CBRE GROUP, INC.
Form 10-Q
May 10, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

or

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

For the Transition Period from__________ to __________

Commission File Number 001-32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3391143**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
11150 Santa Monica Boulevard, Suite 1600 Los Angeles, California	**90025**
(Address of principal executive offices)	**(Zip Code)**
(310) 405-8900	**Not applicable**
(Registrant s telephone number, including area code)	**(Former name, former address and former fiscal year if changed since last report)**

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The number of shares of Class A common stock outstanding at April 30, 2013 was 331,200,348.

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FORM 10-Q

March 31, 2013

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CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 518,700	$ 1,089,297
Restricted cash	68,519	73,676
Receivables, less allowance for doubtful accounts of $36,273 and $35,492 at March 31, 2013 and December 31, 2012, respectively	1,206,144	1,262,823
Warehouse receivables	850,621	1,048,340
Trading securities	93,223	101,331
Income taxes receivable	56,521	17,847
Prepaid expenses	94,632	101,617
Deferred tax assets, net	203,986	205,746
Real estate and other assets held for sale	83,493	130,499
Available for sale securities	685	679
Other current assets	56,309	52,695
Total Current Assets	3,232,833	4,084,550
Property and equipment, net	362,421	379,176
Goodwill	1,851,945	1,889,602
Other intangible assets, net of accumulated amortization of $291,586 and $273,631 at March 31, 2013 and December 31, 2012, respectively	794,704	786,793
Investments in unconsolidated subsidiaries	212,128	206,798
Real estate under development	12,539	27,316
Real estate held for investment	193,091	235,045
Available for sale securities	72,524	57,121
Other assets, net	155,455	143,141
Total Assets	$ 6,887,640	$ 7,809,542
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 597,820	$ 582,294
Compensation and employee benefits payable	369,633	440,191
Accrued bonus and profit sharing	330,609	540,144
Securities sold, not yet purchased	39,728	54,103
Short-term borrowings:		
Warehouse lines of credit	837,042	1,026,381
Revolving credit facility	108,407	72,964
Other	16	16
Total short-term borrowings	945,465	1,099,361
Current maturities of long-term debt	42,150	73,156
Notes payable on real estate	24,729	35,212
Liabilities related to real estate and other assets held for sale	60,566	104,627
Other current liabilities	42,835	43,205
Total Current Liabilities	2,453,535	2,972,293
Long-Term Debt:		
5.00% senior notes	800,000	
11.625% senior subordinated notes, net of unamortized discount of $9,071 and $9,477 at March 31, 2013 and December 31, 2012, respectively	440,929	440,523

Senior secured term loans	375,350	1,557,069
6.625% senior notes	350,000	350,000
Other long-term debt	5,499	6,857
Total Long-Term Debt	1,971,778	2,354,449
Notes payable on real estate	158,843	189,258
Deferred tax liabilities, net	187,294	191,962
Non-current tax liabilities	83,672	81,875
Pension liability	58,747	63,528
Other liabilities	267,984	274,365
Total Liabilities	5,181,853	6,127,730
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 331,185,248 and 330,082,187 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	3,312	3,301
Additional paid-in capital	979,805	960,900
Accumulated earnings	777,600	740,054
Accumulated other comprehensive loss	(185,446)	(165,044)
Total CBRE Group, Inc. Stockholders Equity	1,575,271	1,539,211
Non-controlling interests	130,516	142,601
Total Equity	1,705,787	1,681,812
Total Liabilities and Equity	$ 6,887,640	$ 7,809,542

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue	$ 1,475,063	$ 1,349,989
Costs and expenses:		
Cost of services	861,216	787,556
Operating, administrative and other	469,541	440,722
Depreciation and amortization	46,281	46,457
Total costs and expenses	1,377,038	1,274,735
Gain on disposition of real estate	3,149	809
Operating income	101,174	76,063
Equity income from unconsolidated subsidiaries	9,749	14,386
Other income	2,694	6,588
Interest income	2,028	2,303
Interest expense	42,395	43,981
Write-off of financing costs	13,580	
Income from continuing operations before provision for income taxes	59,670	55,359
Provision for income taxes	19,004	25,413
Income from continuing operations	40,666	29,946
Income from discontinued operations, net of income taxes	21,189	
Net income	61,855	29,946
Less: Net income attributable to non-controlling interests	24,309	2,971
Net income attributable to CBRE Group, Inc.	$ 37,546	$ 26,975
Basic income per share attributable to CBRE Group, Inc. shareholders		
Income from continuing operations attributable to CBRE Group, Inc.	$ 0.11	$ 0.08
Income from discontinued operations attributable to CBRE Group, Inc.		
Net income attributable to CBRE Group, Inc.	$ 0.11	$ 0.08
Weighted average shares outstanding for basic income per share	326,759,455	320,671,395
Diluted income per share attributable to CBRE Group, Inc. shareholders		
Income from continuing operations attributable to CBRE Group, Inc.	$ 0.11	$ 0.08
Income from discontinued operations attributable to CBRE Group, Inc.		

