets in the accompanying consolidated balance sheets. Capitalized transition costs are amortized based on the transfer of services to which the assets relate which can vary on a contract by contract basis, and are included in cost of services in the accompanying consolidated statement of operations. For contract costs that are recognized as assets, we periodically review for impairment.

Applying the contract cost practical expedient, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (Tax Act) was signed into law making significant changes to the Internal Revenue Code, including, but not limited to: (i) a U.S. corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017; (ii) the transition of U.S. international taxation from a worldwide tax system to a territorial system; and (iii) a one-time transition tax (i.e. toll charge) on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), "Income Tax Accounting Implications of the Tax Cuts and Jobs Act," which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. In March 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118," which added SEC guidance related to SAB 118. On August 1st, 2018, the Treasury Department released proposed regulations regarding the one-time transition tax on the pre-2018 earnings of certain non-U.S. subsidiaries. We are evaluating the impact of the proposed regulations as part of our overall analysis of the impacts of the Tax Act pursuant to SAB 118.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Our provision for income taxes for 2017 included a provisional amount related to our estimate of the U.S. federal and state tax impact of the transition tax and other components of the Tax Act. In the first quarter of 2018, we obtained additional information affecting the provisional amount initially recorded for the transition tax. As a result, we recorded an immaterial adjustment to the transition tax in the tax provision for the six months ended June 30, 2018. Provisional amounts that have been recorded are based upon our best estimate of the impact of the Tax Act in accordance with our understanding of the Tax Act and the related guidance available. Additional work is necessary on the provisional amount related to the transition tax, which includes performing a more detailed analysis of historic foreign earnings and tax pools and potential corresponding adjustments.

See Note 2 of the Notes to Consolidated Financial Statements set forth in Item 8 included in our Annual Report on Form 10-K for the year ended December 31, 2017 for a summary of our other significant accounting policies.

3. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The FASB previously issued five ASUs related to revenue recognition (“new revenue recognition guidance”). The ASUs issued were: (1) in May 2014, ASU 2014 09, “Revenue from Contracts with Customers (Topic 606);” (2) in March 2016, ASU 2016 08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net);” (3) in April 2016, ASU 2016 10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;” (4) in May 2016, ASU 2016 12, “Revenue from Contracts with Customers (Topic 606): Narrow-scope Improvements and Practical Expedients;” and (5) in December 2016, ASU 2016 20, “Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers.” As mentioned in Note 2, we adopted the new revenue recognition guidance in the first quarter of 2018 using the full retrospective transition method. This resulted in a cumulative adjustment of $94.6 million to the accumulated earnings balance reflected in the accompanying consolidated balance sheets at December 31, 2017, including an $87.9 million impact of adoption effective January 1, 2016 as well as the impact from restatements of full year statements of operations for the years ended December 31, 2017 and 2016 resulting in adjustments of $5.6 million and $1.1 million, respectively. The impact of the application of the new revenue recognition guidance resulted in an acceleration of revenues that were based, in part, on future contingent events. For example, some leasing commission revenues in various countries where we operate were recognized earlier. Under former GAAP, a portion of these lease commission revenues was deferred until a future contingency was resolved (e.g., tenant move-in or payment of first month’s rent). Under the new revenue guidance, our performance obligation will be typically satisfied at lease signing and therefore the portion of the commission that is contingent on a future event has been recognized earlier if deemed probable that there will not be significant reversal in the future. The acceleration of the timing of revenue recognition also resulted in the acceleration of expense recognition relating to direct commissions payable to brokers. In addition, the acceleration of these revenues and expenses resulted in an increase in total assets and liabilities to reflect contract assets and accrued commissions payable.

We evaluated the impact of the updated principal versus agent guidance on our consolidated financial statements. Under former GAAP, certain third-party costs associated with our facilities and project management contracts were accounted for on a net basis because the contracts include provisions such as “pay when paid” that mitigate payment risk with respect to services provided by third parties to our clients. Under the new revenue recognition guidance, control of the services before transfer to the client is the primary factor in determining principal versus agent assessments. Payment risk is no longer a determining factor under Topic 606. We have determined that we control the services provided by third parties on behalf of certain of our facilities and project management clients. Accordingly, under the new guidance, we are accounting for the cost of services provided by third parties and the related reimbursement revenue on a gross basis.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table presents the effects of the adoption of the new revenue recognition guidance on our consolidated balance sheet as of December 31, 2017 (dollars in thousands):

	As Reported	Adoption of New Revenue Recognition Guidance	As Adjusted
Receivables	$3,207,285	$ (94,996)	$3,112,289
Contract assets	—	273,053	273,053
Total current assets	5,452,527	178,057	5,630,584
Other assets, net	422,965	56,509	479,474
Total assets	11,483,830	234,566	11,718,396
Accounts payable and accrued expenses	1,674,287	(100,615)	1,573,672
Compensation and employee benefits payable	803,504	100,930	904,434
Accrued bonus and profit sharing	1,072,976	5,369	1,078,345
Contract liabilities	—	100,615	100,615
Total current liabilities	4,606,645	106,299	4,712,944
Deferred tax liabilities, net	114,017	33,201	147,218
Total liabilities	7,404,282	139,500	7,543,782
Accumulated earnings	3,348,385	94,622	3,443,007
Accumulated other comprehensive loss	(552,858)	444	(552,414)
Total CBRE Group, Inc. stockholders' equity	4,019,430	95,066	4,114,496
Total liabilities and equity	11,483,830	234,566	11,718,396

The following tables present the effects of the adoption of the new revenue recognition guidance on our consolidated statements of operations for the three and six months ended June 30, 2017 (dollars in thousands, except share amounts):

	Three Months Ended June 30, 2017		
	As Reported	Adoption of New Revenue Recognition Guidance	As Adjusted
Revenue	$3,342,215	$1,097,356	$4,439,571
Cost of services	2,318,562	1,090,978	3,409,540
Operating, administrative and other	712,374	241	712,615

Operating income	222,191	6,137	228,328
Income before provision for income taxes	266,758	6,137	272,895
Provision for income taxes	68,362	1,525	69,887
Net income	198,396	4,612	203,008
Net income attributable to CBRE Group, Inc.	197,165	4,612	201,777
Earnings per share:			
Basic income per share	$0.59	$0.01	$0.60
Diluted income per share	0.58	0.01	0.59

	Six Months Ended June 30, 2017		
	As Reported	Adoption of New Revenue Recognition Guidance	As Adjusted
Revenue	$6,323,419	$2,167,118	$8,490,537
Cost of services	4,405,641	2,150,376	6,556,017
Operating, administrative and other	1,318,605	636	1,319,241
Operating income	417,433	16,106	433,539
Income before provision for income taxes	449,534	16,106	465,640
Provision for income taxes	119,635	4,071	123,706
Net income	329,899	12,035	341,934
Net income attributable to CBRE Group, Inc.	326,762	12,035	338,797
Earnings per share:			
Basic income per share	$0.97	$0.04	$1.01
Diluted income per share	0.96	0.04	1.00

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

See Note 2 for further discussion of the effects of the adoption of ASU 2014-09 on our significant accounting policies.

In January 2016, the FASB issued ASU 2016 01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.” This ASU 2016-01 states that entities will have to measure equity investments (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income. Under the new guidance, entities will measure equity investments in the scope of the guidance at the end of each reporting period. We will no longer be able to classify equity investments as trading or available for sale, and will no longer recognize unrealized holding gains and losses on equity securities previously classified as available for sale in other comprehensive income (loss). However, the guidance for classifying and measuring investments in debt securities and loans is unchanged. We adopted ASU 2016 01 in the first quarter of 2018, which resulted in a cumulative adjustment to accumulated earnings of $4.0 million on January 1, 2018, representing the accumulated unrealized gains (net of tax) reported in accumulated other comprehensive loss for available for sale equity securities on December 31, 2017.

