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BUMT 4450: Strategic Management Policies

A Strategic Audit of CBRE

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I. Business Model

Who it serves

CBRE Group Inc. is the world's largest commercial real estate service and investment firm, offering a full range of services renters, owners, lenders and investors in office, retail, industrial, and multifamily properties. Basically, CBRE offers services to anyone who wishes to rent, lease or buy a commercial space, whether it is retail, office or industrial, as well as families that are looking to rent, lease or buy an apartment. CBRE also provides consulting and research services to clients who want to know more about where it would be better for them to rent, lease or buy a space depending on their needs. Many of CBRE's services help their clients reduce costs; this is mostly seen in their facility management services, which have reduced clients operating costs by 15 to 20%. CBRE is focused on several competencies which include: commercial property and corporate facilities management, tenant/occupier and property/agency leasing, capital market solutions, real estate investment management, development services and proprietary research. CBRE offers services in research and consulting, specialty services, design and ongoing planning, project management, facility management, property administration and transactions.

What it provides

CBRE offers many different services in the real estate industry, and they use several business models based on each of the services they provide. Research and consulting is one of their most important and biggest sources of income, for which they use customer solutions model. By using this model CBRE doesn't sell or lease their spaces directly but they sell their knowledge and research for what a specific customer wants, in terms of finding a space based on

the business and its growth, and target customer research, which improve customer operations. A very big branch of consulting that CBRE has is healthcare, in which they provide real estate solutions to hospital and healthcare companies throughout the United States. Their service delivery approach is to work with their healthcare clients in a collaborative manner, delivering comprehensive and value-based real estate solutions.

Services include:

A. Facility Management:

Innovation and economies of scale helps CBRE's facility management services have reduced operating expenses by 15-20%.

These services include:

- Technical services (maintenance management issues for clients)
- Strategic sourcing (help clients get the best services at competitive prices)
- Energy and sustainability (oversee the largest energy platform in the world)
- Health & safety environment
- Critical facilities management (leading manager of critical facilities, headquarters, regional offices, manufacturing spaces and data centers)
- Employees services (deliver expertise, process, management and tools)
- Real estate accounting services (provide integrated accounting solutions to clients)
- Lean sigma methodology
- Technology (utility management, accounting and CMMS)

B. Design and Ongoing Planning:

They do property development in partnership with a company called Trammell Crow Company.

- Strategy development, including lease or own
- Workplace strategy, including “New Ways of Working”
- Labor analytics, including demographic studies
- Real estate benchmarking to optimize portfolio
 - Tenant representation and transaction execution
 - Comparative financial analysis, including balance sheet considerations, profit and loss statements and variable tax consequences
 - Municipal and local government incentives identification and negotiation
 - Project management, including space planning and programming, as well as build-out and post-occupancy costs
- Exit strategy, including surrenders and subletting

C. Project Management:

CBRE has the world's largest network of professional real estate project management within a full service firm. They offer dedicated and variable project management staffing solutions, as well as other services that include: outsourcing strategies,

- Program management
- Interior build-outs
- Critical environments
- Moving, expansion and other changes
- Capital improvements
- Building renovations
- Tenant improvements

CBRE has established a global project management organization focused on developing the infrastructure platform necessary to create value at scale:

- Project performance risk mitigation (project review: risk factors, and develop mitigation)
- Technology platform
- Talent management, recruiting and training (recruit resources based on clients needs)
- Strategic sourcing (secure best pricing and value for clients)
- Sustainability (provide sustainable design and occupancy strategies)

D. Property Administration:

Commercial Real Property Services:

- Retail space leasing and sales support
- Prospective tenant evaluation
- Retail investment opportunity analysis.
 - Comparative property and infrastructure analysis, including building operating systems and costs review
 - Lease portfolio administration and cost audits
- Facilities management and engineering services

Residential Real Estate Services:

- Multi-housing
- Apartment investment advisement
- Property development
- Domestic and international project marketing

- Residential leasing
 - E. Transactions:
- Portfolio & fund accounting
- Fund administration and transfer agency
- Investor financial reporting
- Performance and return calculations
- Data aggregation
- Treasury
- Cash & debt management
- Regulatory & compliance support

How it makes money / How it provides products / services

CBRE generates revenue from management fees on a contractual and per-project basis, and from commissions on transactions. Contractual, fee-for-services business, which, generally involve property and facilities management, mortgage loan servicing, and investment management, represented approximately 46% of 2014 revenues. CBRE's revenue mix has changed in most recent years toward more contractual revenue as property occupiers and investors increasingly prefer to purchase integrated, account-based services from firms that have the capabilities to meet their needs across diverse disciplines and in local markets nationally and globally. CBRE makes money in the Americas by licensing CBRE and CBRE Richard Hills to independent affiliates by an annual or quarterly fee, in 2014 this accounted for 57.5% of revenues.

CBRE makes revenue mostly from their research and consulting and from their facility management services, the activities, which directly generate revenue.

Within the Americas CBRE provides advisory services, which businesses offer occupier/tenant and investor/owner services, which include: real estate services, capital markets, and valuation. These services accounted for 32.5% of 2014 consolidated worldwide revenue.

Real estate services: provide strategic advice and execution to owners, investors and occupiers of real estate along with leasing, and acquisition of property. Sixty-seven percent of revenues come from existing U.S real estate sales and leasing existing clients.

Capital Markets: CBRE offer its clients fully integrated investments sales and debt financing services under the CBRE Capital Market brand. This helps to meet the marketplace demand for capital market solutions. In 2014 CBRE did \$105.5 billion of capital market transactions in the Americas, this includes \$72.1 billion investment sales and \$33.4 billion in mortgage loans.

Valuation: these services include value appraisals, litigation support, discounted cash flow analyses, and environmental consulting.

Outsourcing Services: Occupier outsourcing is provided through Global Corporate service line, and property management is provided through Asset services business line. These services accounted for 25% of 2014 worldwide revenue. Occupier outsourcing include portfolio and transaction management, project management, facilities management and strategic consulting. These services have become successful because clients want to purchase these services as a whole; they want to have that one single firm they can trust across different geographic regions and services. Services are provided as a short- term or long- term contract,

facilities management involves the day-to-day management of facilities, CBRE incorporates technology solutions and leverage resources to control costs for clients and to enhance the workplace environment. Revenues for project management include fixed management fees, variable fees, and incentive fees.

Property Management: property management services are offered to owners/investors in office, industrial and retail properties. Services include, construction management, marketing, leasing, and building engineering, accounting and financial services. These services are provided through an extensive network of real estate experts in major markets throughout the country. Monthly management fees are received for asset services provided based upon a specific percentage of the monthly rental income or rental receipts generated from any property under management. CBRE is sometimes reimbursed for administrative and payroll costs, which are directly attributable to the properties under management.

- CBRE provides a full range of services to the commercial property sector in Europe, the Middle East and Africa, in which the largest operations are located in France, Germany, Italy, the Netherlands, Spain and the United Kingdom. Similar services that are in the Americas are provided like: leasing brokerage, property sales, valuation services, asset management services and facilities management among others. This region accounted for 25.9% of revenue in 2014. In many countries CBRE operates through independent affiliates that provide commercial real estate services under CBRE's brand name. On the other hand, in Asia Pacific CBRE operates in 13 countries, principal operations are located in Greater China, India, Japan, Singapore, South Korea, Thailand and Vietnam, they also have agreements with independent affiliates in

Cambodia, and the Philippines, which generate royalty fees. Pacific region includes Australia and New Zealand. This region accounted for 10.7% of revenues in 2014.

_____Global investment management operations are done through their direct wholly owned subsidiary CBRE Global Investors, LLC, which provide investment management services to insurance companies, sovereign wealth funds, and foundations. This section accounted for 5.2% of 2014 revenues.

Development Services: Development services are delivered through CBRE's indirect wholly- subsidiary Trammell Crow Company, LLC. This is based on development and investment in commercial real estate, which includes industrial, office, and retail properties, healthcare facilities, residential and mix-used projects. Development services accounted for 0.7% of 2014 revenues.

Development activities include: evaluating project feasibility, budgeting, scheduling, and cash flow analysis, procurement of approvals and permits, including zoning and other entitlements, project finance advisory services, coordination of project design and engineering, construction bidding and management, as well as tenant finish coordination and project close-out and tenant move coordination.

How it differentiates and sustains competitive advantage

CBRE differentiates from its competitors by “uncovering its strategic position in the marketplace and building on the concept of advantage” (cbre.com). As mentioned in CBRE's webpage, their competitive advantage consists of the following: “for our clients, we deliver sustainable solutions that unlock the value of real estate, for shareholders we produce results that create long- term value, and lastly we provide the industry's best platform”. With fifty years of

experience CBRE has found a successful way to sustain a competitive advantage, which, consists of: attention to detail, problem avoidance, creative sales strategies, institutional quality service and materials, dedicated focused business lines, and recognizing opportunities, this elements have managed to help CBRE become number one and sustain their position in the commercial real estate industry, as well as in the many other services they provide. Their main services are property management and consulting, they have been able to become number in the industry in this areas as well as many others, which were previously mentioned by using their most important commitment, which is to create exceptional outcomes to clients.

CBRE's success and position is due to the fact that clients hire them because they trust them, they trust the way they operate and deliver results, "clients look for their advice, expertise and guidance in making decisions that will be for their best interest" ("cbre.com"). The way CBRE manages conflicts it's fundamental to their success, whether it is with clients or among clients, all this factors are crucial on how they sustain competitive advantage, CBRE sees every situation as an opportunity for growth and success.

CBRE financials are segmented in five categories: The Americas, EMEA (Europe, Middle East and Africa), Asia Pacific, Global Investment Management, and Development Services.

The Americas segment consists a large range of services that is provided in the United States and Canada by CBRE. The Americas segment also includes wholly-owned subsidiaries throughout Latin America. The services provided in this region include real estate advisory service, capital markets consultation, property valuation, property management, and project management.

The EMEA operates in 42 countries primarily through wholly owned subsidiaries. The bulk of operations are conducted in France, Germany, Italy, the Netherlands, Russia, Spain and the United Kingdom. The services provided are primarily targeted towards the commercial property sector but in Spain, France, and the United Kingdom some subsidiaries provide residential real estate services. The commercial property services include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services and facilities management, among others.