Net income attributable to CBRE Group, Inc.	$	0.11	$	0.08
Weighted average shares outstanding for diluted income per share		330,802,552		325,738,859
Amounts attributable to CBRE Group, Inc. shareholders				
Income from continuing operations, net of tax	$	36,090	$	26,975
Income from discontinued operations, net of tax		1,456		
Net income	$	37,546	$	26,975

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 March 31,	
	2013	2012
Net income	$ 61,855	$ 29,946
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(22,791)	18,522
Unrealized gains on interest rate swaps and interest rate caps, net	1,435	1,254
Unrealized (losses) gains on available for sale securities, net	(168)	914
Other, net	1,163	(500)
Total other comprehensive (loss) income	(20,361)	20,190
Comprehensive income	41,494	50,136
Less: Comprehensive income attributable to non-controlling interests	24,350	3,167
Comprehensive income attributable to CBRE Group, Inc.	$ 17,144	$ 46,969

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 61,855	$ 29,946
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	46,537	46,457
Amortization and write-off of financing costs	15,609	2,344
Gain on sale of loans, servicing rights and other assets	(24,115)	(18,938)
Net realized and unrealized gains from investments	(2,694)	(6,588)
Gain on disposition of real estate held for investment	(15,479)	
Equity income from unconsolidated subsidiaries	(9,749)	(14,386)
Provision for doubtful accounts	1,971	1,501
Compensation expense related to stock options and non-vested stock awards	11,671	11,639
Incremental tax benefit from stock options exercised	(7,901)	(39)
Distribution of earnings from unconsolidated subsidiaries	2,224	3,264
Tenant concessions received	5,410	3,851
Purchase of trading securities	(31,896)	(84,627)
Proceeds from sale of trading securities	46,191	44,799
Proceeds from securities sold, not yet purchased	28,033	30,275
Securities purchased to cover short sales	(46,789)	(27,809)
Decrease in receivables	45,943	52,310
Decrease (increase) in prepaid expenses and other assets	920	(3,448)
Decrease (increase) in real estate held for sale and under development	75,890	(2,538)
Increase (decrease) in accounts payable and accrued expenses	23,834	(51,491)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(268,688)	(266,149)
Increase in income taxes receivable/payable	(31,567)	(45,795)
Decrease in other liabilities	(4,707)	(4,031)
Other operating activities, net	(2,389)	504
Net cash used in operating activities	(79,886)	(298,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,815)	(8,086)
Acquisition of businesses, including net assets acquired, intangibles and goodwill	(6,725)	
Contributions to unconsolidated subsidiaries	(7,390)	(11,355)
Distributions from unconsolidated subsidiaries	7,118	4,650
Net proceeds from disposition of real estate held for investment	34,367	
Additions to real estate held for investment	(403)	(1,171)
Proceeds from the sale of servicing rights and other assets	7,163	6,009
Decrease in restricted cash	2,682	6,845
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)		(73,187)
Purchase of available for sale securities	(34,192)	(11,917)
Proceeds from the sale of available for sale securities	19,267	9,947
Other investing activities, net	479	3,870
Net cash provided by (used in) investing activities	13,551	(74,395)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans	415,000	
Repayment of senior secured term loans	(1,609,280)	(17,063)
Proceeds from revolving credit facility	123,490	
Repayment of revolving credit facility	(86,236)	(10,795)
Proceeds from issuance of 5.00% senior notes	800,000	

Proceeds from notes payable on real estate held for investment	249	3,251
Repayment of notes payable on real estate held for investment	(23,958)	(1,716)
Proceeds from notes payable on real estate held for sale and under development	1,559	1,207
Repayment of notes payable on real estate held for sale and under development	(63,550)	(561)
Incremental tax benefit from stock options exercised	7,901	39
Non-controlling interests contributions	65	15,186
Non-controlling interests distributions	(37,437)	(14,117)
Payment of financing costs	(26,016)	(35)
Other financing activities, net	1,548	2,119
Net cash used in financing activities	(496,665)	(22,485)
Effect of currency exchange rate changes on cash and cash equivalents	(7,597)	6,584
NET DECREASE IN CASH AND CASH EQUIVALENTS	(570,597)	(389,245)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,089,297	1,093,182
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 518,700	$ 703,937
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 20,541	$ 21,660
Income tax payments, net	$ 53,721	$ 74,621

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Dollars in thousands)