In August 2016, the FASB issued ASU 2016 15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” This ASU addressed eight specific cash flow issues with the objective of reducing the existing diversity in practice. We adopted ASU 2016 15 in the first quarter of 2018. This resulted in changes to our consolidated statement of cash flows included in the accompanying consolidated financial statements, including:

- An accounting policy election was made in the first quarter of 2018 to classify distributions from all of our equity method investments based on the “nature of distribution method”. Under this approach, we classify the distributions based on the nature of the activities of the investee that generated the distribution. This resulted in $73.0 million of distributions from equity method investments being reclassified from cash flows from investing activities to cash flows from operating activities for the first six months of 2017;

- Purchase price payments made related to acquisitions more than three months after the acquisition closed are to be reflected as cash flows from financing activities (assuming they do not exceed the amount recorded in the initial measurement period). If we record an increase to the estimated purchase price liability post-measurement period, then such increase (i.e. amounts we pay out above and beyond initial estimate of liability) would get recorded as an operating cash flow. This resulted in $15.1 million of cash paid for acquisitions being reclassified from cash used in investing activities to cash used in financing activities for the first six months of 2017;

- Payments for debt prepayment or debt extinguishment costs, including third-party costs, premiums paid, and other fees paid to lenders that are directly related to the debt prepayment or debt extinguishment are to be reflected as cash used in financing activities. During the six months ended June 30, 2018, we paid a $20.0 million premium in connection with the early redemption of our 5.00% senior notes (see Note 9). Such premium has been reflected in cash used in financing activities in the consolidated statement of cash flows for the six months ended June 30, 2018.

In November 2016, the FASB issued ASU 2016 18, “Statement of Cash Flows (Topic 230): Restricted Cash.” This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. We adopted ASU 2016-18 in the first quarter of 2018 and, as a result, restricted cash has been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

Recent Accounting Pronouncements Pending Adoption

The FASB previously issued two ASUs related to leases. The ASUs issued were: (1) in February 2016, ASU 2016-02, “Leases (Topic 842)” and (2) in July 2018, ASU 2018-10, “Codification Improvements to Topic 842, Leases.” ASU 2016-02 requires lessees to recognize most leases on the balance sheet as liabilities, with corresponding right-of-use assets. For income statement recognition purposes, leases will be classified as either a finance or operating lease in a manner similar to the requirements under the current lease accounting literature, but without relying upon the bright-line tests. The amendments in ASU 2018-10 affect narrow aspects of the guidance issued in the amendments in ASU 2016-02. These ASUs are effective for annual periods in fiscal years beginning after December 15, 2018. We plan to adopt these ASUs in the first quarter of 2019. While we are continuing to evaluate the full magnitude of these ASU adoptions on our consolidated financial statements for our existing lease contracts, we have made progress toward completing the evaluation of adoption impacts. For instance, preliminary findings indicate embedded leases in service contracts are not material. Furthermore, we have decided to elect certain practical expedients afforded by the ASU, including the expedient to forego separating lease and non-lease components in our lessee contracts, which will increase the magnitude of our balance sheet gross-up.

In June 2016, the FASB issued ASU 2016 13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2016 13 will have on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017 04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This ASU eliminates Step 2 from the goodwill impairment test. This ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2017 04 will have on our goodwill assessment process, but do not believe the adoption of ASU 2017 04 will have a material impact on our consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017 08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities." This ASU requires the premium to be amortized to the earliest call date. This ASU does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2017 08 will have on our consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU 2017 12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This ASU refines and expands hedge accounting for both financial and commodity risks. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2017 12 will have on our consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018 02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This ASU provides an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act (or portion thereof) is recorded. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We are evaluating the effect that ASU 2018 02 will have on our consolidated financial statements and related disclosures, but do not expect it to have a material impact.

In July 2018, the FASB issued ASU 2018 09, “Codification Improvements.” The amendments in ASU 2018-09 represent changes to clarify, correct errors in, or make minor improvements to the Codification, eliminating inconsistencies and providing clarifications in current guidance. This ASU is effective for fiscal years beginning after December 15, 2018. We are evaluating the effect that ASU 2018 09 will have on our consolidated financial statements and related disclosures, but do not expect it to have a material impact.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. FacilitySource Acquisition

On June 12, 2018, CBRE Jason Acquisition LLC (Merger Sub), our wholly-owned subsidiary, and FacilitySource Holdings, LLC (FacilitySource), WP X Finance, LP and Warburg Pincus X Partners, LP (collectively, the Stockholders) entered into a stock purchase agreement and plan of merger (the Merger Agreement). As part of the Merger Agreement, (i) we purchased from the Stockholders all the outstanding shares of capital stock of FS WP Holdco, Inc (Blocker Corp), which owned 1,686,013 Class A units (the Blocker Units) and (ii) immediately following the acquisition of Blocker Corp, Merger Sub merged with FacilitySource, with FacilitySource continuing as the surviving company and our wholly-owned subsidiary within our Americas segment (the FacilitySource Acquisition), with the remaining Blocker Units not held by Blocker Corp. cancelled and converted into the right to receive cash consideration as set forth in the Merger Agreement. The estimated net initial purchase price was approximately $265.5 million, with $262.0 million paid in cash, plus adjustments for working capital and other items. We financed the transaction with cash on hand and borrowings under our revolving credit facility. We completed the FacilitySource Acquisition to help us (i) build a tech-enabled supply chain capability that is unique for the occupier outsourcing industry and (ii) drive meaningfully differentiated outcomes for leading occupiers of real estate.

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

Estimated purchase price	$265,465
Less: Estimated fair value of net assets acquired (see table below)	(69,719)
Excess purchase price over estimated fair value of net assets acquired	$195,746

The preliminary purchase accounting related to the FacilitySource Acquisition has been recorded in the accompanying consolidated financial statements. The excess purchase price over the estimated fair value of net assets acquired has been recorded to goodwill. The goodwill arising from the FacilitySource Acquisition consists largely of the synergies and economies of scale expected from combining the operations acquired from FacilitySource with ours. We are currently assessing if any portion of the goodwill recorded in connection with the FacilitySource Acquisition will be deductible for tax purposes. Given the complexity of the transaction, the calculation of the fair value of certain assets and liabilities acquired, primarily intangible assets, computer software and income tax items, is still preliminary. The purchase price allocation is expected to be completed as soon as practicable, but no later than one year from the acquisition date. The following table summarizes the aggregate estimated fair values of the assets acquired and the liabilities assumed in the FacilitySource Acquisition (dollars in thousands):

Assets Acquired:	
Cash and cash equivalents	$2,627
Receivables, net	37,902

Prepaid expenses	477
Property and equipment	60,530
Other intangible assets	89,000
Other assets	114
Total assets acquired	190,650
Liabilities Assumed:	
Accounts payable and accrued expenses	47,663
Compensation and employee benefits payable	1,800
Accrued bonus and profit sharing	5,036
Line of credit and term loan	26,295
Deferred tax liability	39,009
Other liabilities	1,128
Total liabilities assumed	120,931
Estimated Fair Value of Net Assets Acquired	$69,719

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following is a summary of the preliminary estimate of the amortizable intangible assets and depreciable computer software acquired in connection with the FacilitySource Acquisition (dollars in thousands):

			At June 30, 2018	
Asset Class	Weighted Average Amortization/ Depreciation Period	Amount Assigned at Acquisition Date	Accumulated Amortization and Depreciation	Net Carrying Value
Intangibles:				
Trade names	20 years	$ 50,400	$ 105	$ 50,295
Customer relationships	6.67 years	38,600	241	38,359
Total amortizable intangible assets acquired	14.22 years	$ 89,000	$ 346	$ 88,654
Property and Equipment:				
Computer software	10 years	$ 57,650	$ 240	$ 57,410

Upon close of the FacilitySource Acquisition, we immediately repaid the line of credit and term loan assumed from FacilitySource.

The accompanying consolidated statement of operations for the three and six months ended June 30, 2018 include revenue, an operating loss and a net loss of $12.6 million, ($0.2) million and ($0.2) million, respectively, attributable to the FacilitySource Acquisition. This does not include direct transaction and integration costs of $0.2 million and depreciation and amortization expense of $0.6 million related to computer software and intangible assets acquired, all of which were incurred during both the three and six months ended June 30, 2018 in connection with the FacilitySource Acquisition.