The Asia Pacific segment operated in thirteen countries primarily through wholly owned subsidiaries. The bulk of operations are conducted in China, Hong Kong, India, Japan, Singapore, Australia, and South Korea. These subsidiaries provide a full range of real estate services.

The Global Investment Management segment consists of any business services conducted by wholly owned subsidiary CB Richard Ellis Investors, L.L.C. and partners. This segment provides investment management services to clients that include pension plans, foundations, endowments and other organizations seeking to generate returns and diversification through investment in real estate. This LLC operates in North America, Europe, and Asia.

The Development Services segment is any business conducted by wholly owned subsidiary Trammell Crow Company. This subsidiary provide development services mainly in the United States. Trammell Crow Company develops and invests in commercial real estate including: industrial, office, retail spaces, healthcare facilities, higher education facilities, and residential/mix used projects. This segments acts services include site identification, due diligence and acquisition, evaluating project feasibility, budgeting, scheduling and cash flow

analysis, procurement of approvals and permits, including zoning and other entitlements, project finance advisory services, coordination of project design and engineering, construction bidding and management as well as tenant finish coordination and project close-out and tenant move coordination.

The majority of CBRE's international business is conducted through wholly owned subsidiaries. The subsidiaries are granted the license to use the "CBRE" name, pay annual royalty fees, and are required to refer business to CBRE and other affiliates.

CBRE operates in multiple countries that generate revenue; therefore when payment of services are received it will be in the currency where the service was provided. In 2014, alone about 40% of transactions occurred outside the United States. CBRE's headquarters are within the United States so in order to have consistency and adhere to IRS guidelines all streams of revenue must be translated to USD. Fluctuations in foreign currency exchange rates and the value of the U.S. dollar may result in corresponding fluctuations in revenues. Positive foreign currency translations for revenue occurs when the U.S. dollar is stronger to a specific currency. Negative foreign currency translations for revenue occurs when the U.S. dollar is weaker to a specific currency.

II. Components of the Value Chain for CBRE

The components of the value chain for the commercial real estate industry, include: ownership and development in which companies develop and own real estate. This includes developers, Real Estate Investment, Trusts, and Homebuilders. In addition, another component of the value chain in the commercial real estate industry is Finance (Equity). Finance Equity is the "equity portion of the finance segment that consists of large institutions, private institutions,

and individuals that invest in real estate, therefore; it provides capital that owners and developers need in order to undertake their real estate project. According to the National Association of Realtors total investment for the U.S. commercial real estate industry in 2007, was \$ 325 billion dollars, up from \$307 billion in 2006 and \$268 billion in 2005.” (Report Prepared For Environmental Defense Fund. *An Analysis of the U.S. Real Estate Value Chain with Environmental Metrics* (n.d.): n. pag. Web).

Also, another component of the real estate value chain includes (Finance) Debt which represents the commercial and residential mortgages, including Mortgages Brokers who connect borrowers with direct mortgage lenders such as Commercial Banks. However, in the residential market, many home mortgages are originated by commercial banks and sold to secondary markets that (consist of the Government Sponsored Enterprises as well as Fannie Mae and Freddie Mac). This provides liquidity in the market for home lending, “giving the mortgage originators the capital necessary to continue making future loans.” (Report Prepared For Environmental Defense Fund. *An Analysis of the U.S. Real Estate Value Chain with Environmental Metrics* (n.d.): n. pag. Web).

Another of the five components includes: Property Sales and Leasing Management. With this, agents and brokers in this component act as intermediaries between entities that buy, sell, and lease real estate. Many of these brokerage firms provide property management services to commercial real estate owners. These segments include: energy service companies, such as Siemens or Johnson Controls in which they perform an energy audit of a building and present savings and costs for each of the items, preparing a finance package that is based on the energy savings over time.

The component of construction focuses on companies that perform construction management for large property owners. These individuals are often responsible for every phase of construction as well as making sure that the building is built to specifications. In addition, the final output of the value chain is tenant use which is part of the “built environment that is devoted to a specific use. An example of a company that is in the tenant category is a retail store that includes: Wal-Mart, Home-Depot, or Lowes for example each of which occupies hundreds of millions of square feet of retail space.” (Report Prepared For Environmental Defense Fund. *An Analysis of the U.S. Real Estate Value Chain with Environmental Metrics* (n.d.): n. pag. Web).

CBRE’s value chain can be summed up as follows:

Primary Activities:

<u>Strategy</u>	<u>Execution</u>	<u>Management</u>
Advisory Development	Capital Markets	Project Finance Asset Management

This CBRE infrastructure in terms of its primary activities is its core competency in its integration of multiple disciplines across broad geographies. For example, this integrated approach creates scale, transparency, productivity, and real economic value.

CBRE’s secondary activities are as follows:

Secondary activities:

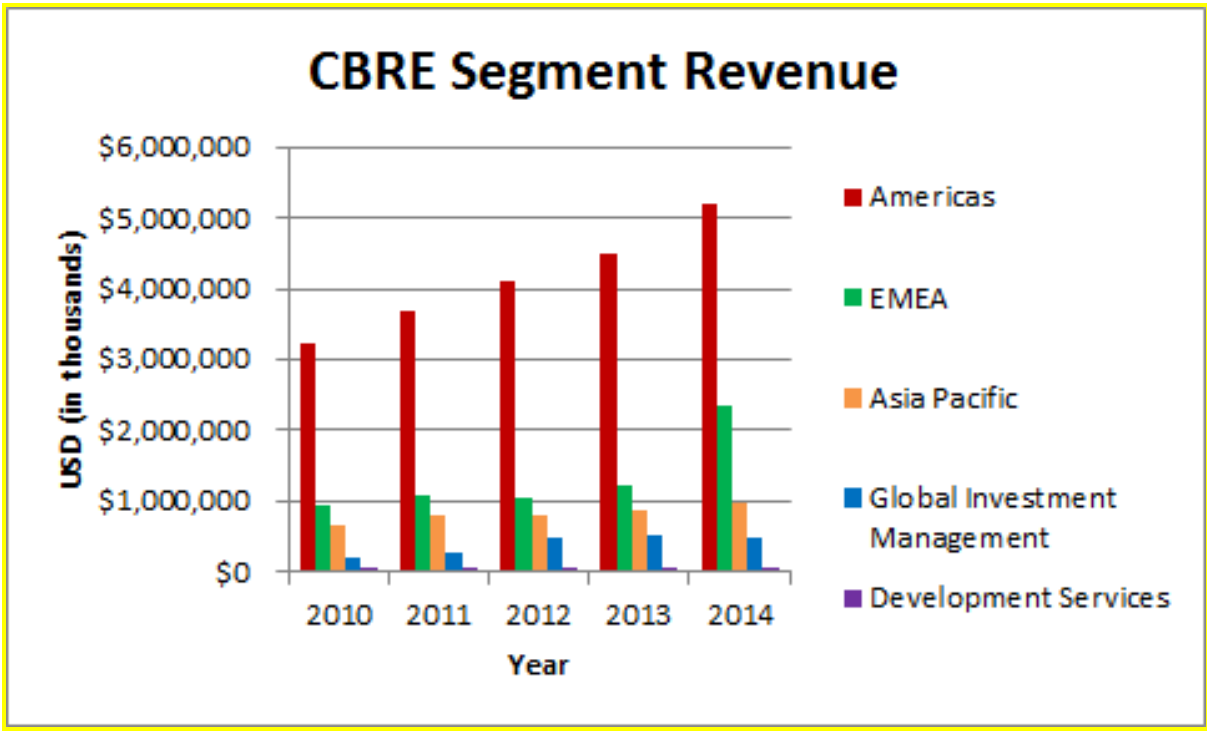
<u>Energy</u>	<u>Environmental</u>	<u>Logistics</u>
Oil/Gas:	Remediation	Ports
Refineries	Sustainability	Airports
Pipelines		Railroads
Storage		Highways

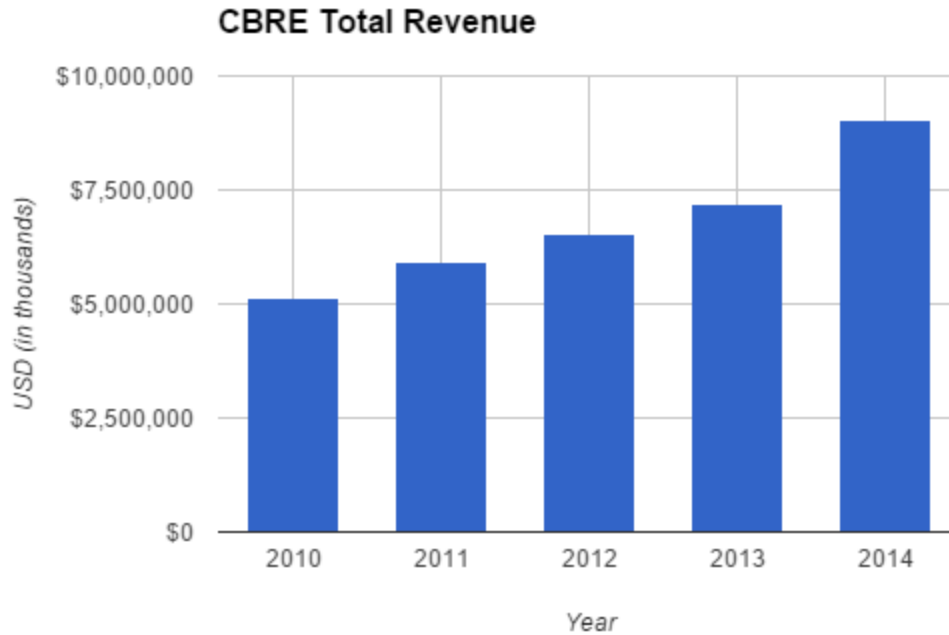
Analysis

As we can see by looking at the value chain above in terms of both its primary and secondary activities CBRE’s value chain is focused primarily on giving it a unique position to source, finance, execute, and manage its quality infrastructure investments on a daily basis.