	CBRE Group, Inc. Shareholders					
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss	Non-controlling interests	Total
Balance at December 31, 2012	$ 3,301	$ 960,900	$ 740,054	$ (165,044)	$ 142,601	$ 1,681,812
Net income			37,546		24,309	61,855
Stock options exercised (including tax benefit)	11	10,888				10,899
Compensation expense for stock options and non-vested stock awards		11,671				11,671
Foreign currency translation (loss) gain				(22,832)	41	(22,791)
Unrealized gains on interest rate swaps and interest rate caps, net				1,435		1,435
Unrealized holding losses on available for sale securities, net				(168)		(168)
Contributions from non-controlling interests					65	65
Distributions to non-controlling interests					(37,437)	(37,437)
Other		(3,654)		1,163	937	(1,554)
Balance at March 31, 2013	$ 3,312	$ 979,805	$ 777,600	$ (185,446)	$ 130,516	$ 1,705,787

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements of CBRE Group, Inc., a Delaware corporation (which may be referred to in these financial statements as the company , we , us and our), have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation, but do not include all disclosures required under accounting principles generally accepted in the United States (GAAP) for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, except as otherwise noted) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amounts of revenue and expenses. Such estimates include the value of goodwill, intangibles and other long-lived assets, real estate assets, accounts receivable, investments in unconsolidated subsidiaries and assumptions used in the calculation of income taxes, retirement and other post-employment benefits, among others. These estimates and assumptions are based on management s best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 presentation.

The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2013. The unaudited interim consolidated financial statements and notes to consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2012.

2. New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate a Scope Clarification.* This ASU requires that a reporting entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt would apply FASB Accounting Standards Codification (ASC) Subtopic 360-20, *Property, Plant, and Equipment Real Estate Sales,* to determine whether to derecognize assets and liabilities of that subsidiary. ASU 2011-10 is effective prospectively for a deconsolidation event that takes place in fiscal years, and interim periods within those years, beginning on or after June 15, 2012. The adoption of this update on January 1, 2013 did not have a material effect on our consolidated financial position or results of operations.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.* This ASU adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* which clarifies that ordinary trade receivables and receivables in general are not in the scope of ASU 2011-11. Both ASU 2011-11 and ASU 2013-01 are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013, with retrospective application required. The adoption of these updates on January 1, 2013 did not have a material impact on our disclosure requirements for our consolidated financial statements.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This ASU requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income. An entity is also required to present either on the face of the financial statements or in the footnotes, significant items reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety. For other items that are not required under GAAP to be reclassified to net income in their entirety, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. ASU 2013-02 is effective prospectively for fiscal years beginning after December 15, 2012, with early adoption permitted. The adoption of this update on January 1, 2013 did not have a material effect on our consolidated financial position, results of operations or disclosure requirements for our consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.* This ASU states that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013, with early adoption permitted. We do not believe the adoption of this update will have a material effect on our consolidated financial position or results of operations.

3. Variable Interest Entities (VIEs)

A consolidated subsidiary (the Venture) in our Global Investment Management segment has sponsored investments by third-party investors in certain commercial properties through the formation of tenant-in-common limited liability companies and Delaware Statutory Trusts (collectively referred to as the Entities) that are owned by the third-party investors. The Venture also has formed and is a member of a limited liability company for each property that serves as master tenant (Master Tenant). Each Master Tenant leases the property from the Entities through a master lease agreement. Pursuant to the master lease agreements, the Master Tenant has the power to direct the day-to-day asset management activities that most significantly impact the economic performance of the Entities. As a result, the Entities were deemed to be VIEs since the third-party investors holding the equity investment at risk in the Entities do not direct the day-to-day activities that most significantly impact the economic performance of the properties held by the Entities. The Venture has made and may continue to make voluntary contributions to each of these properties to support their operations beyond the cash flow generated by the properties themselves. As of the most recent reconsideration date, such financial support has been significant enough that the Venture was deemed to be the primary beneficiary of each Entity.

During the three months ended March 31, 2012, the Venture funded $0.2 million of financial support to the Entities.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Operating results relating to the Entities for the three months ended March 31, 2013 and 2012 include the following (dollars in thousands):

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue	$ 2,007	$ 2,874
Operating, administrative and other expenses	$ 1,010	$ 1,666
Income from discontinued operations, net of income taxes	$ 15,236	$
Net income (loss) attributable to non-controlling interests	$ 14,893	$ (847)

Investments in real estate of $41.2 million and $58.8 million and nonrecourse mortgage notes payable of $41.4 million ($0.9 million of which is current) and $61.7 million ($1.3 million of which is current) are included in real estate assets held for investment and notes payable on real estate, respectively, in the accompanying consolidated balance sheets as of March 31, 2013 and December 31, 2012, respectively. In addition, non-controlling deficits of $0.3 million and $2.7 million in the accompanying consolidated balance sheets as of March 31, 2013 and December 31, 2012, respectively, are attributable to the Entities.