Unaudited pro forma results, assuming the FacilitySource Acquisition had occurred as of January 1, 2017 for purposes of the pro forma disclosures for the three and six months ended June 30, 2018 and 2017, are presented below. They include certain adjustments for increased depreciation and amortization expense related to acquired computer software and intangible assets as well as increased interest expense associated with borrowings under our revolving credit facility used to fund the acquisition, as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Depreciation expense	$ 1,201	$ 1,235	$ 2,642	$ 2,469
Amortization expense	1,731	2,078	3,809	4,155
Interest expense	1,224	1,525	2,748	3,049

Pro forma adjustments also include the removal of $0.2 million of direct costs incurred by us during the three and six months ended June 30, 2018 as well as the tax impact of all pro forma adjustments for all periods presented. 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 FacilitySource Acquisition occurred on January 1, 2017 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	$5,141,339	$4,476,952	$9,852,160	$8,565,300
Operating income	218,988	220,565	424,689	418,015
Net income attributable to CBRE Group, Inc.	222,941	195,874	366,083	326,993
Basic income per share:				
Net income per share attributable to CBRE Group, Inc.	$0.66	$0.58	$1.08	$0.97
Weighted average shares outstanding for basic income per share	339,081,556	336,975,149	338,986,354	336,941,681
Diluted income per share:				
Net income per share attributable to CBRE Group, Inc.	$0.65	$0.57	$1.07	$0.96
Weighted average shares outstanding for diluted income per share	343,471,513	340,882,603	343,031,189	340,214,246

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. Warehouse Receivables & Warehouse Lines of Credit

Our wholly-owned subsidiary CBRE Capital Markets, Inc. (CBRE Capital Markets) is a Federal Home Loan Mortgage Corporation (Freddie Mac) approved Multifamily Program Plus Seller/Servicer and an approved Federal National Mortgage Association (Fannie Mae) Aggregation and Negotiated Transaction Seller/Servicer. In addition, CBRE Capital Markets' wholly-owned subsidiary CBRE Multifamily Capital, Inc. (CBRE MCI) is an approved Fannie Mae Delegated Underwriting and Servicing (DUS) Seller/Servicer and CBRE Capital Markets' wholly-owned subsidiary CBRE HMF, Inc. (CBRE HMF) is a U.S. Department of Housing and Urban Development (HUD) approved Non-Supervised Federal Housing Authority (FHA) Title II Mortgagee, an approved Multifamily Accelerated Processing (MAP) lender and an approved Government National Mortgage Association (Ginnie Mae) issuer of mortgage-backed securities (MBS). Under these arrangements, before loans are originated through proceeds from warehouse lines of credit, we obtain either a contractual loan purchase commitment from either Freddie Mac or Fannie Mae or a confirmed forward trade commitment for the issuance and purchase of a Fannie Mae or Ginnie Mae MBS that will be secured by the loans. The warehouse lines of credit are generally repaid within a one-month period when Freddie Mac or Fannie Mae buys the loans or upon settlement of the Fannie Mae or Ginnie Mae MBS, while we retain the servicing rights. Loans are funded at the prevailing market rates. We elect the fair value option for all warehouse receivables. At June 30, 2018 and December 31, 2017, 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 or Ginnie Mae mortgage-backed securities that will be secured by the underlying loans.

A rollforward of our warehouse receivables is as follows (dollars in thousands):

Beginning balance at December 31, 2017	$928,038
Origination of mortgage loans	7,552,229
Gains (premiums on loan sales)	25,890
Proceeds from sale of mortgage loans:	
Sale of mortgage loans	(6,993,724)
Cash collections of premiums on loan sales	(25,890)
Proceeds from sale of mortgage loans	(7,019,614)
Net increase in mortgage servicing rights included in warehouse receivables	1,781
Ending balance at June 30, 2018	$1,488,324

The following table is a summary of our warehouse lines of credit in place as of June 30, 2018 and December 31, 2017 (dollars in thousands):

	June 30, 2018	December 31, 2017

Lender	Current Maturity	Pricing	Maximum Facility Size	Carrying Value	Maximum Facility Size	Carrying Value
JP Morgan Chase Bank, N.A. (JP Morgan)	10/23/2018	daily one-month LIBOR plus 1.45%	$1,000,000	$725,150	$1,000,000	$192,180
JP Morgan	10/23/2018	daily one-month LIBOR plus 2.75%	25,000	—	25,000	5,800
Fannie Mae Multifamily As Soon As Pooled Plus Agreement and Multifamily As Soon As Pooled Sale Agreement (ASAP) Program	Cancelable anytime	daily one-month LIBOR plus 1.35%, with a LIBOR floor of 0.35%	450,000	15,338	450,000	205,827
TD Bank, N.A. (TD Bank) (1)	6/30/2019	daily one-month LIBOR plus 1.20%	400,000	366,043	800,000	225,416
Bank of America, N.A. (BofA) (2)	9/4/2018	daily one-month LIBOR plus 1.40%	225,000	225,303	337,500	130,443
Capital One, N.A. (Capital One) (3)	7/27/2018	daily one-month LIBOR plus 1.40%	200,000	139,757	387,500	151,100
			$2,300,000	$1,471,591	$3,000,000	$910,766

(1) Line was temporarily increased from $400.0 million to $800.0 million to accommodate year-end volume. Maximum facility reverted back to $400.0 million on February 1, 2018. During July 2018, to accommodate increased volume, line was increased to $800.0 million, which

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will continue until maturity date unless we elect to adjust. Our arrangement with TD Bank allows us to increase or decrease the line with two-week notice.

(2) Line was temporarily increased from $225.0 million to $337.5 million to accommodate year-end volume. Maximum facility reverted back to $225.0 million on January 27, 2018. Effective July 2, 2018, line was temporarily increased from $225.0 million to $337.5 million to accommodate projected volume in July. Maximum facility will revert back to $225.0 million on August 18, 2018.

(3) Line was temporarily increased from $200.0 million to $387.5 million to accommodate year-end volume. Maximum facility reverted back to $200.0 million on January 9, 2018. During July 2018, to accommodate increased volume, the line was temporarily increased from $200.0 million to $375.0 million and will revert back to $200.0 million on October 1, 2018. Additionally, in July 2018 the maturity date of the warehouse line with Capital One was extended for one year.

During the six months ended June 30, 2018, we had a maximum of $1.5 billion of warehouse lines of credit principal outstanding.

6. Variable Interest Entities (VIEs)

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, 2018 and December 31, 2017, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	June 30, 2018	December 31, 2017
Investments in unconsolidated subsidiaries	$25,160	$ 26,273
Co-investment commitments	4,266	2,364
Other current assets	3,475	3,401
Maximum exposure to loss	$32,901	$ 32,038

7. Fair Value Measurements

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There were no significant transfers in or out of Level 1 and Level 2 during the three and six months ended June 30, 2018 and 2017. There have been no significant changes to the valuation techniques and inputs used to develop the recurring fair value measurements from those disclosed in our 2017 Annual Report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017 (dollars in thousands):

	As of June 30, 2018 Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale debt securities:				
U.S. treasury securities	$3,626	$—	$ —	$3,626
Debt securities issued by U.S. federal agencies	—	10,134	—	10,134
Corporate debt securities	—	27,845	—	27,845
Asset-backed securities	—	3,965	—	3,965
Collateralized mortgage obligations	—	2,288	—	2,288
Total available for sale debt securities	3,626	44,232	—	47,858
Equity securities	140,035	—	—	140,035
Warehouse receivables	—	1,488,324	—	1,488,324
Total assets at fair value	$143,661	$1,532,556	$ —	$1,676,217
Liabilities				
Interest rate swaps	$—	$2,091	$ —	$2,091
Securities sold, not yet purchased	3,556	—	—	3,556
Total liabilities at fair value	$3,556	$2,091	$ —	$5,647

	As of December 31, 2017 Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale debt securities:				
U.S. treasury securities	$3,820	$—	$ —	$3,820
Debt securities issued by U.S. federal agencies	—	4,901	—	4,901
Corporate debt securities	—	20,023	—	20,023
Asset-backed securities	—	3,577	—	3,577
Collateralized mortgage obligations	—	2,366	—	2,366
Total available for sale debt securities	3,820	30,867	—	34,687
Equity securities	133,595	—	—	133,595
Warehouse receivables	—	928,038	—	928,038
Total assets at fair value	$137,415	$958,905	$ —	$1,096,320
Liabilities				
Interest rate swaps	$—	$4,766	$ —	$4,766

Securities sold, not yet purchased	3,431	—	—	3,431
Foreign currency exchange forward contracts	—	55	—	55
Total liabilities at fair value	$ 3,431	$ 4,821	$ —	$ 8,252

There were no significant non-recurring fair value measurements recorded during the three and six months ended June 30, 2018 and 2017.