III. Historical Performance

Revenue





Analysis:

Prior to 2010

Economic, cultural, and governmental conditions affect all industries, but none are as highly affected as the real estate industry. During the early and mid 2000's the real estate market experienced major growth. CBRE in particular saw an increase in revenues from \$500 million in revenue in 2001 to \$6 billion in revenue in 2007. During these years there was positive economic activity, decrease in unemployment, low interest rates, easy access to lines of credit, and few regulatory policies. All these factors create growing real estate industry because people have more financial opportunities to invest in real estate, businesses are able to expand (i.e. offices and property), and businesses have operating, interest, and tax expenses are lower. Beginning in late 2007 the overall economy experienced a severe downturn which led to a decrease in transactions, lower occupancy rates, lower property value, and overall business trend that led to

restricted spending. All of these occurrences affected CBRE's revenue stream in terms of property sales, valuation, financing, and overall investment.

Historically acquisitions are the main reason why CBRE has been able to grow at an exponential rate. In December 2006 CBRE's made its largest acquisition to date in the purchase of Trammell Crow Company. As a result of this acquisition CBRE has been able to expand its outsourcing activities, in particularly project and facilities management services. In 2006, CBRE expected the Trammell Crow Company to generate an 8 to 18% increase. From 2005 to 2008 CBRE acquired 58 companies for an estimated \$592 million.

2010

Overall, in 2010 CBRE experienced approximately 23% growth from the previous year. CBRE's revenues grew from \$4.2 billion in 2009 to \$5.1 billion in 2010.

In 2010 CBRE acquired two relatively small niche companies that were regarded highly in its region and speciality services complemented CBRE's existing services or added a unique service CBRE did not have at the time. One company was a small niche industrial practice in United Kingdom and a small commercial property asset management and consultancy services firm in Hong Kong. Since CBRE's segments are based on regional subsidiaries these acquisitions will generate revenue for the specific regions it resides in. Unlike during the strong economic climate in the early to mid 2000s where CBRE bought large companies CBRE shifted to acquiring smaller niche companies in order to localize services offered in different regions.

In Americas CBRE's revenue increased by \$623.4 million or 24% from 2009 to 2010. The Americas segment's overall contribution margin for the year was approximately 63%. This growth in revenue is a result of an increase in sales, leasing activity, commercial mortgage

brokerage, and outsourcing activity. This segment was able to add \$30.1 million in revenue due to a positive impact of foreign currency translation.

CBRE'S EMEA segment experienced a 14.5% or \$118.4 million growth from 2009. The EMEA segment's total contribution margin for the year was approximately 18%. This increase can be attributed to increase in sales, leasing activity, and outsourcing activity in France, Germany, Spain, and the United Kingdom. EMEA lost \$37.1 million dollars in revenue due to unfavorable foreign currency translation.

In the Asia Pacific region saw a \$145.6 million or 27.8% increase from 2009. The Asia Pacific segment's overall contribution margin for the year was approximately 13%. This growth can linked to increase in sales, leasing activity, and outsourcing activity in Australia, China, India, and Singapore. CBRE was able to gain an additional \$52.6 million in revenue because of a positive impact of foreign currency translation.

CBRE's Global Investment Management sector experienced a 52.4% or \$74.2 million growth in revenue from 2009. The Global Investment Management segment's total contribution margin for the year was approximately 4%. This rapid growth is mainly due to a significant increase in rental revenue and the sales of major assets. In addition this segment was able to add \$1.5 million in revenue because of favorable foreign currency translation.

The Development Services fell 13.8% or \$12.1 million in revenue from 2009 due to lower number of construction projects which led to lower development fee revenue. The Development Services segment's overall contribution margin for the year was approximately 1.5%. The drop in number of projects is attributed to poor market conditions.

2011

Overall, in CBRE experienced a roughly 15 % growth from the previous year. CBRE's revenues grew from \$5.1 billion in 2010 to \$5.9 billion in 2011.

In 2011 CBRE acquired a major real estate investment firm in the Netherland, ING Group. ING Group operates in Europe and Asia and owns the U.S. company Clarion Real Estate Services, which is also known ING REIM. This particular acquisition is now run the Global Investment Management segment in order to for this segment to expand its operations in Asia. The ING services is highly complementary, with little overlap in client base and different investment strategies with this segment. While CBRE Global Investment Management sector has traditionally focused on value-add funds and separate accounts ING REIM has primarily focused on core funds and global listed real estate securities funds. The combined entity provides us with a significantly enhanced ability to meet the needs of institutional investors across global markets with a full spectrum of investment programs and strategies. Also CBRE acquired five small regional-niche firms which included an Australian valuation firm, retail property management firm in Central and Eastern Europe, an affiliate company in Switzerland, retail services in UK, and a shopping center management firm in the Netherlands.

CBRE's Americas sector experienced a \$456.1 million or 14.2% increase in revenues compared to 2010. The Americas segment's total contribution margin for the year was approximately 62%. This growth in revenue is a result of an increase in sales, leasing activity, commercial mortgage brokerage, and outsourcing activity. Real estate activity grew because of credit had become more available globally since 2008. This segment was able to add \$22.7 million in revenue due to a positive impact of foreign currency translation.

CBRE'S EMEA segment experienced a 14.9% or \$140 million growth from 2010. The EMEA segment's overall contribution margin for the year was approximately 18%. This increase can be attributed to leasing activity and higher outsourcing activity in France, Germany, the Netherlands, and the United Kingdom. Subsidiaries were able to offer clients additional services such as security, food, and other amenities by outsourcing to agencies to provide those services. The more services available to clients CBRE is able to increase their prices; therefore leading to higher revenue. Market conditions were the favorable in Paris and London which began to see major recovery from the 2008 recession. EMEA gained \$55.8 million dollars in revenue due to favorable foreign currency translation, this positive impact is mainly because of the devaluation of the Euro because of sovereign debt crisis.

In the Asia Pacific region saw a \$118.9 million or 17.7% increase from 2010. The Asia Pacific segment's total contribution margin for the year was approximately 13%. This growth can be linked to increased outsourcing activity in India and China and higher sales and leasing activity in China and Australia. CBRE was able to gain an additional \$61.6 million in revenue because of a positive impact of foreign currency translation.

CBRE's Global Investment Management sector experienced a 34.5% or \$74.4 million growth in revenue from 2010. The Global Investment Management segment's overall contribution margin for the year was approximately 5%. This growth is mainly due to the IMG AND IMG REIM acquisition and higher incentives for employees that year. Incentives motivate employees to seek and generate new opportunities and services to clients in order to receive a bonus or a higher commission, which leads to higher overall revenue. In addition this segment was able to add \$3.7 million in revenue because of favorable foreign currency translation

The Development Services segment experienced a roughly 0.9% growth from the previous year. The Development Services segment's total contribution margin for the year was approximately 1%. Revenues grew from \$75.7 million in 2010 to \$76.3 billion in 2011. Even though there was an increase in development projects this was offset by lower fees for each project. In order to win project bids Trammell Crow had to lower its standard price to remain competitive.

2012

Overall, in 2012 CBRE experienced an increase in net income of \$315.6 million for the year ended December 31, 2012 on revenue of \$6.5 billion as compared to net income of \$239.2 million on revenue of \$5.9 billion for the year ended December 31, 2011. During 2012, CBRE funded nine additional co-investments for an accumulated amount of \$34.5 million. CBRE Global Investors' assets under management, or AUM, totaled \$92.0 billion. AUM generally refers to the properties and other assets with respect to which CBRE provides oversight, investment management services and other advice, and which generally consist of real estate properties or loans, securities portfolios and investments in operating companies and joint ventures.

During 2012, CBRE also completed five acquisitions, including their former affiliate companies in Turkey and Vietnam, a niche real estate investment advisor and an independent commercial and residential property partnership in the United Kingdom, and a brokerage and property management firm in Atlanta. Through 2012, CBRE incurred \$258.9 million of transaction-related expenditures and integration costs in connection with the Trammell Crow

Company Acquisition. In addition, through 2012, they also incurred \$109.4 million of transaction-related expenditures and integration costs in connection with the acquisitions.

CBRE's America's sector experienced an increase in revenue by \$429.9 million, or 11.7%, for 2012. The Americas segment's overall contribution margin for the year was approximately 63%. This improvement was primarily driven by higher sales, leasing and outsourcing activity as well as increased commercial mortgage brokerage revenue. Foreign currency translation had a \$23.8 million negative impact on total revenue during 2012.

CBRE'S EMEA segment's revenue decreased by \$44.8 million, or 4.2%. The EMEA segment's total contribution margin for the year was approximately 16%. Foreign currency translation had a \$51.4 million negative impact on total revenue during 2012. Excluding the impact of foreign currency translation, revenue increased \$6.6 million driven by higher outsourcing and sales revenue. Revenue grew reasonably in the Netherlands, Switzerland and the United Kingdom, but this was offset by reduced revenue in other countries in the region, mostly in France, which had a particularly strong prior year.

The Asia Pacific region experienced revenue increases by \$28.5 million, or 3.6%, for 2012, reflecting improved overall performance in several countries, particularly Australia, India and Singapore. The Asia Pacific segment's overall contribution margin for the year was approximately 13%. Investment sales in the region saw less activity than in the prior year period. Foreign currency translation had an \$18.7 million negative impact on total revenue.

CBRE's Global Investment Management revenue increased by \$192.5 million, or 66.4%, for 2012 as compared to 2011, driven by contributions from the acquisitions acquired in the second half of 2011. The Global Investment Management segment's overall contribution margin

for the year was approximately 7%. Foreign currency translation had a \$14.3 million negative impact on total revenue during the year 2012. Total assets under management as of 2012 amounted to \$92.0 billion, down 2.2% from year-end 2011.

Their Development Services revenue increased by \$2.5 million, or 3.3%, for 2012, attributable to an increase in incentive fees, as well as lower rental revenue as a result of property dispositions in the later quarters of 2011 which lead into 2012. The Development Services segment's total contribution margin for the year was approximately 1%. As of 2012, development projects in process totaled \$4.2 billion, down \$0.7 billion from year-end 2011. The inventory of pipeline deals totaled \$2.1 billion, up \$0.9 billion from year-end 2011.