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

In connection with our acquisition of Clarion Real Estate Securities (CRES) in 2011, we acquired CRES co-investments from ING Group N.V. in three funds (CRES Funds). In January 2012, one of the CRES Funds (CBRE Clarion U.S., L.P.) was converted to a registered mutual fund, the CBRE Clarion Long/Short Fund (the Fund). As a result of this triggering event, we determined that the Fund became a VIE and that we were not the primary beneficiary. Accordingly, in the first quarter of 2012, the Fund was deconsolidated from our consolidated financial statements and we recorded an investment in available for sale securities of $14.3 million. No gain or loss was recognized in our consolidated statement of operations as a result of this deconsolidation. We continue to act as the Fund s adviser, make investment decisions for the Fund and review, supervise and administer the Fund s investment program.

As of March 31, 2013 and December 31, 2012, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	March 31, 2013	December 31, 2012
Investments in unconsolidated subsidiaries	$ 44,752	$ 47,869
Available for sale securities	14,957	17,281
Other assets, current	3,271	3,185
Co-investment commitments	8,981	9,202
Maximum exposure to loss	$ 71,961	$ 77,537

4. Fair Value Measurements

The *Fair Value Measurements and Disclosures* Topic of the FASB ASC (Topic 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 transfers in and out of Level 1 and Level 2 during the three months ended March 31, 2013 and 2012.

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012 (dollars in thousands):

	As of March 31, 2013			
	Fair Value Measured and Recorded Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available for sale securities:				
U.S. treasury securities	$ 5,229	$	$	$ 5,229
Debt securities issued by U.S. federal agencies		4,565		4,565
Corporate debt securities		15,478		15,478
Asset-backed securities		4,421		4,421
Collateralized mortgage obligations		4,761		4,761
Total debt securities	5,229	29,225		34,454
Equity securities	38,755			38,755
Total available for sale securities	43,984	29,225		73,209
Trading securities	93,223			93,223
Warehouse receivables		850,621		850,621
Total assets at fair value	$ 137,207	$ 879,846	$	$ 1,017,053
Liabilities				

Securities sold, not yet purchased	$ 39,728	$	$	$ 39,728
Interest rate swaps		45,680		45,680
Total liabilities at fair value	$ 39,728	$ 45,680	$	$ 85,408

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	As of December 31, 2012			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities:				
U.S. treasury securities	$ 9,827	$	$	$ 9,827
Debt securities issued by U.S. federal agencies		1,914		1,914
Corporate debt securities		8,347		8,347
Asset-backed securities		5,050		5,050
Collateralized mortgage obligations		2,771		2,771
Total debt securities	9,827	18,082		27,909
Equity securities	29,891			29,891
Total available for sale securities	39,718	18,082		57,800
Trading securities	101,331			101,331
Warehouse receivables		1,048,340		1,048,340
Total assets at fair value	$ 141,049	$ 1,066,422	$	$ 1,207,471
Liabilities				
Securities sold, not yet purchased	$ 54,103	$	$	$ 54,103
Interest rate swaps		48,022		48,022
Total liabilities at fair value	$ 54,103	$ 48,022	$	$ 102,125

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

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

The fair values of the warehouse receivables are calculated based on already locked in security buy prices. At March 31, 2013 and December 31, 2012, all of the warehouse receivables included in the accompanying consolidated balance sheets were either under commitment to be purchased by Freddie Mac or had confirmed forward trade commitments for the issuance and purchase of Fannie Mae mortgage backed securities that will be secured by the underlying warehouse lines of credit. These assets are classified as Level 2 in the fair value hierarchy as all inputs are readily observable.

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

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credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with our adoption of ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of March 31, 2013, we have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2013 and 2012.

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

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

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

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

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

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

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

5.00% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 5.00% senior notes was $809.2 million at March 31, 2013. Their actual carrying value totaled $800.0 million at March 31, 2013 (see Note 9).

11.625% Senior Subordinated Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 11.625% senior subordinated notes was $475.2 million and $488.8 million at March 31, 2013 and December 31, 2012, respectively. Their actual carrying value totaled $440.9 million and $440.5 million at March 31, 2013 and December 31, 2012, respectively.

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Senior Secured Term Loans: Since we refinanced our credit agreement and entered into new senior secured term loans on March 28, 2013, the actual carrying value of such loans at March 31, 2013 of $415.0 million is deemed to approximate their estimated fair value (see Note 9). Based upon information from third-party banks, the estimated fair value of our senior secured term loans was approximately $1.6 billion at December 31, 2012, which approximated their actual carrying value at December 31, 2012.

6.625% Senior Notes: Based on dealers quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 6.625% senior notes was $378.9 million and $385.0 million at March 31, 2013 and December 31, 2012, respectively. Their actual carrying value totaled $350.0 million at both March 31, 2013 and December 31, 2012.

Notes Payable on Real Estate: As of March 31, 2013 and December 31, 2012, the carrying value of our notes payable on real estate was $242.6 million and $326.0 million, respectively (see Note 8). These borrowings have mostly floating interest rates at spreads over a market rate index. It is likely that some portion of our notes payable on real estate have fair values lower than actual carrying values. Given our volume of notes payable and the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, only $12.9 million and $13.9 million of these notes payable were recourse to us as of March 31, 2013 and December 31, 2012, respectively.