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

- Cash and Cash Equivalents and Restricted Cash – These balances include cash and cash equivalents as well as restricted cash with maturities of less than three months. The carrying amount approximates fair value due to the short-term maturities of these instruments.
- Receivables, less Allowance for Doubtful Accounts – Due to their short-term nature, fair value approximates carrying value.
- Warehouse Receivables – These balances are carried at fair value based on market prices at the balance sheet date.
- Debt & Equity Securities – These investments are carried at their fair value.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

- Foreign Currency Exchange Forward Contracts – These assets and liabilities are carried at their fair value as calculated by using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative.
- Securities Sold, not yet Purchased – These liabilities are carried at their fair value.
- Short-Term Borrowings – The majority of this balance represents outstanding amounts under our warehouse lines of credit of our wholly-owned subsidiary, CBRE Capital Markets, and our revolving credit facility. Due to the short-term nature and variable interest rates of these instruments, fair value approximates carrying value (see Notes 5 and 9).
- Senior Term Loans – Based upon information from third-party banks (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our senior term loans was approximately $742.5 million at June 30, 2018 and $199.9 million at December 31, 2017. Their actual carrying value, net of unamortized debt issuance costs, totaled $743.7 million and $193.5 million at June 30, 2018 and December 31, 2017, respectively (see Note 9).
- Interest Rate Swaps – These liabilities are carried at their fair value as calculated by using widely-accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative.
- Senior Notes – Based on dealers' quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair values of our 4.875% senior notes and 5.25% senior notes were $622.5 million and $447.0 million, respectively, at June 30, 2018 and $645.7 million and $468.0 million, respectively, at December 31, 2017. The actual carrying value of our 4.875% senior notes and 5.25% senior notes, net of unamortized debt issuance costs as well as unamortized discount or premium, if applicable, totaled $592.4 million and $422.6 million, respectively, at June 30, 2018 and $592.0 million and $422.4 million, respectively, at December 31, 2017. In March 2018, we redeemed our 5.00% senior notes in full (see Note 9). At December 31, 2017, the estimated fair value (based on dealers' quotes) and actual carrying value (net of unamortized debt issuance costs) of our 5.00% senior notes was $823.8 million and $791.7 million, respectively.

8. Investments in Unconsolidated Subsidiaries

Investments in unconsolidated subsidiaries are accounted for under the equity method of accounting. Our investment ownership percentages in equity method investments vary, generally ranging up to 5.0% in our Global Investment Management segment, up to 10.0% in our Development Services segment, and up to 50.0% in our other business segments.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Combined condensed financial information for the entities accounted for using the equity method is as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Global Investment Management				
Revenue	$361,317	$237,907	$625,287	$505,058
Operating income	206,206	76,410	277,362	91,888
Net income	138,954	60,307	173,291	64,397
Development Services				
Revenue	$31,329	$27,477	$54,005	$49,003
Operating income	24,560	157,296	83,137	177,857
Net income	17,117	150,055	70,313	166,152
Other				
Revenue	$52,384	$44,145	$108,937	$70,003
Operating income	5,415	8,800	11,890	10,979
Net income	5,757	11,510	12,220	13,658
Total				
Revenue	$445,030	$309,529	$788,229	$624,064
Operating income	236,181	242,506	372,389	280,724
Net income	161,828	221,872	255,824	244,207

9. Long-Term Debt and Short-Term Borrowings

Long-Term Debt

Long-term debt consists of the following (dollars in thousands):

	June 30, 2018	December 31, 2017
Senior term loans, with interest ranging from 2.51% to 3.07%, due quarterly through 2022	$750,000	$ 200,000
4.875% senior notes due in 2026, net of unamortized discount	596,460	596,273
5.25% senior notes due in 2025, net of unamortized premium	426,226	426,317
5.00% senior notes, redeemed in full in March 2018	—	800,000
Other	5,711	8
Total long-term debt	1,778,397	2,022,598
Less: current maturities of long-term debt	(1,466)	(8)

Less: unamortized debt issuance costs	(14,046)	(22,987)
Total long-term debt, net of current maturities	$ 1,762,885	$ 1,999,603

We maintain credit facilities with third-party lenders, which we use for a variety of purposes. On October 31, 2017, CBRE Services, Inc. (CBRE Services), our wholly-owned subsidiary, entered into a Credit Agreement (the 2017 Credit Agreement), which refinanced and replaced our prior credit agreement (the 2015 Credit Agreement). We used $200.0 million of borrowings from the tranche A term loan facility and $83.0 million of revolving credit facility borrowings under the 2017 Credit Agreement, in addition to cash on hand, to repay all amounts outstanding under the 2015 Credit Agreement.

The 2017 Credit Agreement is a senior unsecured credit facility that is jointly and severally guaranteed by us and certain of our subsidiaries. As of June 30, 2018, the 2017 Credit Agreement provided for the following: (1) a $2.8 billion revolving credit facility, which includes the capacity to obtain letters of credit and swingline loans and matures on October 31, 2022 and (2) a $750.0 million delayed draw tranche A term loan facility, requiring quarterly principal payments, which began on March 5, 2018 and continue through maturity on October 31, 2022, provided that in the event that our leverage ratio (as defined in the 2017 Credit Agreement) is less than or equal to 2.50 to 1.00 on the last day of the fiscal quarter immediately preceding any such payment date, no such quarterly principal payment shall be required on such date.

On March 14, 2013, CBRE Services issued $800.0 million in aggregate principal amount of 5.00% senior notes due March 15, 2023. The 5.00% senior notes were unsecured obligations of CBRE Services, senior to all of its current and future subordinated indebtedness, but effectively subordinated to all of its current and future secured indebtedness. The 5.00% senior notes were jointly and severally guaranteed on a senior basis by us and each domestic subsidiary of CBRE Services that guaranteed our 2017 Credit Agreement. Interest accrued at a rate of 5.00% per year and was payable semi-annually in arrears on March 15 and September 15. The 5.00% senior notes were redeemable at our option, in whole or in part, on March 15, 2018 at a redemption price of 102.5% of the principal amount on that date. We redeemed these notes in full on March 15, 2018 and incurred charges of $28.0 million, including a premium of $20.0 million and the write-off of $8.0 million of unamortized deferred financing costs. We funded this redemption with $550.0 million of borrowings from our tranche A term loan facility and borrowings from our revolving credit facility under our 2017 Credit Agreement. The amount of the 5.00% senior notes, net of unamortized debt issuance costs, included in the accompanying consolidated balance sheets was $791.7 million at December 31, 2017.

The indentures governing our 4.875% senior notes and 5.25% senior notes contain restrictive covenants that, among other things, limit our ability to create or permit liens on assets securing indebtedness, enter into sale/leaseback transactions and enter into consolidations or mergers. In addition, our 2017 Credit Agreement also requires us to maintain a minimum coverage ratio of consolidated EBITDA (as defined in the 2017 Credit Agreement) to consolidated interest expense of 2.00x and a maximum leverage ratio of total debt less available cash to consolidated EBITDA (as defined in the 2017 Credit Agreement) of 4.25x (and in the case of the first four full fiscal quarters following consummation of a qualified acquisition (as defined in the 2017 Credit Agreement), 4.75x) as of the end of each fiscal quarter. On this basis, our coverage ratio of consolidated EBITDA to consolidated interest expense was 16.97x for the trailing twelve months ended June 30, 2018, and our leverage ratio of total debt less available cash to consolidated EBITDA was 1.05x as of June 30, 2018.

Short-Term Borrowings

Revolving Credit Facility

As of June 30, 2018, letters of credit totaling $2.0 million were outstanding under our revolving credit facility under our 2017 Credit Agreement. These letters of credit, which reduce the amount we may borrow under the revolving credit facility, were primarily issued in the ordinary course of business. As of June 30, 2018, $598.0 million was outstanding under the revolving credit facility. As of December 31, 2017, no amounts were outstanding under the revolving credit facility other than letters of credit totaling $2.0 million.

Warehouse Lines of Credit

CBRE Capital Markets has warehouse lines of credit with third-party lenders for the purpose of funding mortgage loans that will be resold, and a funding arrangement with Fannie Mae for the purpose of selling a percentage of certain closed multifamily loans to Fannie Mae. These warehouse lines are recourse only to CBRE Capital Markets and are secured by our related warehouse receivables. See Note 5 for additional information.

10. Commitments and Contingencies

We are a party to a number of pending or threatened lawsuits arising out of, or incident to, our ordinary course of business. We believe that any losses in excess of the amounts accrued therefor as liabilities on our financial statements are unlikely to be significant, but litigation is inherently uncertain and there is the potential for a material adverse effect on our financial statements if one or more matters are resolved in a particular period in an amount materially in excess of what we anticipated.