2013

Overall, in 2013 CBRE experienced an increase in net income of \$316.5 million for the year ended December 31, 2013 on revenue of \$7.2 billion as compared to net income of \$315.6 million for the year ended December 31, 2012 on revenue of \$6.5 billion. In 2013, CBRE fortified their real estate outsourcing platform in Europe within their EMEA segment with the acquisition of London-based Norland Managed Services, Ltd. for approximately \$475 million. Also during 2013, CBRE completed ten acquisitions, most notably a leading firm serving the London prime residential real estate market, a leading regional commercial real estate services firm based in San Francisco, a retail real estate services firm in the U.S. Mid-Atlantic region, a facility consulting and project advisory firm serving the healthcare industry and based in Richmond, Virginia, and two property management specialist firms – one in the Czech Republic and Slovakia and one in Belgium(10K Annual Report).

CBRE's America's sector experienced revenue increased by \$400.9 million, or 9.8%, compared to 2012. The Americas segment's overall contribution margin for the year was

approximately 63%. This improvement was primarily driven by higher sales, leasing and property, facilities and project management activity. Foreign currency translation had a \$20.7 million negative impact on total revenue.

CBRE'S EMEA segment's revenue increased by \$185.3 million, or 18.0%, for 2013. The EMEA segment's total contribution margin for the year was approximately 17%. The increase was broad based, as every major business line showed growth, led by property sales and property, facilities and project management. Notable strength was evident in France, Spain and the United Kingdom. Foreign currency translation had a \$9.5 million positive impact on total revenue.

The Asia Pacific region experienced revenue increased by \$55.6 million, or 6.8%, for 2013. The Asia Pacific segment's overall contribution margin for the year was approximately 12%. Improved overall performance in all countries within the region, most notably Australia, China, India and Japan, was partially overshadowed by foreign currency translation, which had a \$63.9 million negative impact on total revenue.

CBRE's Global Investment Management revenue increased by \$54.5 million, or 11.3%, for 2013, primarily driven by carried interest revenue earned in the current year, partially offset by lower asset management fees and rental revenue from real estate assets. The Global Investment Management segment's total contribution margin for the year was approximately 7%. Foreign currency translation had a \$1.7 million positive impact on total revenue.

Their Development Services revenue decreased by \$25.6 million, or 32.5%, for 2013, primarily attributable to lower rental revenue as a result of property dispositions. The Development Services segment's overall contribution margin for the year was approximately

0.75%. As of 2013, development projects in process totaled \$4.9 billion, up 16.7% from year-end 2012. The inventory of pipeline deals totaled \$1.5 billion, down 28.6% from year-end 2012.

2014

Overall, in 2014 CBRE experienced an increase in net income of \$484.5 million for the year ended December 31, 2014 on revenue of \$9.1 billion as compared to net income of \$316.5 million for the year ended December 31, 2013 on revenue of \$7.2 billion. In 2013, their acquisition of Norland for approximately \$474 million, included approximately \$40 million deferred purchase price paid in 2014. During 2014, CBRE completed 11 acquisitions, including their former affiliate companies in Thailand, Greenville, South Carolina, Louisville, Kentucky and Oklahoma City and Tulsa, Oklahoma, a commercial real estate service provider in Chicago, a New York-based valuation and advisory business, a technical real estate consulting firm based in Germany, a consulting and advisory firm in the U.S. hotels sector, a shopping center management, leasing and consulting company in Switzerland and project management companies in Germany and Australia. In January 2015, they also acquired a Texas-based commercial real estate firm specializing in retail services. During 2014, foreign currency translation had a \$53.5 million negative impact on total revenue and a \$49.5 million positive impact on total cost of services and operating, administrative and other expenses.

CBRE's America's sector experienced revenue increase by \$699.2 million, or 15.5%, for 2014. The Americas segment's total contribution margin for the year was approximately 58%. This improvement was primarily driven by higher property, facilities and project management fees, as well as improved leasing, sales and commercial mortgage brokerage activity. Foreign

currency translation had a \$33.4 million negative impact on total revenue during 2014, primarily driven by weakness in the Brazilian real and Canadian dollar when converting to U.S. dollars.

CBRE'S EMEA segment's revenue increased by \$1.1 billion, or 92.6%, for 2014. The EMEA segment's overall contribution margin for the year was approximately 26%. The increase was in part due to contributions from the Norland Acquisition. Excluding Norland, revenue was up 21.2% and growth was strong in all major business lines. Foreign currency translation had a \$19.1 million positive impact on total revenue and primarily driven by strength in the British pound sterling when converting to U.S. dollars.

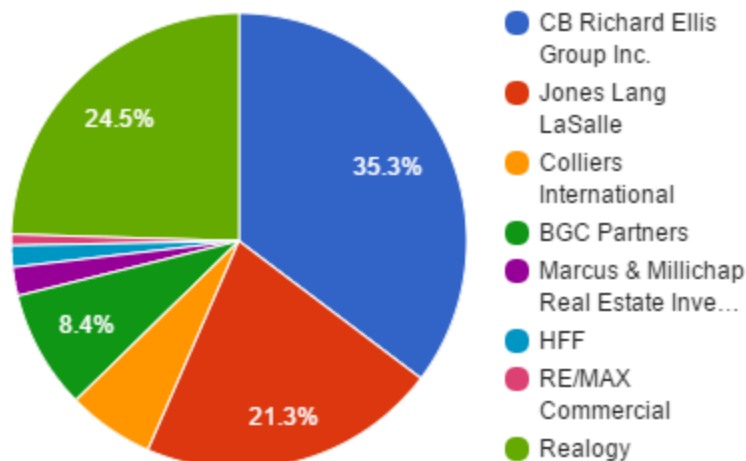
The Asia Pacific region experienced revenue increase by \$95.0 million, or 10.9%, for 2014, reflecting improved overall performance in several countries, mostly in Australia, India and Japan, particularly in property, facilities and project management, sales and leasing activity. The Asia Pacific segment's total contribution margin for the year was approximately 11%. Contributions from the acquisition of CBRE's company in Thailand in June 2014 also added to the increase during 2014. The increase was partially offset by foreign currency translation, which had a \$43.7 million negative impact on total revenue, primarily driven by weakness in the Australian dollar, Japanese yen and Indian rupee when converting to U.S. dollars.

CBRE's Global Investment Management revenue decreased by \$68.2 million, or 12.7%, for 2014, primarily driven by reduced carried interest revenue as well as foreign currency translation, which had a \$4.5 million positive impact on total revenue. The Global Investment Management segment's overall contribution margin for the year was approximately 5%.

Their Development Services revenue increased by \$11.9 million, or 22.4%, for 2014, primarily due to higher development fees during 2014 due to an increase in new projects started.

The Development Services segment’s total contribution margin for the year was approximately 0.70%. As 2014, development projects in process totaled \$5.4 billion, up 10.2% from year-end 2013, and the inventory of pipeline deals totaled \$4.0 billion, up 166.7% from year-end 2013.

Average Market Share 2010-2014



Market Share

*thousands	2010	2011	2012	2013	2014
CBRE Revenue	\$5,115,316	\$5,905,411	\$6,514,099	\$7,184,794	\$9,049,918
Market Share	34.39%	35.35%	34.61%	34.32%	37.17%

Overall, CBRE has been able to dominate the real estate industry by acquiring huge competitors and small niche firms. Acquiring large firms substantially improves CBRE’s market share because those firms were in direct alternatives to CBRE. Once CBRE acquires these large firms the company also inherits clients, projects, resources, and human capital that make CBRE

even more valuable and competitive in the industry. One key acquisitions that significantly increased CBRE's market share is the ING Acquisition in 2011 that improved CBRE's market share from 34.39% to 35.35%. Another significant increase in market share was in 2014 where CBRE's share went from 34.32% to 37.17% as a result of the Norland Acquisition. Stagnant or drop in market share is largely attributed to the actions of competitors. In 2012 CBRE's market share dropped because Newmark Knight Frank and Grubb & Ellis were acquired by BGC Partners. The three companies merged together now makes it the third largest player in the real estate industry. Small acquisitions of small regional niche companies also help improve CBRE's market share by providing resources and services that make the company more valuable than its competitors.

IV. Current Situation

Current Performance

- “On March 31, 2015, CBRE, Inc., our wholly-owned subsidiary, entered into a Stock and Asset Purchase Agreement with Johnson Controls, Inc. (JCI) to acquire JCI's Global WorkPlace Solutions (GWS) business. GWS is a market-leading provider of Integrated Facilities Management solutions for major occupiers of commercial real estate and has significant operations around the world. The purchase price is \$1.475 billion, payable in cash, with adjustments for working capital and other items. We expect to fund the acquisition through a combination of cash on hand and proceeds from the incurrence of debt. The closing of the transaction is subject to receipt of customary regulatory approvals and satisfaction of other customary closing conditions. The transaction is

expected to close in the late third quarter or early fourth quarter of 2015” (CBRE 10Q Report).

Notes: This is a strategic move to incorporate Johnson Controls clients in 55 countries and 22,000 of their employees. They also use a software called Sequentra, which is a technology solution for CRE executives that provides real time data and charts of properties and management activities. The objective is in-line with CB Richard Ellis strategic full-in acquisition strategy that have played a vital role in expanding service offerings and geographic market share.

- “Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy” (CBRE 10Q Report).
- “In March 2014, we began a foreign currency exchange forward hedging program by entering into 38 foreign currency exchange forward contracts, including agreements to buy U.S. dollars and sell Australian dollars, British pound sterling, Canadian dollars, euros and Japanese yen, covering an initial notional amount of \$209.7 million” (CBRE 10Q Report).

Note: CBRE must have a treasury management team to minimize exchange rate risk.

- “Our Global Investment Management segment invests our own capital in certain real estate investments with clients. We have provided investment management, property

management, brokerage and other professional services in connection with these real estate investments on an arm's length basis and earned revenues from these unconsolidated subsidiaries. We have also provided development, property management and brokerage services to certain of our unconsolidated subsidiaries in our Development Services segment on an arm's length basis and earned revenues from these unconsolidated subsidiaries" (CBRE 10Q Report).