5. Investments in Unconsolidated Subsidiaries

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

	Three Months Ended March 31,	
	2013	**2012**
Global Investment Management:		
Revenue	$ 223,548	$ 170,720
Operating loss	$ (15,430)	$ (10,474)
Net income	$ 21,391	$ 43,206
Development Services:		
Revenue	$ 15,018	$ 17,981
Operating income	$ 5,437	$ 26,432
Net income	$ 2,760	$ 20,952
Other:		
Revenue	$ 36,765	$ 31,521
Operating income	$ 3,211	$ 3,047
Net income	$ 3,160	$ 3,116
Total:		
Revenue	$ 275,331	$ 220,222
Operating (loss) income	$ (6,782)	$ 19,005
Net income	$ 27,311	$ 67,274

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

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CBRE GROUP, INC.

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

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

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

	March 31, 2013	December 31, 2012
Assets:		
Real estate held for sale (see Note 7)	$ 78,485	$ 116,822
Other current assets	1,548	4,921
Property and equipment, net	237	329
Other assets	3,223	8,427
Total real estate and other assets held for sale	83,493	130,499
Liabilities:		
Notes payable on real estate held for sale (see Note 8)	59,060	101,542
Accounts payable and accrued expenses	741	2,444
Other current liabilities	288	190
Other liabilities	477	451
Total liabilities related to real estate and other assets held for sale	60,566	104,627
Net real estate and other assets held for sale	$ 22,927	$ 25,872

7. Real Estate

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

	March 31, 2013	December 31, 2012
Real estate included in assets held for sale (see Note 6)	$ 78,485	$ 116,822
Real estate under development (non-current)	12,539	27,316
Real estate held for investment (1)	193,091	235,045
Total real estate (2)	$ 284,115	$ 379,183

(1) Net of accumulated depreciation of $32.5 million and $32.9 million at March 31, 2013 and December 31, 2012, respectively.
(2) Includes balances for lease intangibles and tenant origination costs of $7.7 million and $0.1 million, respectively, at March 31, 2013 and $8.0 million and $1.5 million, respectively, at December 31, 2012. We record lease intangibles and tenant origination costs upon acquiring real estate projects with in-place leases. The balances are shown net of amortization, which is recorded as an increase to, or a reduction of, rental income for lease intangibles and as amortization expense for tenant origination costs.

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8. Notes Payable on Real Estate

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

	March 31, 2013	December 31, 2012
Current portion of notes payable on real estate	$ 24,729	$ 35,212
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 6)	59,060	101,542
Total notes payable on real estate, current portion	83,789	136,754
Notes payable on real estate, non-current portion	158,843	189,258
Total notes payable on real estate	$ 242,632	$ 326,012

At March 31, 2013 and December 31, 2012, $10.2 million and $11.3 million, respectively, of the current portion of notes payable on real estate and $2.7 million and $2.6 million, respectively, of the non-current portion of notes payable on real estate were recourse to us, beyond being recourse to the single-purpose entity that held the real estate asset and was the primary obligor on the note payable.

9. Debt

Since 2001, we have maintained credit facilities with Credit Suisse Group AG (CS) and other lenders to fund strategic acquisitions and to provide for our working capital needs. During the three months ended March 31, 2013, we completed a series of financing transactions, which included the repayment of $1.6 billion of our senior secured term loans under our previous credit agreement. On March 28, 2013, we entered into a new credit agreement (as amended, the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, to completely refinance our previous credit agreement.

As of March 31, 2013, our Credit Agreement provides for the following: (1) a $1.2 billion revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on March 31, 2018; (2) a $500.0 million tranche A term loan facility (of which $300.0 million is on an optional delayed-draw basis for up to 120 days from March 28, 2013) requiring quarterly principal payments, beginning on June 30, 2013 and continuing through maturity on March 28, 2018; and (3) a $215.0 million tranche B term loan facility requiring quarterly principal payments, beginning on June 30, 2013 and continuing through December 31, 2020, with the balance payable at maturity on March 28, 2021.

The revolving credit facility allows for borrowings outside of the United States (U.S.), with a $150.0 million sub-facility available to one of our Canadian subsidiaries, one of our Australian subsidiaries and one of our New Zealand subsidiaries, and a $150.0 million sub-facility available to one of our U.K. subsidiaries. Additionally, outstanding borrowings under these sub-facilities may be up to 5.0% higher as allowed under the currency fluctuation provision in the Credit Agreement. Borrowings under the revolving credit facility as of March 31, 2013 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.15% to 2.25% or the daily rate plus 0.125% to 1.25% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of March 31, 2013 and December 31, 2012,

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we had $108.4 million and $73.0 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 3.8% and 3.2%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of March 31, 2013, letters of credit totaling $16.9 million were outstanding under the revolving credit facility. These letters of credit were primarily issued in the normal course of business as well as in connection with certain insurance programs and reduce the amount we may borrow under the revolving credit facility.