In January 2008, CBRE MCI, a wholly-owned subsidiary of CBRE Capital Markets, entered into an agreement with Fannie Mae under Fannie Mae’s Delegated Underwriting and Servicing 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 typically, 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 $21.3 billion at June 30,

2018. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves or other acceptable collateral under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of June 30, 2018 and December 31, 2017, CBRE MCI had a $60.0 million and a $58.0 million, respectively, letter of credit under this reserve arrangement, and had recorded a liability of approximately $33.9 million and $32.9 million, respectively, for its loan loss guarantee obligation under such arrangement. Fannie Mae's recourse under the DUS Program is limited to the assets of CBRE MCI, which assets totaled approximately $734.0 million (including $491.1 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, 2018.

CBRE Capital Markets participates in Freddie Mac's Multifamily Small Balance Loan (SBL) Program. Under the SBL program, CBRE Capital Markets has certain repurchase and loss reimbursement obligations. These obligations are for the period from origination of the loan to the securitization date. CBRE Capital Markets must post a cash reserve or other acceptable collateral to provide for sufficient capital in the event the obligations are triggered. As of June 30, 2018 and December 31, 2017, CBRE Capital Markets had posted a $5.0 million letter of credit under this reserve arrangement.

We had outstanding letters of credit totaling $71.2 million as of June 30, 2018, 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. The CBRE Capital Markets letters of credit totaling $65.0 million as of June 30, 2018 referred to in the preceding paragraphs represented the majority of the $71.2 million outstanding letters of credit as of such date. The remaining letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through June 2019.

We had guarantees totaling $56.3 million as of June 30, 2018, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and excluding guarantees related to operating leases. The $56.3 million primarily represents guarantees executed by us in the ordinary course of business, including various guarantees of management and vendor contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of June 30, 2018, we had issued numerous non-recourse carveout, completion and budget guarantees relating to development projects for the benefit of third parties. These guarantees are commonplace in our industry and are made by us in the ordinary course of our Development Services business. Non-recourse carveout guarantees generally require that our project-entity borrower not commit specified improper acts, with us potentially liable for all or a portion of such entity's indebtedness or other damages suffered by the lender if those acts occur. Completion and budget guarantees generally require us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally use "guaranteed maximum price" contracts with reputable, bondable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments generally total up to 2.0% of the equity in a particular fund. As of June 30, 2018, we had aggregate commitments of $36.5 million to fund future co-investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of June 30, 2018, we had committed to fund $23.5 million of additional capital to these unconsolidated subsidiaries.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

11. Income Per Share Information

The calculations of basic and diluted income per share attributable to CBRE Group, Inc. shareholders are as follows (dollars in thousands, except share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted) (1)	2018	2017 (As Adjusted) (1)
Basic Income Per Share				
Net income attributable to CBRE Group, Inc. shareholders	$228,667	$ 201,777	$378,955	$ 338,797
Weighted average shares outstanding for basic income per share	339,081,556	336,975,149	338,986,354	336,941,681
Basic income per share attributable to CBRE Group, Inc. shareholders	$0.67	$ 0.60	$1.12	$ 1.01
Diluted Income Per Share				
Net income attributable to CBRE Group, Inc. shareholders	$228,667	$ 201,777	$378,955	$ 338,797
Weighted average shares outstanding for diluted income per share:				
Weighted average shares outstanding for basic income per share	339,081,556	336,975,149	338,986,354	336,941,681
Dilutive effect of contingently issuable shares	4,389,957	3,905,498	4,044,050	3,267,556
Dilutive effect of stock options	—	1,956	785	5,009
Weighted average shares outstanding for diluted income per share	343,471,513	340,882,603	343,031,189	340,214,246
Diluted income per share attributable to CBRE Group, Inc. shareholders	$0.67	$ 0.59	$1.10	$ 1.00

(1)

We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

For the three and six months ended June 30, 2018, 75,851 and 51,946, respectively, of contingently issuable shares were excluded from the computation of diluted income per share because their inclusion would have had an anti-dilutive effect.

For the three and six months ended June 30, 2017, 1,317,651 and 2,037,886, respectively, of contingently issuable shares were excluded from the computation of diluted income per share because their inclusion would have had an anti-dilutive effect.

12. Revenue from Contracts with Customers

Disaggregated Revenue

The following tables represent a disaggregation of revenue from contracts with customers for the three and six months ended June 30, 2018 and 2017 by type of service and/or region (dollars in thousands):

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended June 30, 2018					
	Americas	EMEA	APAC	Global Investment Management	Development Services	Consolidated
Topic 606 Revenue:						
Occupier outsourcing	$1,923,585	$995,265	$264,717	$ —	$ —	$3,183,567
Leasing	536,660	106,295	100,186	—	839	743,980
Sales	269,636	98,081	68,883	—	—	436,600
Property management	172,343	60,706	69,466	—	2,106	304,621
Valuation	64,346	43,256	30,765	—	—	138,367
Commercial mortgage origination (1)	27,090	1,214	343	—	—	28,647
Investment management	—	—	—	98,947	—	98,947
Development services	—	—	—	—	15,463	15,463
Topic 606 Revenue	2,993,660	1,304,817	534,360	98,947	18,408	4,950,192
Out of Scope of Topic 606 Revenue:						
Commercial mortgage origination	91,167	—	—	—	—	91,167
Loan servicing	41,327	2,360	221	—	—	43,908
Other revenue	14,273	8,275	3,619	—	—	26,167
Total Out of Scope of Topic 606 Revenue	146,767	10,635	3,840	—	—	161,242
Total revenue	$3,140,427	$1,315,452	$538,200	$ 98,947	$ 18,408	$5,111,434

	Three Months Ended June 30, 2017 (As Adjusted) (2)					
	Americas	EMEA	APAC	Global Investment Management	Development Services	Consolidated
Topic 606 Revenue:						
Occupier outsourcing	$1,742,122	$726,890	$236,274	$ —	$ —	$2,705,286
Leasing	450,208	88,076	81,606	—	26	619,916
Sales	261,710	94,055	78,303	—	165	434,233
Property management	161,116	59,249	56,560	—	3,098	280,023
Valuation	61,599	37,229	30,940	—	—	129,768
Commercial mortgage origination (1)	29,883	1,985	915	—	—	32,783
Investment management	—	—	—	92,763	—	92,763
Development services	—	—	—	—	13,677	13,677
Topic 606 Revenue	2,706,638	1,007,484	484,598	92,763	16,966	4,308,449
Out of Scope of Topic 606 Revenue:						
Commercial mortgage origination	71,727	—	—	—	—	71,727

Loan servicing	37,190	2,682	—	—	—	39,872
Other revenue	11,368	5,854	2,301	—	—	19,523
Total Out of Scope of Topic 606 Revenue	120,285	8,536	2,301	—	—	131,122
Total revenue	$2,826,923	$1,016,020	$486,899	$ 92,763	$ 16,966	$4,439,571

(1) We earn fees for arranging financing for borrowers with third-party lender contacts. Such fees are in scope of Topic 606.