- "An important part of the strategy for our Global Investment Management business involves investing our capital in certain real estate investments with our clients [as shown in objective above]. These co-investments typically range from 2.0% to 5.0% of the equity in a particular fund. As of June 30, 2015, we had aggregate commitments of \$20.7 million to fund future co-investments" (CBRE 10Q Report).
- "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, 2015, we had committed to fund \$20.6 million of additional capital to these unconsolidated subsidiaries" (CBRE 10Q Report).

Notes : The Global Investment Management segment of CB Richard Ellis has not performed well in the last five years. The last two years showed loss from operating income and net income signs that this is a weak segment in CBRE. The Global Investment Management segment is labeled as questionable under the BCG Matrix.

- "As of June 30, 2015, no amounts were outstanding under our revolving credit facility other than letters of credit totaling \$2.0 million. 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” (CBRE 10Q Report).

- “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. We contributed \$1.5 million and \$3.4 million to fund our pension plans during the three and six months ended June 30, 2015, respectively. We expect to contribute a total of \$6.3 million to fund our pension plans for the year ending December 31, 2015” (CBRE 10Q Report).

Notes : This objective is a result of the Norland Management Services acquisition.

- “Our expected capital requirements for 2015 include up to approximately \$180 million of anticipated capital expenditures, net of tenant concessions. During the six months ended June 30, 2015, we incurred \$44.1 million of capital expenditures, net of tenant concessions received. As of June 30, 2015, we had committed to fund \$20.6 million of additional capital to unconsolidated subsidiaries within our Development Services business, which we may be required to fund at any time. Additionally, as of June 30, 2015, we had aggregate commitments of \$20.7 million to fund future co-investments in our Global Investment Management business, \$11.3 million of which is expected to be funded in 2015” (CBRE 10Q Report).

- “In March 2014, we began a foreign currency exchange forward hedging program by entering into 38 foreign currency exchange forward contracts, including agreements to buy U.S. dollars and sell Australian dollars, British pound sterling, Canadian dollars, euros and Japanese yen, covering an initial notional amount of \$209.7 million” (CBRE 10Q Report).

Note: The company began using forward contracts this year. This is an interesting move by CBRE because it is their response to foreign exchange risk. Using forward contracts to stabilize the currency lowers risk for CBRE. However, CBRE must be accurate in predicting the future rate of the currency or they could lose significant capital. This deal indicates CBRE has a strong treasury management unit operating within the company.

Strategic Posture

CBRE currently focuses on hedging currency risks, investing in real-estate investments with clients from arm's length basis, and acquiring companies using strategic fill-in acquisition strategy expanding CBRE's resources. These current objectives add value to the company's core competency. There is an impression when reading the report that CBRE focuses on performance rather than objectives. They do have objectives, however they are subtle and are more focused on what the objective resulted in for company value (CBRE 10Q Report).

Mission

CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CBRE operates in the real estate industry and have grown horizontally integrating many services in real estate industry. There is no end to the services offered at CBRE and their strongest skill is their human capital. The CBRE group are professionals in the industry with in-depth market knowledge on a global scale. They do this because they want real-estate to be manageable from all over the world (CBRE 10Q Report).

Objectives

- “CBRE was the top firm in office sales, with \$45.6 billion in transactions and a market share of 23.1%” (CBRE 10Q.com).
- “CBRE recorded the highest market share—17.8%—in the retail sector, based on \$12.9 billion in transactions” (CBRE.com).
- “CBRE executed \$13.4 billion in industrial sales, for an industry-leading market share of 31.3%” (CBRE.com).

The objectives are in line with the company's goals and current situation. They have successfully acquired growth geographically gaining the largest market share in the industry.

Strategies

- Global growth through acquisitions
- Service differentiation to gain larger market share
- Reduce emissions and ecological impact

- Reduce foreign exchange risk

The strategies are consistent with each other and have proved to be profitable. CBRE has laid out a great strategic path for future growth. With our consultant teams strategic audit, CBRE will see even further capital gain and increase in market share.

Policies

- Two year pause strategy for M&A
- Triple bottom line for corporate governance
- Improve operating efficiency and monitor BCG Matrix

Final Assessment of Current Situation

CB Richard Ellis current performance gives our team confidence that the executives have policy programs in place. Our teams evaluation sees CBRE has performing great because of their successful executions and cost reductions resulting in improved operations. The way the company grew internationally and mitigated currency risk is impressive as well. The corporate governance keeps CBRE's core competency in line with the company's objectives and goals.

V. Strategic Managers

A. Board of Directors

- Ten Board of Directors-eight are outsiders
- Five of the directors have extensive knowledge and experience in finance, investments, and acquisitions

- Four of the directors have extensive knowledge and experience in real estate development and management
- Two of the directors have served in economic or global trade advisory board for Clinton and Obama presidential administration
- All members are respected experts in their field
- Two members have been on the board since 1989
- Three members have been on the board since 1997
- Two members have been on the board since the mid 2000's
- Three members have been on the board since 2010
- All board directors are directors in other companies including Disney, Staples, and Marriott.
- Laura D. Tyson is the only women and racial minority director. Time to diversify the board of directors?

B. Top Management

- Five out of ten of the corporate officers joined CBRE through the 2006 Trammell Crow Company acquisition
- Two of the corporate officers have been promoted from within CBRE
- Two of the corporate officers were recruited from competitors including Colliers International
- The officer with the longest tenure has been part of CBRE since 1972
- Eight of ten officers have been with CBRE since 2002.
- All officers have extensive knowledge and experience in the real estate or finance

industry.

- Majority of officers have wide breadth of knowledge from being cross promoted through the company. For example, from promoted Chairman to EMEA to Chairman of Asia Pacific

VI. External Environment

A. Natural Environment

- a) Earthquakes. If buildings are too old or not properly built in high risk area, if an earthquake were to happen, CBRE would be held liable for any property damages, losses, or even injuries. **(T)**
- b) Hurricanes. It can cause communication systems and infrastructure to stop working, not allowing employees to perform their job, or in some cases make them unable to work with customers, harming the ability to perform global business and to provide the proper customer service. **(T)** (10 K Report)
- c) Tsunamis, constructions that are near beaches, run the risk of getting severely damaged if there is a tsunami; a complete loss of asset is possible. **(T)**
- d) Tornados, if a tornado hits a city in which CBRE has properties, depending on the severity of the event people might decide to move to another city. The same situation might be seen when some cities are more likely to receive tornados than others. This might affect the operations of business in these high-risk locations. **(T)**
- e) El Niño is estimated to hit this winter in various states in the U.S from November to March, for businesses that run on water, like businesses that harvest crops, this is a great

season, increasing business they might need more or bigger office spaces to operate this types of businesses could increase commercial leasing for this upcoming winter. **(O)** (NBC News)

f) Long Winters are seen frequently specifically in Europe and the U.S, extreme cold weather could damage the outside of the buildings, in extreme situations cables can get frozen causing electricity to power off, stopping businesses operations. CBRE would be held liable for any issue or inconvenience this might cause their clients. **(T)** (NBC News)

g) Heat waves are hitting major cities in the U.S, if buildings are near deserts or forest areas, too much heat can cause fires, putting in danger the well being and infrastructure of buildings. **(T)**

B. Societal Environment

3. Economic

a) Globalization. This is a very big opportunity because emerging markets and businesses from countries like India are looking to expand especially to the U.S, these will present strong opportunities for commercial leasing properties. The U.S is the current safe place for investment. **(O)** (CBRE 10K report)

b) Economic weakness or recession in different areas of the world. This is a threat because this causes decline in employment, which as a result decreases the demand for commercial real estate, as consequence falling real estate values (areas like India, South America and some countries in Europe). **(T)** (CBRE 10K report)

- c) Poor performance of U.S oil and gas industry. This can decrease the performance of various developments, investment, leasing, and also reduce the demand of CBRE'S services by clients. **(T)** (CBRE 10 K report)
- d) The situation in some European countries is not getting better, given the situation that this economies don't get stabilize could present a. Revenues would start to decline; uncertainty in this economic situation makes it difficult to predict revenue. **(T)** (CBRE 10K report)
- e) Adverse developments in credit. This might hurt CBRE's business, results of operations and financial conditions, affecting the potential of providing advisory services to owners, investors and occupiers of real estate. **(T)** (CBRE 10K report)
- f) End of recession of in the U.S. More people are willing to invest and open new businesses, this means that employment rate will increase and commercial leasing will have a positive impact. **(O)** (CNNmoney.com)
- g) Clients unable to procure credit on favorable terms. Fewer completed leasing transactions, dispositions and acquisitions of property, causing the Global Investment Management and Development services to be unable to generate incentive fees. **(T)** (CBRE 10K Report)
- h) International expansion and new acquisitions. Global Investment Management business could continue to expand, especially in Europe and Asia, acquisitions in Norland has caused Global Corporate Services to expand, significantly in Europe. **(O)** (CBRE 10K Report)
- i) Currency restrictions. This could be hard when transferring pricing regulations and adverse tax consequences, which can affect their ability to transfer capital and profits to the U.S. **(T)** (CBRE 10K Report)

- j) Underdeveloped insolvency laws (laws that are applied to companies that can't pay money owed). This is a threat in countries like Asia, where they have underdeveloped insolvency laws, because it makes it difficult to collect receivables. **(T)** (CBRE 10K Report)
- k) The political and cultural risks in emerging countries. It could affect the way operations are managed and to manage the overall business in this types of countries. **(T)** (CBRE 10K Report)
- l) Currency exchange and foreign currency fluctuations. 44% of overall revenue was made outside of the U.S; this can be a threat because fluctuation in foreign exchange rates may result in corresponding fluctuations in our assets under management, revenue and earnings. **(T)** (CBRE 10K Report)
- m) Economic downturn in the California real estate market. Since a significant portion of operations is located in CA, local economies in San Diego, Los Angeles, and Orange could harm results of operations and disproportionately affect CBRE compared to its competitors who have different geographic concentrations. **(T)** (CBRE 10K Report)
- n) Excess capital supply is coming from outside the U.S. People that are bringing money from international borders into the U.S are looking to invest; multifamily, residential and commercial facilities are very attractive for investors. **(O)** (CNNmoney.com)
- o) Interest rates are lower than ever, it is predicted that they will continue low, but eventually it will increase. When the times comes that interest rates increase, all assets will devalue, losing its initial value. Even though interest rates are currently low, every investor knows that eventually they will increase, and this keeps them from investing in real estate. **(T)** (Yahoofinance.com)

p) Decrease in oil prices. Investors are rethinking their energy investment plans, but the high demand of energy in Japan might change the way investors are thinking. **(T)**