Borrowings under the term loan facilities as of March 31, 2013 bear interest, based at our option, on the following: for the tranche A term loan facility, on either the applicable fixed rate plus 1.50% to 2.75% or the daily rate plus 0.50% to 1.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) and for the tranche B term loan facility, on either the applicable fixed rate plus 2.75% or the daily rate plus 1.75%. As of March 31, 2013, we had $415.0 million of term loan facilities principal outstanding (including $200.0 million of tranche A term loan facility and $215.0 million of tranche B term loan facility), which are included in the accompanying consolidated balance sheets. As of December 31, 2012, we had $1.6 billion of term loan facilities principal outstanding under our previous credit agreement (including $271.2 million, $275.2 million, $293.3 million, $394.0 million, and $394.0 million, respectively, of tranche A, tranche A-1, tranche B, tranche C and tranche D term loan facilities), which are also included in the accompanying consolidated balance sheets.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is $400.0 million, with $200.0 million expiring in October 2017 and $200.0 million expiring in September 2019. There was no significant hedge ineffectiveness for the three months ended March 31, 2013 and 2012. During the three months ended March 31, 2013 and 2012, we recorded net gains of $2.3 million and $2.1 million, respectively, to other comprehensive income in relation to such interest rate swap agreements. As of March 31, 2013 and December 31, 2012, the fair values of these interest rate swap agreements were reflected as a $45.7 million liability and a $48.0 million liability, respectively, and were included in other long-term liabilities in the accompanying consolidated balance sheets.

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

On March 14, 2013, CBRE Services, Inc. (CBRE), our wholly-owned subsidiary, issued $800.0 million in aggregate principal amount of 5.00% senior notes due March 15, 2023. The 5.00% notes are unsecured obligations of CBRE, senior to all of its current and future subordinated indebtedness, but effectively subordinated to all of its current and future secured indebtedness. The 5.00% notes are jointly and severally guaranteed on a senior basis by us and each subsidiary of CBRE that guarantees our Credit Agreement. Interest accrues at a rate of 5.00% per year and is payable semi-annually in arrears on March 15 and September 15, beginning on September 15, 2013. The 5.00% senior notes are redeemable at our option, in whole or in part, on or after March 15, 2018 at a redemption price of 102.5% of the principal amount on that date and at declining prices thereafter. At any time prior to March 15, 2016, we may redeem up to 35.0% of the original principal amount of the 5.00% senior notes using the net cash proceeds from public equity offerings. In addition, at any time prior to March 15, 2018, the 5.00% senior notes may be redeemed by us, in whole or in part, at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and an applicable premium (as defined in the indenture governing these notes), which is based on the excess of the present value of the March 15, 2018 redemption price plus all remaining interest payments through March 15, 2018, over the principal amount of the 5.00% senior notes on such redemption date. If a change of control triggering event (as defined in the indenture governing these notes) occurs, we are obligated to make an offer to purchase the remaining 5.00% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 5.00% senior notes included in the accompanying consolidated balance sheets was $800.0 million at March 31, 2013.

Our Credit Agreement and the indentures governing our 5.00% senior notes, 6.625% senior notes and 11.625% senior subordinated notes contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of EBITDA (as defined in the Credit Agreement) to total interest expense of 2.00x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 4.25x. Our coverage ratio of EBITDA to total interest expense was 6.74x for the trailing twelve months ended March 31, 2013 and our leverage ratio of total debt less available cash to EBITDA was 1.75x as of March 31, 2013.

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

We had outstanding letters of credit totaling $18.6 million as of March 31, 2013, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries outstanding reserves for claims under certain insurance programs as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through December 2013.

We had guarantees totaling $25.8 million as of March 31, 2013, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The $25.8 million primarily consists of guarantees related to our defined benefit pension plans in the United Kingdom (U.K.) (in excess of our outstanding pension liability of $58.7 million as of March 31, 2013), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through August 2015, as well as various guarantees of management contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of March 31, 2013, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable

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general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, entered into an agreement with Federal National Mortgage Association (Fannie Mae), under Fannie Mae s Delegated Underwriting and Servicing Lender Program (DUS Program), to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of $6.2 billion at March 31, 2013. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately $492.1 million at March 31, 2013. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of March 31, 2013 and December 31, 2012, CBRE MCI had $10.6 million and $9.1 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately $11.2 million and $10.6 million, respectively, of loan loss accruals. Fannie Mae s recourse under the DUS Program is limited to the assets of CBRE MCI, which totaled approximately $246.9 million (including $120.9 million of warehouse receivables, a substantial majority of which are pledged against warehouse lines of credit and are therefore not available to Fannie Mae) at March 31, 2013.

An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of March 31, 2013, we had aggregate commitments of $30.8 million to fund future co-investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of March 31, 2013, we had committed to fund $14.7 million of additional capital to these unconsolidated subsidiaries.