(2) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Six Months Ended June 30, 2018					
	Americas	EMEA	APAC	Global Investment Management	Development Services	Consolidated
Topic 606 Revenue:						
Occupier outsourcing	$3,717,732	$1,889,082	$530,832	$ —	$ —	$6,137,646
Leasing	936,858	206,884	171,765	—	959	1,316,466
Sales	537,311	176,321	128,118	—	418	842,168
Property management	346,171	118,917	139,496	—	3,661	608,245
Valuation	123,412	84,319	56,854	—	—	264,585
Commercial mortgage origination (1)	48,917	2,437	394	—	—	51,748
Investment management	—	—	—	222,637	—	222,637
Development services	—	—	—	—	36,695	36,695
Topic 606 Revenue	5,710,401	2,477,960	1,027,459	222,637	41,733	9,480,190
Out of Scope of Topic 606 Revenue:						
Commercial mortgage origination	175,360	—	—	—	—	175,360
Loan servicing	80,853	4,648	221	—	—	85,722
Other revenue	24,037	14,098	5,979	—	—	44,114
Total Out of Scope of Topic 606 Revenue	280,250	18,746	6,200	—	—	305,196
Total revenue	$5,990,651	$2,496,706	$1,033,659	$ 222,637	$ 41,733	$9,785,386

	Six Months Ended June 30, 2017 (As Adjusted) (2)					
	Americas	EMEA	APAC	Global Investment Management	Development Services	Consolidated
Topic 606 Revenue:						
Occupier outsourcing	$3,406,476	$1,393,584	$442,699	$ —	$ —	$5,242,759
Leasing	844,073	163,007	142,134	—	180	1,149,394
Sales	495,506	161,355	130,471	—	695	788,027
Property management	322,513	113,989	111,239	—	5,008	552,749
Valuation	118,780	69,738	57,705	—	—	246,223
Commercial mortgage origination (1)	49,701	3,805	1,454	—	—	54,960
Investment management	—	—	—	182,329	—	182,329
Development services	—	—	—	—	25,300	25,300

Topic 606 Revenue	5,237,049	1,905,478	885,702	182,329	31,183	8,241,741
Out of Scope of Topic 606 Revenue:						
Commercial mortgage origination	134,274	—	—	—	—	134,274
Loan servicing	70,724	5,558	—	—	—	76,282
Other revenue	24,082	9,615	4,543	—	—	38,240
Total Out of Scope of Topic 606 Revenue	229,080	15,173	4,543	—	—	248,796
Total revenue	$5,466,129	$1,920,651	$890,245	$ 182,329	$ 31,183	$8,490,537

(1) We earn fees for arranging financing for borrowers with third-party lender contacts. Such fees are in scope of Topic 606.

(2) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

Contract Assets and Liabilities

We had contract assets totaling $169.3 million ($109.3 million of which was current) and $330.9 million ($273.1 million of which was current) as of June 30, 2018 and December 31, 2017, respectively. During the six months ended June 30, 2018, our contract assets decreased by $161.7 million, primarily due to contract assets moving to accounts receivable in our occupier outsourcing business (due to at-risk and incentive fees becoming billable per the contract terms) and in our leasing business (billing of commissions).

We had contract liabilities totaling $86.8 million ($76.2 million of which was current) and $100.6 million (all of which was current) as of June 30, 2018 and December 31, 2017, respectively. During the six months ended June 30, 2018, we recognized revenue of $64.1 million that was included in the contract liability balance at December 31, 2017.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Contract Costs

Within our Occupier Outsourcing business line, we incur transition costs to fulfil contracts prior to services being rendered. We capitalized $13.4 million and $23.0 million, respectively, of transition costs during the three and six months ended June 30, 2018, and $5.8 million and $14.7 million, respectively, of transition costs during the three and six months ended June 30, 2017. We recorded amortization of transition costs of $6.2 million and $12.2 million, respectively, during the three and six months ended June 30, 2018 and $3.6 million and $7.2 million, respectively, during the three and six months ended June 30, 2017. No impairment loss in relation to the costs capitalized was recorded during the three and six months ended June 30, 2018 or 2017.

13. Segments

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted) (1)	2018	2017 (As Adjusted) (1)
Revenue				
Americas	$3,140,427	$ 2,826,923	$5,990,651	$ 5,466,129
EMEA	1,315,452	1,016,020	2,496,706	1,920,651
Asia Pacific	538,200	486,899	1,033,659	890,245
Global Investment Management	98,947	92,763	222,637	182,329
Development Services	18,408	16,966	41,733	31,183
Total revenue	$5,111,434	$ 4,439,571	$9,785,386	$ 8,490,537
Adjusted EBITDA				
Americas	$258,353	$ 233,711	$484,196	$ 458,936
EMEA	66,519	70,293	103,465	105,748
Asia Pacific	42,861	44,556	76,741	67,832
Global Investment Management	15,901	23,910	45,593	49,769
Development Services	55,673	46,216	77,119	49,578
Total Adjusted EBITDA	$439,307	$ 418,686	$787,114	$ 731,863

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

Adjusted EBITDA is the measure reported to the chief operating decision maker for purposes of making decisions about allocating resources to each segment and assessing performance of each segment. EBITDA represents earnings before net interest expense, write-off of financing costs on extinguished debt, income taxes, depreciation and amortization. Amounts shown for adjusted EBITDA further remove (from EBITDA) the impact of certain cash and non-cash charges related to acquisitions and certain carried interest incentive compensation reversal to align with the timing of associated revenue.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Adjusted EBITDA is calculated as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted) (1)	2018	2017 (As Adjusted) (1)
Net income attributable to CBRE Group, Inc.	$228,667	$ 201,777	$378,955	$ 338,797
Add:				
Depreciation and amortization	113,399	100,386	221,564	194,423
Interest expense	26,885	35,430	55,743	69,440
Write-off of financing costs on extinguished debt	—	—	27,982	—
Provision for income taxes	70,319	69,887	116,483	123,706
Less:				
Interest income	1,489	1,427	5,110	3,838
EBITDA	437,781	406,053	795,617	722,528
Adjustments:				
Carried interest incentive compensation expense (reversal) to align with the timing of associated revenue	1,526	(2,775)	(8,503)	(18,016)
Integration and other costs related to acquisitions	—	15,408	—	27,351
Adjusted EBITDA	$439,307	$ 418,686	$787,114	$ 731,863

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

Geographic Information

Revenue in the table below is allocated based upon the country in which services are performed (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted) (1)	2018	2017 (As Adjusted) (1)
Revenue				
United States	$2,908,185	$ 2,644,445	$5,582,402	$ 5,116,851
United Kingdom	634,264	518,988	1,214,781	991,143

All other countries	1,568,985	1,276,138	2,988,203	2,382,543
Total revenue	$5,111,434	$ 4,439,571	$9,785,386	$ 8,490,537

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

14. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information (dollars in thousands) includes condensed consolidating balance sheets as of June 30, 2018 and December 31, 2017 and condensed consolidating statements of operations and condensed consolidating statements of comprehensive income (loss) for the three and six months ended June 30, 2018 and 2017 and condensed consolidating statements of cash flows for the six months ended June 30, 2018 and 2017 of:

- CBRE Group, Inc., as the parent; CBRE Services, as the subsidiary issuer; the guarantor subsidiaries; the nonguarantor subsidiaries;
- Elimination entries necessary to consolidate CBRE Group, Inc., as the parent, with CBRE Services and its guarantor and nonguarantor subsidiaries; and
- CBRE Group, Inc., on a consolidated basis.

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Balance Sheets

	As of June 30, 2018					
	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$7	$8,404	$78,760	$ 444,310	$—	$531,481
Restricted cash	—	—	2,034	69,831	—	71,865
Receivables, net	—	—	1,361,023	1,963,499	—	3,324,522
Warehouse receivables (1)	—	—	964,915	523,409	—	1,488,324
Prepaid expenses	—	—	119,201	149,025	—	268,226
Contract assets	—	—	69,537	39,735	—	109,272
Income taxes receivable	3,173	3,744	6,635	41,116	(6,916)	47,752
Other current assets	—	—	67,968	197,300	—	265,268
Total Current Assets	3,180	12,148	2,670,073	3,428,225	(6,916)	6,106,710
Property and equipment, net	—	—	508,976	196,493	—	705,469
Goodwill	—	—	1,958,448	1,448,721	—	3,407,169
Other intangible assets, net	—	—	821,779	626,505	—	1,448,284
Investments in unconsolidated subsidiaries	—	—	192,203	41,686	—	233,889
Investments in consolidated subsidiaries	5,972,519	5,585,138	3,126,655	—	(14,684,312)	—
Intercompany loan receivable	—	2,732,714	700,000	—	(3,432,714)	—
Deferred tax assets, net	—	—	5,300	101,859	(9,269)	97,890
Other assets, net	—	20,639	415,638	99,769	—	536,046
Total Assets	$5,975,699	$8,350,639	$10,399,072	$ 5,943,258	$(18,133,211)	$12,535,457
LIABILITIES AND EQUITY						
Current Liabilities:						
Accounts payable and accrued expenses	$—	$18,763	$524,878	$ 1,098,389	$—	$1,642,030
Compensation and employee benefits payable	—	626	504,909	365,091	—	870,626
Accrued bonus and profit sharing	—	—	353,632	275,412	—	629,044
Contract liabilities	—	—	35,149	41,067	—	76,216
Income taxes payable	—	—	12,327	16,507	(6,916)	21,918
Short-term borrowings:					—	
Warehouse lines of credit (which fund	—	—	955,246	516,345	—	1,471,591