(yahoofinance.com)

q) The number of foreign-born Americans is growing. Foreign –born Americans are less likely (not applied to all immigrants) to become homeowners, than people who were actually born in the U.S. **(T)** (CNNmoney.com)

r) Communities and cities do not have the available capital to invest in infrastructure. This is an opportunity for private companies to invest in new infrastructure in cities and communities, the same people from this cities and communities will be the ones renting, leasing or buying this spaces, infrastructures whether they are commercial or for retail. **(O)**

(realtor.org)

s) Unemployment dropped 6%, millennials are having better job opportunities, and they are looking to invest in real estate and own homes, they are the most likely generation to purchase homes in the upcoming years than any other generations. **(O)** (Jill.com)

2. *Technology*

a) People are looking for a lot of innovation and technology involved in their workspaces. This could be a possible threat because the fast way that technology is moving it might a lot to keep up with. The market is requiring new, updated complexes. People want digital workstations, very large open spaces and amenities like massaging, gymnasiums, dry cleaning and more. **(T)** (franchisehelp.com)

b) The working community wants technology incorporated in the buildings, like for example a 24/7 teleconferencing so they can be connected to the international market place. This can be a threat because people are looking too much into technology when they rent a space, and so much innovation, renovation and technology into already build buildings can be very costly to incorporate, and if the buildings are very old in age there is a possibility that some of the technological advances that people are looking for can't be placed. **(T)** (CBRE 10K Report)

c) Marketing over the Internet is going to be a key factor for leasing spaces. People who are leasing to rent a space want to be able to see pictures of the property and they want to be able to take a virtual tour. This could be a threat because online marketing is something that is relatively new and it takes a while and a lot of hiring for a corporation to be able to adjust to this kind of changes, and if the necessary changes are not made correctly, the company could start go downhill. More than 90% of Americans use the Internet before leasing in real estate. **(T)** (CBRE 10K Report)

d) Smartphones and tablets are becoming the leading products in technology. This is an opportunity, because now days people use their smartphones and tablets to do basically everything, through an app, this could be a new way for CBRE to getting to their customers or potential renters, this could be a new way for them to sharing information with the people interested in their market. **(O)** (businesswire.com)

e) Information technology strategies are becoming the “brain” of every business. If CBRE doesn't keep information technologies updated and innovative it could be hard for them to

stay competitive in the market. They use ITS to deliver their customers need, this is a threat because even though they do everything to be on top in the industry, they have an specific budget for technology, so much innovation could be very expensive even for the number one real estate firm. **(T)** (CBRE 10K Report)

f) Innovation in technology systems. CBRE invests in new technologies and tools to gain competitive advantage, if they keep investing in new technologies and innovations they could keep that competitive edge in the market. **(O)** (CBRE 10K Report)

g) Information systems hacking. If there is any type of intrusion in CBRE's system they could compromise their information and their intellectual property, as well as client's, employees and contractors private information. This could harm the company's reputation, and it could be very costly to regain it, they currently use technology to prevent this, which is confidential, but hacking is still a possibility even when security is implemented. **(T)** (CBRE 10K Report)

h) Cloud storage is a great alternative for companies to safe all their confidential data. The use of third party data storage providers, like cloud systems to store important data, cloud provide them a reliable backup if any information is lost, CBRE currently uses a cloud system to product data and information. **(O)** (CBRE 10K Report)

i) GPS technology is used everyday. This technology allows realtors save their clients time when it comes to navigating in different areas or neighborhoods, it is unknown from the 10K or annual report if CBRE uses this type of technology in any way. But it is an opportunity

because the existence of this technology helps their clients, find spaces faster especially if the client is not familiar with the area of search. (O) (businesswire.com)

j) Increased popularity of social media and blogs. This is currently the most effective way of reaching customers, and giving them an insight of the business operations, and their available spaces or projects the company is working on, this engages the customer and creates more business opportunities. 12% of companies in the real state industry use blogs and 55% use social media. CBRE could use social media to connect with clients by posting process of renovating locations, or by showing customers their available spaces or even to give a glance at what services they offer by posting articles, videos or images. (O) (rebusinessonline.com)

k) Paperless transactions. This is a more effective way of operating, transactions can be done virtually, there is no need for physical presence, it also offers a more reliable way of saving important documentation and makes it available when needed in any place. (O) (rebusinessonline.com)

l) The technology sector is a great spot for commercial real state. This is an opportunity because this industry is looking for new innovative workspaces, besides this market is expanding, more technology businesses are opening, eventually all this new businesses will need office spaces. (O) (gcarnews.com)

4. Political-Legal

a) Indoors air quality liability. This is a threat because this has caused

many problems in the past, and it has become a serious legal issue with commercial buildings not having the appropriate air- flow, or the quality of the air being the one needed. This problem can be more likely seen in older buildings. **(T)** (CBRE 10K Report)

b) Hazardous material or contamination is found or occurred while CBRE is managing a property. If CBRE fails to go along with this laws and regulations they will be held liable for any costs, and under the law. **(T)** (CBRE10K Report)

c) Due to different tax laws, in the different jurisdiction where the business is present subjective determinations need to be done. The tax jurisdictions where business are carried might not agree with the decisions made by CBRE in respect to the application of tax law, this could end in disputes and in the payment of additional funds, in the case that there is not an agreement. **(T)** (CBRE 10K Report)

d) Regulations due to diligence, disclosure, and standard- of- care obligations. Failure to fulfill these obligations could subject the company or the employees to litigation from parties, who purchased, sold or leased properties that the company owns or manages. **(T)** (realtor.com)

e) Federal, state or local laws of countries where the firm operates impose environmental liabilities control, disclosures, rules and zoning restrictions. This affects the ownership, operations, management and development of properties for sale or use of commercial real estate. **(T)** (CBRE 10K Report)

f) Laws and regulations might impose liability on current or past property owners. CBRE might be held liable for any cost related to investigation, cleaning, or removing any

contamination coming from every area of the property including underground, this could happen for both already constructed buildings as well as new buildings, whether they are commercial, retail or housing. **(T)** (CBRE 10K Report)

g) Third parties injuries and damages. Under common law CBRE might be liable for any costs that damages and injuries from exposure to hazardous contamination might cause, including injuries or damages arising from exposure to asbestos- containing materials. **(T)** (CBRE 10K Report)

1. *Socio Cultural*

- a) Los Angeles is becoming more commercial. Location is a key factor for business to have their corporate offices DT LA, Marina del Rey, Art District, are emerging areas in the commercial real estate. **(O)**
- b) Baby Boomers are going to be the most important investors they are looking for security in their future. This is an opportunity because this generation is looking to open businesses, so they would need office spaces to lease. **(O)** (Real Property Management.com)
- c) Increase urbanization. This is an opportunity because buildings are being constructed in various areas of different cities, business are establishing themselves all around, and more people are looking for buildings with office spaces. **(O)** (Real Property Management.com)
- d) Baby boomers want a more classic workspace. They are going to be the biggest investors in real state, and they are not a generation of modern architecture, they will go towards more classic buildings (brick walls) and office spaces, while in the other hand newer generations want modern architecture and technology. This is an opportunity because CBRE will still

find a market to target and they will still make revenues with their older and more classic design buildings, even if they build new more modern buildings. **(O)** (Real Property Management.com)

e) Gen Xers is a generation that works hard to live, this means they work hard to make money and be able to travel, eat good, have a nice house etc. They look for modern and innovative work space areas, they want break room areas, and places where they can have fun while in work, for this generation this is key to decide for a work space. **(O)** (cnbc.com)

f) The suburbs want to become urban centers. The millennials, are looking for an environment where they can work and live, commercial buildings in the suburbs is going to be an opportunity, people want to be able to live close to work and spend less time in the car, this is a trend that is becoming very popular people want to spend less time driving and more time with their families or doing productive activities. I believe this is a great opportunity for CBRE because they are going to be able to target a new niche by constructing in areas where there is not many commercial buildings, like in the suburbs. Or, in the other hand build family buildings in business areas, like downtown L.A. **(O)** (jill.com)

g) People are willing to rent spaces in multi-use buildings. This is an opportunity because buildings that have rental, retail, and office, people want convenience; people are looking to have everything in one place. **(O)** (cnbc.com)

h) Suburbs are looking to replicate the city experience. The suburbs will no longer be only for living people are looking for bigger and better buildings with a similar essence like what the city provides. **(O)** (Jill.com)

- i) The workspace is no longer about the 9 to 5 lifestyle. The working community are looking for spaces and buildings where they can be 24/7, that if they need to stay all night working they don't have anything to worry about. This can be a threat because this implies security 24/7 and more equipped building, and it could become too costly for CBRE to adapt existing buildings to this new trend, CBRE has budgets for innovations and too much innovation or renovation in existing constructions can cause CBRE to go beyond the limits of that budget. **(T)** (cnbc.com)
- j) United States population growth. The workforce is expected to grow 15% from 2008 to 2018. This is an opportunity because if the workforce grows it means that there are more people that are going to need office spaces, this is profitable to CBRE because they would be renting more spaces. If the workforce grows it means that more business are opening or already established businesses are expanding. **(O)** (businesswire.com)
- k) Expanding internationally, and dealing with different languages and cultures. This could be a threat because it could be hard for CBRE to manage businesses' internationally if they are not fully aware of how each culture works. Language barrier is also important; this means that in every country that CBRE is established there needs to be at least one person that speaks English, even if employees get cultural training is very hard to understand a culture 100% if the person is not born in that certain culture, they can learn a lot but it still causes some conflict when doing business. (according to the 10K report this is one of their threats **T)** (CBRE 10 K Report)
- m) New generations are looking to invest in housing, since CBRE also deals with residential property management, this is an opportunity because sales could increase, more people are

willing to buy, new generations want security, and owning a house gives them that sense of stability and security. **(O)** (cnbc.com)

l) Baby boomers retiring, in the upcoming years many baby boomers will be retiring and they are looking for a home to live the rest of their lives in and many others a place they can rest (senior centers). Senior centers could be a huge opportunity for CBRE since one of the largest generations will be looking to invest in these types of facilities. **(O)** (Real Property Management.com)

5. Environmental Forces: Ecological

a) Environmental Protection Laws (O) Possible environmental issues that may arise in the buying and selling process are: Water quality, lead paint, radon, asbestos, toxic mold, soil and groundwater contamination.

b) Global Warming Impacts (T) Climate can affect home/commercial building value because of extreme weather, sea level rise, coastal erosion, wildfires, and floods.

c) Non-governmental organizations (O) Generational populations create opportunistic possibilities with wants and needs of the modern man/woman.

d) Pollution Impacts (T) Drinking water treatment costs are heavy, it can cost billions to clean polluted water bodies. Tourism losses a billion each year through fishing and boating activities resulting in harmful algae blooms, and airborne nutrient pollution can also damage buildings made of marble and limestone. Clean water can raise the value of a home by up to 25%.

e) Triple Bottom Line (O) People, planet, profit is being economically, socially and environmentally beneficial.

f) Recycling (O) New life for old buildings recycling what would usually be wasted or a neglected resource, and using the tax benefits from doing so would create opportunity.