11. Income Per Share Information

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 37,546	$ 26,975
Weighted average shares outstanding for basic income per share	326,759,455	320,671,395
Basic income per share attributable to CBRE Group, Inc. shareholders	$ 0.11	$ 0.08

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	Three Months Ended March 31, 2013	2012
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:		
Net income attributable to CBRE Group, Inc. shareholders	$ 37,546	$ 26,975
Weighted average shares outstanding for basic income per share	326,759,455	320,671,395
Dilutive effect of contingently issuable shares	2,999,485	3,233,304
Dilutive effect of stock options	1,043,612	1,834,160
Weighted average shares outstanding for diluted income per share	330,802,552	325,738,859
Diluted income per share attributable to CBRE Group, Inc. shareholders	$ 0.11	$ 0.08

For the three months ended March 31, 2012, 44,814 contingently issuable shares were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three months ended March 31, 2013 and 2012, options to purchase 82,847 shares and 103,423 shares, respectively, of common stock were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

12. Pensions

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

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

	Three Months Ended March 31, 2013	2012
Interest cost	$ 3,888	$ 3,860
Expected return on plan assets	(3,929)	(3,599)
Amortization of unrecognized net loss	619	581
Net periodic pension cost	$ 578	$ 842

We contributed $1.3 million to fund our pension plans during the three months ended March 31, 2013. We expect to contribute a total of $5.3 million to fund our pension plans for the year ending December 31, 2013.

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13. Discontinued Operations

In the ordinary course of business, we dispose of real estate assets, or hold real estate assets for sale, that may be considered components of an entity in accordance with Topic 360. If we do not have, or expect to have, significant continuing involvement with the operation of these real estate assets after disposition, we are required to recognize operating profits or losses and gains or losses on disposition of these assets as discontinued operations in our consolidated statements of operations in the periods in which they occur. Real estate operations and dispositions accounted for as discontinued operations for the three months ended March 31, 2013 were reported in our Global Investment Management and Development Services segments as follows (dollars in thousands):

	Three Months Ended March 31, 2013
Revenue	$ 3,963
Costs and expenses:	
Operating, administrative and other	1,979
Depreciation and amortization	256
Total costs and expenses	2,235
Gain on disposition of real estate	22,181
Operating income	23,909
Interest expense	1,781
Income from discontinued operations, before provision for income taxes	22,128
Provision for income taxes	939
Income from discontinued operations, net of income taxes	21,189
Less: Income from discontinued operations attributable to non-controlling interests	19,733
Income from discontinued operations attributable to CBRE Group, Inc.	$ 1,456

14. Segments

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

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

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

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Our Global Investment Management business provides investment management services to clients seeking to generate returns and diversification through direct and indirect investments in real estate in North America, Europe and Asia.

Our Development Services business consists of real estate development and investment activities primarily in the U.S.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue		
Americas	$ 925,972	$ 845,326
EMEA	228,634	197,386
Asia Pacific	181,431	167,201
Global Investment Management	126,642	125,200
Development Services	12,384	14,876
	$ 1,475,063	$ 1,349,989

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
EBITDA		
Americas	$ 106,351	$ 101,237
EMEA	(545)	(7,097)
Asia Pacific	5,847	2,283
Global Investment Management	40,326	34,593
Development Services	7,775	9,507
	$ 159,754	$ 140,523

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

However, EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash

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requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

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

	Three Months Ended March 31,	
	2013	**2012**
Americas		
Net income attributable to CBRE Group, Inc.	$ 29,538	$ 33,567
Add:		
Depreciation and amortization	27,833	18,326
Interest expense	32,259	35,601
Write-off of financing costs	13,580	
Royalty and management service income	(10,223)	(6,617)
Provision for income taxes	14,653	21,753
Less:		
Interest income	1,289	1,393
EBITDA	$ 106,351	$ 101,237
EMEA		
Net loss attributable to CBRE Group, Inc.	$ (5,800)	$ (9,376)
Add:		
Depreciation and amortization	5,396	3,291
Interest expense	2,005	2,468
Royalty and management service expense	4,141	2,608
Benefit of income taxes	(2,034)	(1,410)
Less:		
Interest income	4,253	4,678
EBITDA	$ (545)	$ (7,097)
Asia Pacific		
Net loss attributable to CBRE Group, Inc.	$ (1,449)	$ (3,135)
Add:		
Depreciation and amortization	2,882	2,739
Interest expense	672	861
Royalty and management service expense	4,663	3,962
Benefit of income taxes	(809)	(1,999)
Less:		
Interest income	112	145