loans that U.S. Government Sponsored Enterprises have committed to purchase) (1)						
Revolving credit facility	—	598,000	—	—	—	598,000
Other	—	—	16	—	—	16
Total short-term borrowings	—	598,000	955,262	516,345	—	2,069,607
Current maturities of long-term debt	—	—	59	1,407	—	1,466
Other current liabilities	—	—	55,886	14,342	—	70,228
Total Current Liabilities	—	617,389	2,442,102	2,328,560	(6,916)	5,381,135
Long-Term Debt, net:						
Long-term debt, net	—	1,758,640	29	4,216	—	1,762,885
Intercompany loan payable	1,522,122	—	1,849,837	60,755	(3,432,714)	—
Total Long-Term Debt, net	1,522,122	1,758,640	1,849,866	64,971	(3,432,714)	1,762,885
Deferred tax liabilities, net	—	—	70,996	125,335	(9,269)	187,062
Non-current tax liabilities	—	—	136,320	3,730	—	140,050
Other liabilities	—	2,091	314,650	230,713	—	547,454
Total Liabilities	1,522,122	2,378,120	4,813,934	2,753,309	(3,448,899)	8,018,586
Commitments and contingencies	—	—	—	—	—	—
Equity:						
CBRE Group, Inc. Stockholders' Equity	4,453,577	5,972,519	5,585,138	3,126,655	(14,684,312)	4,453,577
Non-controlling interests	—	—	—	63,294	—	63,294
Total Equity	4,453,577	5,972,519	5,585,138	3,189,949	(14,684,312)	4,516,871
Total Liabilities and Equity	$5,975,699	$8,350,639	$10,399,072	$5,943,258	$(18,133,211)	$12,535,457

(1) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 4.875% senior notes, 5.25% senior notes and our 2017 Credit Agreement, a substantial majority of warehouse receivables funded under JP Morgan, TD Bank, BofA, Capital One and Fannie Mae ASAP lines of credit are pledged to JP Morgan, TD Bank, BofA, Capital One and Fannie Mae.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Balance Sheets

	As of December 31, 2017 (As Adjusted) (1)					
	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$7	$15,604	$112,048	$624,115	$—	$751,774
Restricted cash	—	—	2,095	70,950	—	73,045
Receivables, net	—	—	990,923	2,121,366	—	3,112,289
Warehouse receivables (2)	—	—	479,628	448,410	—	928,038
Prepaid expenses	—	—	81,106	134,230	—	215,336
Contract assets	—	—	263,756	9,297	—	273,053
Income taxes receivable	2,162	—	—	49,628	(2,162)	49,628
Other current assets	—	—	50,556	176,865	—	227,421
Total Current Assets	2,169	15,604	1,980,112	3,634,861	(2,162)	5,630,584
Property and equipment, net	—	—	431,755	185,984	—	617,739
Goodwill	—	—	1,774,529	1,480,211	—	3,254,740
Other intangible assets, net	—	—	751,930	647,182	—	1,399,112
Investments in unconsolidated subsidiaries	—	—	197,395	40,606	—	238,001
Investments in consolidated subsidiaries	5,551,781	4,930,109	3,066,303	—	(13,548,193)	—
Intercompany loan receivable	—	2,621,330	700,000	—	(3,321,330)	—
Deferred tax assets, net	—	—	5,300	98,746	(5,300)	98,746
Other assets, net	—	22,810	348,191	108,473	—	479,474
Total Assets	$5,553,950	$7,589,853	$9,255,515	$6,196,063	$(16,876,985)	$11,718,396
LIABILITIES AND EQUITY						
Current Liabilities:						
Accounts payable and accrued expenses	$—	$29,708	$404,367	$1,139,597	$—	$1,573,672
Compensation and employee benefits payable	—	626	479,306	424,502	—	904,434
Accrued bonus and profit sharing	—	—	590,534	487,811	—	1,078,345
Contract liabilities	—	—	42,994	57,621	—	100,615
Income taxes payable	—	3,314	13,704	55,778	(2,162)	70,634
Short-term borrowings:					—	
Warehouse lines of credit (which fund	—	—	474,195	436,571	—	910,766

loans that U.S. Government Sponsored Enterprises have committed to purchase) (2)						
Other	—	—	16	—	—	16
Total short-term borrowings	—	—	474,211	436,571	—	910,782
Current maturities of long-term debt	—	—	—	8	—	8
Other current liabilities	—	55	56,260	18,139	—	74,454
Total Current Liabilities	—	33,703	2,061,376	2,620,027	(2,162)	4,712,944
Long-Term Debt, net:						
Long-term debt, net	—	1,999,603	—	—	—	1,999,603
Intercompany loan payable	1,439,454	—	1,798,550	83,326	(3,321,330)	—
Total Long-Term Debt, net	1,439,454	1,999,603	1,798,550	83,326	(3,321,330)	1,999,603
Deferred tax liabilities, net	—	—	29,785	122,733	(5,300)	147,218
Non-current tax liabilities	—	—	135,396	5,396	—	140,792
Other liabilities	—	4,766	300,299	238,160	—	543,225
Total Liabilities	1,439,454	2,038,072	4,325,406	3,069,642	(3,328,792)	7,543,782
Commitments and contingencies	—	—	—	—	—	—
Equity:						
CBRE Group, Inc. Stockholders' Equity	4,114,496	5,551,781	4,930,109	3,066,303	(13,548,193)	4,114,496
Non-controlling interests	—	—	—	60,118	—	60,118
Total Equity	4,114,496	5,551,781	4,930,109	3,126,421	(13,548,193)	4,174,614
Total Liabilities and Equity	$5,553,950	$7,589,853	$9,255,515	$6,196,063	$(16,876,985)	$11,718,396

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.
(2) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 5.00% senior notes, 4.875% senior notes, 5.25% senior notes and our 2017 Credit Agreement, a substantial majority of warehouse receivables funded under TD Bank, Fannie Mae ASAP, JP Morgan, Capital One and BofA lines of credit are pledged to TD Bank, Fannie Mae, JP Morgan, Capital One and BofA, and accordingly, are not included as collateral for these notes or our other outstanding debt.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Statements of Operations

	Three Months Ended June 30, 2018					
	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Revenue	$—	$—	$ 2,848,854	$ 2,262,580	$ —	$ 5,111,434
Costs and expenses:						
Cost of services	—	—	2,265,206	1,693,542	—	3,958,748
Operating, administrative and other	7,039	246	430,122	388,875	—	826,282
Depreciation and amortization	—	—	68,334	45,065	—	113,399
Total costs and expenses	7,039	246	2,763,662	2,127,482	—	4,898,429
Gain on disposition of real estate	—	—	11,212	1,099	—	12,311
Operating (loss) income	(7,039)	(246)	96,404	136,197	—	225,316
Equity income from unconsolidated subsidiaries	—	—	94,755	1,266	—	96,021
Other income	—	—	1,189	2,820	—	4,009
Interest income	—	34,946	1,336	153	(34,946)	1,489
Interest expense	—	26,078	32,260	3,493	(34,946)	26,885
Royalty and management service (income) expense	—	—	(2,370)	2,370	—	—
Income from consolidated subsidiaries	233,952	227,472	98,642	—	(560,066)	—
Income before (benefit of) provision for income taxes	226,913	236,094	262,436	134,573	(560,066)	299,950
(Benefit of) provision for income taxes	(1,754)	2,142	34,964	34,967	—	70,319
Net income	228,667	233,952	227,472	99,606	(560,066)	229,631
Less: Net income attributable to non-controlling interests	—	—	—	964	—	964
Net income attributable to CBRE Group, Inc.	$ 228,667	$ 233,952	$ 227,472	$ 98,642	$ (560,066)	$ 228,667

Three Months Ended June 30, 2017 (As Adjusted) (1)