C. Seven Trends in the Real Estate Industry

1. Green Buildings

Environmental friendliness and the green movement in the real estate industry has made a rise in importance over the past decade. The real estate sector plays a large role in the total U.S. energy consumption. In 2014, research showed that 25% of total U.S. energy consumption was in the residential sector and 20% was in the commercial sector (National Green Building Adoption Index). The Energy Information Agency predicts residential electricity consumption will further increase by 21% and commercial electricity consumption will increase by 27% between the years 2012 and 2040 (National Green Building Adoption Index). This large increase of energy consumption will have serious consequences including greenhouse gas emissions (National Green Building Adoption Index). Office buildings are an important center to focus on environmental and social issues because the sector places a significant role in water, waste, transportation, and workforce discussions.

CBRE has made it a priority to seek environmentally friendly assets with commercial buildings that are regulated by EPA's Energy Star program and the U.S. Green Building Council's LEED rating system (National Green Building Adoption Index). Not only is green Real Estate investment a local trend, but it too has turned into a globalized trend, creating some of the best opportunities for investors such as CBRE to have leverage in an emerging green

standards sector in developing economies (Nelson, Andrew J.). Real Estate developers such as CBRE are adopting green business practices world wide, because they are driven by the financial returns and the significant long term savings made possible by sustainable green designs (Nelson, Andrew J.). David Pogue, CBRE's global director of corporate responsibility says that "Green buildings are worth the investment because they yield longer economic life, lower energy costs, lower water costs, less waste, lower turnover of tenants, higher rents, improved leasing velocity, higher occupancy rates and more (Smith, Amanda)." CBRE has made one of its greenest moves, when they moved their headquarters to downtown and showcased a new certification program called the Well Building Standard, in hopes to attract and attain the best employees (Lawrence, Carol). Offices with boosted air quality, nontoxic paint, furniture, flooring, humidity controlled rooms, windows tinted to minimize heat while still allowing daylight to enter, purified water, circadian lighting system, and healthy snacks are all efforts to keep employees from getting sick, and keeping up with the green movement by minimizing energy costs through these practices (Lawrence, Carol).

2. The Clear Need for Brand Identity in the Real Estate Industry

Having a clear "brand identity" is important for real estate firms to navigate the rapid stream of capital (Top 10 CRE Trends for 2015). This is a trend that CBRE performs distinctively. CBRE is the real estate industry leader, with the most recognizable and powerful brand identity. CBRE built their reputation through their core values, "Respect, Integrity, Service, and Excellence" over decades. Since CBRE does not produce products, their interactions with customers is what earns CBRE such a positive reputation (Our Reputation and Brand). CBRE has an online magazine publication where the intellectual capital and institutional

knowledge that lives within CBRE is shared with the global business community with engaging, thought provoking articles about the industry (About Blueprint). They build brand identity through several outlets including their online publications. Repetition and consistency builds brand value, CBRE does an excellent job of effectively presenting this unified behavior.

3. Fixing Existing Infrastructure

Investment in infrastructure is among the world's leading growth drivers and is a strategic priority for countries worldwide (Global Listed Infrastructure). Characteristics that make the infrastructure sector attractive include the historically steady and predictable cash flow streams, the monopolistic investment positions driven by high barriers to entry, the demand that is generally uncorrelated to macroeconomic conditions and inflation protection (Global Listed Infrastructure). Every family, community, and business needs infrastructure to thrive, creating not only a trend but a serious consumer need to invest in improvement for modernization and sustainability of life (2013 Report Card for America's Infrastructure). Transit-oriented development, also known as TOD, is a community development mix use space of housing, office, retail, and other uses integrated into walkable neighborhoods (Fabiano, Giovanna). Transit-oriented developments are usually located within half a mile of quality public transportation (Fabiano, Giovanna). CBRE Researchers say there are a number of factors to convert to create TOD's (Fabiano, Giovanna). So far, there are four TOD's under construction in the world, in Australia, London, Hong Kong, and San Francisco. CBRE plans on increasing that number to help solve urgent development needs in major metropolitan cities (Fabiano, Giovanna).

4. Top Markets for Real Estate in 2015

The top 20 U.S. markets include: Austin, San Francisco, Houston, Denver, Dallas/Fort Worth, Los Angeles, Charlotte, Seattle, Boston, Raleigh, Atlanta, Orange County, Nashville, Manhattan, San Jose, Portland, Oakland/East Bay, Chicago, Miami, and San Diego (Burley, Peter). Office activity has been strong in the first half of 2014, with more than 77 million square feet under construction, and rent growth is positive across the United States (Burley, Peter). San Francisco, Austin, Seattle and Portland have shown job and population growth exceeding 4 percent, largely driven by the technology industry (Richardson, Aaron). CBRE has a presence in all of the top U.S. locations for the real estate market as they are the number one company in the United States, in commercial or multifamily investment properties (Richardson, Aaron).

5. A Budding Market for Industrial Real Estate

“The Demand for underutilized industrial commercial space in Denver, arguably the epicenter of the state’s Marijuana boom, has soared in recent years.” says an article by Blueprint presented by CBRE (Rosen, Daniel). The legalization of recreational use of Marijuana in Colorado, Oregon, Washington and Alaska has created a whole new market for industrial commercial real estate because maintaining supply requires plenty of space, taking account for at least 3.7 million square feet of occupied space (Rosen, Daniel). Lease rates for grow facilities have tripled that of traditional warehouse users. Additional to the need for large floor plans, grow operations require high wattage electricity for lighting to replicate the sun (Rosen, Daniel). Sustainable green standards that LEED requires, has an opportunity for growth, along with CBRE in the commercial real estate sector. Although there are real estate investors who are morally opposed to leasing out industrial space to marijuana-related business, it could offer opportunities for high capital returns on the growing market (Rosen, Daniel). CBRE may have

more opportunities with this sect in the next few years, as more states are moving in this direction of legality. CBRE seems to be interested in the idea, as they have done research and published articles on the trending subject.

6. Baby Boomers Retire & are Changing the Real Estate Game

8,000-10,000 baby boomers are reaching 65 on the daily the United States, and they are downsizing (Meehan, Mary). The economic hardship of 2008, did not allow boomers to save enough for retirement, and for most of them, their home is their biggest asset (Meehan, Mary). For baby boomers to continue to live comfortably in retirement, many of them need to sell their large homes to meet financial needs (Meehan, Mary). The way they are changing the residential real estate sector is that, there are not enough buyers to buy these large, now expensive homes. Gen Xers were hit the hardest by the economic downturn, and have the financial stress of growing kids, who cannot afford to purchase these houses (Meehan, Mary). As for Millennials, there is a 15.9% unemployment rate, and homeownership among 25-34 year olds has dropped more than any other age group since the economic recession (Meehan, Mary). Millennials are the drivers of the \$26 billion dollar economy, but bigger houses aren't what younger buyers want.

Today's retiring adults are very different from prior generations, as they do not seek the traditional retirement community as their parents and grandparents before them (Shenolikar, Sachin). They are now seeking for places that have quality healthcare, and opportunity for intellectual stimulation, easy access to amenities, and to lead an active lifestyle (Shenolikar, Sachin). Retirees want to live in an economy that provides them and their offspring with opportunities, entrepreneurial activities and community to volunteer in (Shenolikar, Sachin). Retirement communities need to be redesigned to adjust to integrate seniors with the younger

generations, as it would better cater to the modern senior. CBRE is currently taking advantage of this opportunity. In May 2015, CBRE announced the arrangement of a \$10.32 million investment for rehabilitation financing for a senior housing project with HUD for a 126 unit affordable senior housing apartment property in Seattle, WA (Fall, Annie Marie). CBRE continues to find opportunities to profit in the real estate industry from helping baby boomers transition into retirement.

7. The Hotel Boom & the AirBnb Market Disrupter

U.S. Hotels owned by the CBRE company achieved a 12.3 percent increase in net operating income in 2014, marking the fourth year in a row that the profit growth was an excess of 10 percent based on the 7,000 properties CBRE has invested in (Woodworth, Mark R.). The peer to peer market known as Airbnb, where locals put spare rooms or their entire homes for rent as a bed and breakfast establishing their own price, there has been an impact on hotel revenue by a rough 8-10% (Zervas, Georgios). Although Airbnb has a \$10 billion valued market share, it does not cater to the business travel segments and high end travelers that CBRE's investment hotels cater to (Zervas, Georgios). Although AirBnB shares the economy with Hotels, the profit growth of CBRE's investments in hotels proves to not be disrupted by this new market entrant.

D. Porter's 5 Forces

Rivalry-Low (O)

Rivalry for CBRE is low because buyer demand is growing rapidly. There is no other competitor that offers vast diverse primary and secondary services CBRE offers, which also differentiating them from competitors, and creating customer loyalty. Sales are concentrated among a few large sellers, CBRE being the largest in the world.