EBITDA	$ 5,847	$ 2,283

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended March 31, 2013	2012
Global Investment Management		
Net income attributable to CBRE Group, Inc.	$ 13,121	$ 3,591
Add:		
Depreciation and amortization (1)	8,929	19,225
Interest expense (2)	10,490	6,359
Royalty and management service expense	1,419	47
Provision for income taxes	6,591	5,652
Less:		
Interest income	224	281
EBITDA (3)	$ 40,326	$ 34,593
Development Services		
Net income attributable to CBRE Group, Inc.	$ 2,136	$ 2,328
Add:		
Depreciation and amortization (4)	1,497	2,876
Interest expense (5)	2,733	2,972
Provision for income taxes (6)	1,542	1,417
Less:		
Interest income	133	86
EBITDA (7)	$ 7,775	$ 9,507

(1) Includes depreciation and amortization related to discontinued operations of $0.1 million for the three months ended March 31, 2013.
(2) Includes interest expense related to discontinued operations of $0.5 million for the three months ended March 31, 2013.
(3) Includes EBITDA related to discontinued operations of $0.6 million for the three months ended March 31, 2013.
(4) Includes depreciation and amortization related to discontinued operations of $0.1 million for the three months ended March 31, 2013.
(5) Includes interest expense related to discontinued operations of $1.3 million for the three months ended March 31, 2013.
(6) Includes provision for income taxes related to discontinued operations of $0.9 million for the three months ended March 31, 2013.
(7) Includes EBITDA related to discontinued operations of $3.8 million for the three months ended March 31, 2013.

15. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of March 31, 2013 and December 31, 2012; condensed consolidating statements of operations for the three months ended March 31, 2013 and 2012; condensed consolidating statements of comprehensive income for the three months ended March 31, 2013 and 2012; and condensed consolidating statements of cash flows for the three months ended March 31, 2013 and 2012 of (a) CBRE Group, Inc. as the parent, (b) CBRE as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2013

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 36	$ 15,736	$ 139,606	$ 363,322	$	$ 518,700
Restricted cash		6,863	4,302	57,354		68,519
Receivables, net			466,927	739,217		1,206,144
Warehouse receivables (a)			686,961	163,660		850,621
Trading securities			124	93,099		93,223
Income taxes receivable	3,492	7,284		45,850	(105)	56,521
Prepaid expenses		1,581	46,510	46,541		94,632
Deferred tax assets, net			149,960	54,026		203,986
Real estate and other assets held for sale			1,446	82,047		83,493
Available for sale securities			685			685
Other current assets			40,942	15,367		56,309
Total Current Assets	3,528	31,464	1,537,463	1,660,483	(105)	3,232,833
Property and equipment, net			256,164	106,257		362,421
Goodwill			1,016,392	835,553		1,851,945
Other intangible assets, net			469,821	324,883		794,704
Investments in unconsolidated subsidiaries			127,759	84,369		212,128
Investments in consolidated subsidiaries	1,996,100	2,277,171	1,308,069		(5,581,340)	
Intercompany loan receivable		1,792,595	700,000		(2,492,595)	
Real estate under development			799	11,740		12,539
Real estate held for investment			2,561	190,530		193,091
Available for sale securities			69,584	2,940		72,524
Other assets, net		53,577	68,320	33,558		155,455
Total Assets	$ 1,999,628	$ 4,154,807	$ 5,556,932	$ 3,250,313	$ (8,074,040)	$ 6,887,640
Current Liabilities:						
Accounts payable and accrued expenses	$	$ 29,589	$ 127,967	$ 440,264	$	$ 597,820
Compensation and employee benefits payable		626	202,508	166,499		369,633
Accrued bonus and profit sharing			119,343	211,266		330,609
Securities sold, not yet purchased				39,728		39,728
Income taxes payable			105		(105)	
Short-term borrowings:						
Warehouse lines of credit (a)			676,993	160,049		837,042
Revolving credit facility		76,883		31,524		108,407
Other			16			16
Total short-term borrowings		76,883	677,009	191,573		945,465
Current maturities of long-term debt		39,650	2,468	32		42,150
Notes payable on real estate				24,729		24,729
			17	60,549		60,566

Liabilities related to real estate and other assets held for sale						
Other current liabilities			41,198	1,637		42,835
Total Current Liabilities		146,748	1,170,615	1,136,277	(105)	2,453,535
Long-Term Debt:						
5.00% senior notes		800,000				800,000
11.625% senior subordinated notes, net		440,929				440,929
Senior secured term loans		375,350				375,350
6.625% senior notes		350,000				350,000
Other long-term debt			5,403	96		5,499
Intercompany loan payable	424,357		1,766,675	301,563	(2,492,595)	
Total Long-Term Debt	424,357	1,966,279	1,772,078	301,659	(2,492,595)	1,971,778
Notes payable on real estate				158,843		158,843
Deferred tax liabilities, net			120,226	67,068		187,294
Non-current tax liabilities			80,336	3,336		83,672
Pension liability				58,747		58,747
Other liabilities		45,680	136,506	85,798		267,984
Total Liabilities	424,357	2,158,707	3,279,761	1,811,728	(2,492,700)	5,181,853
Commitments and contingencies						