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Revenue	$—	$—	$2,590,186	$1,849,385	$—	$4,439,571
Costs and expenses:						
Cost of services	—	—	2,054,829	1,354,711	—	3,409,540
Operating, administrative and other	1,046	538	387,951	323,080	—	712,615
Depreciation and amortization	—	—	58,695	41,691	—	100,386
Total costs and expenses	1,046	538	2,501,475	1,719,482	—	4,222,541
Gain on disposition of real estate	—	—	2	11,296	—	11,298
Operating (loss) income	(1,046)	(538)	88,713	141,199	—	228,328
Equity income from unconsolidated subsidiaries	—	—	74,960	424	—	75,384
Other income	—	1	612	2,573	—	3,186
Interest income	—	30,698	892	535	(30,698)	1,427
Interest expense	—	34,364	22,468	9,296	(30,698)	35,430
Royalty and management service (income) expense	—	—	(897)	897	—	—
Income from consolidated subsidiaries	202,422	205,012	88,198	—	(495,632)	—
Income before (benefit of) provision for income taxes	201,376	200,809	231,804	134,538	(495,632)	272,895
(Benefit of) provision for income taxes	(401)	(1,613)	26,792	45,109	—	69,887
Net income	201,777	202,422	205,012	89,429	(495,632)	203,008
Less: Net income attributable to non-controlling interests	—	—	—	1,231	—	1,231
Net income attributable to CBRE Group, Inc.	$201,777	$202,422	$205,012	$88,198	$(495,632)	$201,777

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Statements of Operations

	Six Months Ended June 30, 2018					
		CBRE	Guarantor	Nonguarantor		Consolidated
	Parent	Services	Subsidiaries	Subsidiaries	Eliminations	Total
Revenue	$—	$—	$5,466,548	$4,318,838	$—	$9,785,386
Costs and expenses:						
Cost of services	—	—	4,322,819	3,255,890	—	7,578,709
Operating, administrative and other	12,743	731	802,467	742,576	—	1,558,517
Depreciation and amortization	—	—	132,643	88,921	—	221,564
Total costs and expenses	12,743	731	5,257,929	4,087,387	—	9,358,790
Gain on disposition of real estate	—	—	11,230	1,099	—	12,329
Operating (loss) income	(12,743)	(731)	219,849	232,550	—	438,925
Equity income from unconsolidated subsidiaries	—	—	134,047	2,153	—	136,200
Other income (loss)	—	—	2,899	(3,170)	—	(271)
Interest income	—	67,632	3,788	1,322	(67,632)	5,110
Interest expense	—	53,953	59,291	10,131	(67,632)	55,743
Write-off of financing costs on extinguished debt	—	27,982	—	—	—	27,982
Royalty and management service (income) expense	—	—	(1,672)	1,672	—	—
Income from consolidated subsidiaries	388,525	399,815	159,054	—	(947,394)	—
Income before (benefit of) provision for income taxes	375,782	384,781	462,018	221,052	(947,394)	496,239
(Benefit of) provision for income taxes	(3,173)	(3,744)	62,203	61,197	—	116,483
Net income	378,955	388,525	399,815	159,855	(947,394)	379,756
Less: Net income attributable to non-controlling interests	—	—	—	801	—	801
Net income attributable to CBRE Group, Inc.	$378,955	$388,525	$399,815	$159,054	$(947,394)	$378,955

	Six Months Ended June 30, 2017 (As Adjusted) (1)					
	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Revenue	$—	$—	$5,008,786	$3,481,751	$—	$8,490,537
Costs and expenses:						
Cost of services	—	—	3,975,517	2,580,500	—	6,556,017
Operating, administrative and other	762	887	703,760	613,832	—	1,319,241
Depreciation and amortization	—	—	115,425	78,998	—	194,423
Total costs and expenses	762	887	4,794,702	3,273,330	—	8,069,681
Gain on disposition of real estate	—	—	228	12,455	—	12,683
Operating (loss) income	(762)	(887)	214,312	220,876	—	433,539
Equity income from unconsolidated subsidiaries	—	—	89,330	1,072	—	90,402
Other income	—	1	1,026	6,274	—	7,301
Interest income	—	60,599	2,539	1,299	(60,599)	3,838
Interest expense	—	67,510	44,616	17,913	(60,599)	69,440
Royalty and management service (income) expense	—	—	(6,699)	6,699	—	—
Income from consolidated subsidiaries	339,267	344,076	133,717	—	(817,060)	—
Income before (benefit of) provision for income taxes	338,505	336,279	403,007	204,909	(817,060)	465,640
(Benefit of) provision for income taxes	(292)	(2,988)	58,931	68,055	—	123,706
Net income	338,797	339,267	344,076	136,854	(817,060)	341,934
Less: Net income attributable to non-controlling interests	—	—	—	3,137	—	3,137
Net income attributable to CBRE Group, Inc.	$338,797	$339,267	$344,076	$133,717	$(817,060)	$338,797

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Statements of Comprehensive Income (Loss)

	Three Months Ended June 30, 2018					
		CBRE	Guarantor	Nonguarantor		Consolidated
	Parent	Services	Subsidiaries	Subsidiaries	Eliminations	Total
Net income	$228,667	$233,952	$ 227,472	$ 99,606	$ (560,066)	$ 229,631
Other comprehensive income (loss):						
Foreign currency translation loss	—	—	—	(165,926)	—	(165,926)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	628	—	—	—	628
Unrealized gains on interest rate swaps, net	—	214	—	—	—	214
Unrealized holding losses on available for sale debt securities, net	—	—	(122)	—	—	(122)
Total other comprehensive income (loss)	—	842	(122)	(165,926)	—	(165,206)
Comprehensive income (loss)	228,667	234,794	227,350	(66,320)	(560,066)	64,425
Less: Comprehensive income attributable to non-controlling interests	—	—	—	480	—	480
Comprehensive income (loss) attributable to CBRE Group, Inc.	$228,667	$234,794	$ 227,350	$ (66,800)	$ (560,066)	$ 63,945

	Three Months Ended June 30, 2017 (As Adjusted) (1)					
	Parent	CBRE	Guarantor	Nonguarantor	Eliminations	Consolidated

		Services	Subsidiaries	Subsidiaries		Total
Net income	$201,777	$202,422	$ 205,012	$ 89,429	$ (495,632)	$ 203,008
Other comprehensive income:						
Foreign currency translation gain	—	—	—	88,649	—	88,649
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	1,380	—	—	—	1,380
Unrealized losses on interest rate swaps, net	—	(217)	—	—	—	(217)
Unrealized holding gains on available for sale debt securities, net	—	—	896	81	—	977
Other, net	3	—	(13)	—	—	(10)
Total other comprehensive income	3	1,163	883	88,730	—	90,779
Comprehensive income	201,780	203,585	205,895	178,159	(495,632)	293,787
Less: Comprehensive income attributable to non-controlling interests	—	—	—	1,390	—	1,390
Comprehensive income attributable to CBRE Group, Inc.	$201,780	$203,585	$ 205,895	$ 176,769	$ (495,632)	$ 292,397

(1) We adopted new revenue recognition guidance in the first quarter of 2018. Certain restatements have been made to the 2017 financial statements to conform with the 2018 presentation. See Notes 2 and 3 for more information.

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Statements of Comprehensive Income (Loss)

	Six Months Ended June 30, 2018					
	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net income	$378,955	$388,525	$ 399,815	$ 159,855	$ (947,394)	$ 379,756
Other comprehensive income (loss):						
Foreign currency translation loss	—	—	—	(99,894)	—	(99,894)
Adoption of Accounting Standards Update 2016-01, net	—	—	(3,964)	—	—	(3,964)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	1,383	—	—	—	1,383
Unrealized gains on interest rate swaps, net	—	817	—	—	—	817
Unrealized holding losses on available for sale debt securities, net	—	—	(627)	—	—	(627)
Other, net	—	—	20	5,508	—	5,528
Total other comprehensive income (loss)	—	2,200	(4,571)	(94,386)	—	(96,757)
Comprehensive income	378,955	390,725	395,244	65,469	(947,394)	282,999
Less: Comprehensive income attributable to non-controlling interests	—	—	—	122	—	122
Comprehensive income attributable to CBRE Group, Inc.	$378,955	$390,725	$ 395,244	$ 65,347	$ (947,394)	$ 282,877

	Six Months Ended June 30, 2017 (As Adjusted) (1)					
		CBRE	Guarantor	Nonguarantor		Consolidated
	Parent	Services	Subsidiaries	Subsidiaries	Eliminations	Total
Net income	$338,797	$339,267	$ 344,076	$ 136,854	$ (817,060)	$ 341,934
Other comprehensive (loss) income:						
Foreign currency translation gain	—	—	—	139,837	—	139,837
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	2,888	—	—	—	2,888
Unrealized gains on interest rate swaps, net	—	77	—	—	—	77
Unrealized holding gains on available for sale debt securities, net	—					