Buyers Power-Low (O)

Buyer bargaining power is low because switching to other companies that offer the same services is expensive or does not exist. CBRE's services are so differentiated from its competitors that has weakened the bargaining power of buyers. But what offsets the buyer's bargaining power to be high is that buyers are usually well informed about the quality and the costs of competitors.

Distributors Power-Low (O)

Ultimately, CBRE is the supplier of real estate commercial and residential investment. What they don't already own, they can easily acquire, or build new facilities. Bargaining power is weaker because the number of suppliers is large relative to the number of industry members.

Threat of Substitutes-Low (O)

Competitive pressures from substitutes are weaker because purchasing commercial property costs much more for the buyer. Another substitute is working from home, which is less professional and provides less opportunities for growth than would working from a commercial space.

Potential New Entrants-Low (O)

Entry barriers are high because the scale of market share CBRE has is extremely high and the numerous services they offer would take a start up company decades and billions of dollars to mimic creating high capital requirement. There are numerous experience based cost advantages that CBRE has. CBRE has strong network effects and brand image. Entry threats are high where existing industry members or other competitive companies are looking to expand their businesses

and market reach by entering service segments similar to CBRE and geographic location where they do not have a presence.

VII. Internal Environment

A. Corporate Structure

CBRE corporate structure is one of the new advanced and emerging organizational structures called the cellular organization. The cellular organization “is composed of cells (self-managing teams, autonomous business units, etc.) which can operate alone but which can interact with other cells to produce a more potent and competent business mechanism” (Wheelan 263). This model allows for independent units to operate within a larger interdependent unit. Cellular organizations allow for independent units to share clients and expertise within the larger organization. In addition, this structure allows units to respond faster to customers and provide unique or state-of-the-art products or service innovation.

Overall, the cellular model falls under the decentralized organizational structure spectrum. The advantages of this type of organization is that decision-making authority are put in the hands of units or departments closest to the situation. This structure empowers and motivates employees to take initiatives and generate new ideas because of the lack of extensive layers of management (**S**). Another advantage is that decentralized organizations have been shown to outperform centralized organizations because it combines the intellectual capital of all employees (**S**). A disadvantage is that top management may not be informed of specific events and occurrences, therefore they are not able to make an informed decision (**W**).

CBRE is one of the largest real estate holding companies in the world. It has multiple subsidiaries and services that operate throughout the world. According to CBRE'S Corporate

Guidance Guidelines “The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company” (“Corporate Guidance Guidelines”) (S). CBRE’s supports its employees and subsidiaries with training, technology, and access to other subsidiaries resources in order to create a multidimensional structure that quickens the decision making process. In addition, CBRE encourages employees to take initiatives to satisfy customers needs and generate ideas to improve the quality of services provided (S). CBRE’s ultimate goals to exceed customer’s needs and expectations (“Our Structure”). Most of CBRE’s are dependent or complimentary of each other so it necessary that each subsidiary are in communication with each other. However each subsidiary must act independently in order respond quickly and personalize its services to its specific customers and region in which it operates (S).

CBRE is structure is segmented by five sections: The Americas, EMEA (Europe, Middle East and Africa), Asia Pacific, Global Investment Management, and Development Services. Each segment has its individual CEO, COO, and Chairman and those officers to the overall CBRE corporate officers. The regional segments (Americas, EMEA, and Asia) are segmented as such to encompass all the subsidiaries that operate with that region that provide services including real estate advisory service, capital markets consultation, property valuation, property management, and project management. The Global Investment Management segment consists of any business services conducted by wholly owned subsidiary CB Richard Ellis Investors, L.L.C. and partners. The Development Services segment is any business conducted by wholly owned subsidiary Trammell Crow Company.

B. Corporate Culture

CBRE has well defined well-publicized values our R.I.S.E., respect, integrity, service, and excellence **(S)**. CBRE expects its employees and subsidiaries “treat everyone with dignity, value their contributions and help one another succeed, uphold the highest ethical standards in [their] business practices, dedicate [themselves] to making a meaningful impact on [their] clients and in [their] communities, [and] aspire to be the best in everything [they] do and strive for continuous improvement **(S)**” (Our Values).

CBRE’s Standard of Business Conduct is readily available on its websites and is an extensive framework in which employees to operate on a daily basis **(S)**. It includes conduct on employees in relation to each other, business partners, clients, competitors, resources, and the communities. Employees are expected to adhere to the company’s rules in every country in which it operates, even if it goes above and beyond the standard industry practices of a specific country **(S)**. If any subsidiary or international office wants to adjust the standards to operate within a specific region it must have the approval of the CEO and COO of the segment of which it operates within CBRE. Any outsourced vendors, agencies, and consultants must also operate according to CBRE standards (“Standards of Business Conduct”).

Employees are encouraged to speak with their supervisors, or a member of the Legal, Compliance or Human Resources Department for guidance and questions in which to operate ethically **(S)**. As part of their orientation, employees are explicitly told that they should have ethical conduct or report witnessing unethical conduct. If they do not employees are subject to disciplinary action, up to and including termination, and possibly legal consequences (“Standards of Business Conduct”).

In 2004, the Board of Directors initiated throughout the company the Ethics and Compliance Program, which is intended to reinforce the company's R.I.S.E. values **(S)**. The objectives of the program is mitigate the risk of potential compliance failures, minimize the consequences of compliance failures, identify and correct compliance deficiencies, and foster enterprise-wide ethics and compliance accountability. In order to meet the program's objectives the company has stressed rigorous training, implemented a whistleblower program, and stricter discipline for ethical violations. The program is administered to Chief Compliance Officer ("Standards of Business Conduct").

Operating in accordance to the law is of most importance for CBRE. The consequences are catastrophic for CBRE's business activities which include fines, sanctions, and loss of real estate licence.

CBRE strong emphasis on ethics as won it the 2014 and 2015 World's Most Ethical Company Award by the Ethisphere Institute, an independent center of research promoting best practices in corporate ethics and governance ("CBRE Group, Inc. Named a 2015 World's Most Ethical Company for Second Straight Year") **(S)**.

While ethics is the key characteristics of CBRE's corporate culture diversity and inclusion also plays a huge role. CBRE provides an environment that gives everyone an opportunity to succeed, values individual's strengths, and recognizes everybody's contribution to the firm's success **(S)**. CBRE also implemented several programs that are available to employees and subsidiaries: The Hispanic Network, the LGBT Network, the African American Network, and the Women's Network. All these programs are designed to generate opportunities for minorities through recruitment, retainment, and development **(S)**. The programs also act as a

support and outlet system to address issues to ensure that CBRE is meeting its needs. CBRE is nationally recognized as the best place to work at for diverse professionals **(S)** (“People and Culture”).

CBRE has excelled in maintaining an ethical and diverse environment, it also has a reputation of being very rigid. There are several career websites (i.e. Glassdoor and Indeed) that past or current employees can post comments about their experience at a company. The overall consensus of CBRE’s culture is positive but there are a few negative comments claiming CBRE is “stuffy and button-up” and “employees have limited time to have a social life.” **(W)**. These comments may have merit but people who have strong negative experiences are more likely to post online than people with strong positive experiences or neutral experiences.

C. Corporate Resources

1. Marketing

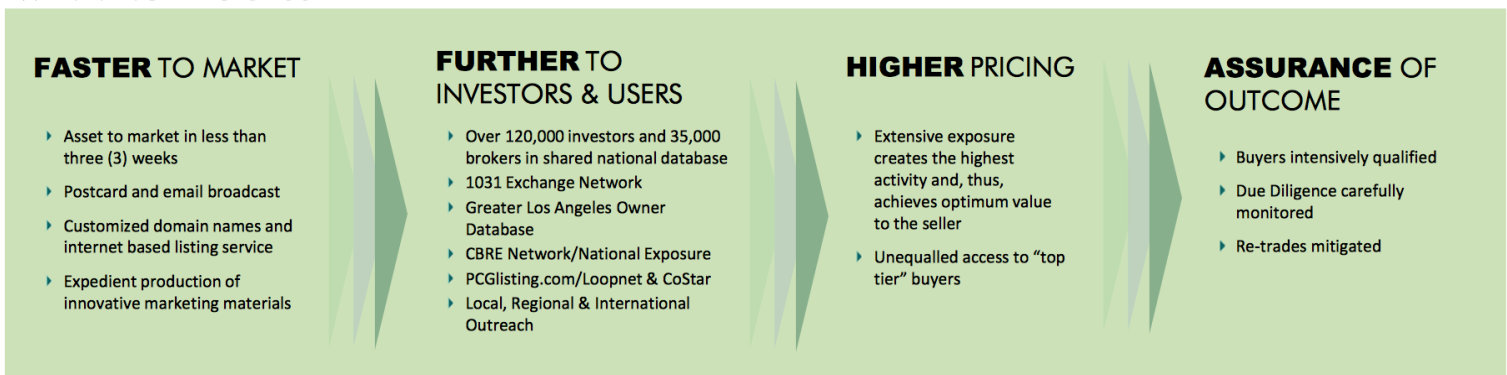
CBRE’s target market is other businesses, not mass consumers, therefore it has to market itself to businesses. Unlike mass consumer marketing, CBRE does not use flashy or trendy marketing programs to attract businesses. Instead CBRE attracts and retains clients by developing one-on-one approaches (i.e. meetings and networking). CBRE is currently increasing its social media presence (i.e. LinkedIn) to connect with businesses and professionals **(S)**. Also CBRE is releasing many press releases in order for finance and real estate publications to write articles about the company, therefore gaining attention of businesses looking to invest in real estate or in need of property management firm.

CBRE’s marketing mix includes a process in which allows them to stay far ahead of competitors in their industry **(S)**. Their product would be the many services that CBRE offers to

their client in which they go above and beyond to create the highest value for each client.

CBRE's place stands globally to ensure the satisfaction of investors and clients. Promotion was mentioned slightly in the previous section, however, CBRE places their services through postcards, email, and different media outlets and ensure they get out to the market in a speedy time to make certain that they obtain a higher turnover. Lastly, their pricing strategy targets "top tier" buyers, thus, ensuring optimum value to both buyer and seller (S). The illustration below clarifies the marketing mix in order of promotion, place, price, and product or service:

WINNING PROCESS



Brand and Corporate Reputation

CBRE creates a tremendous amount of value to their customers through their top notch services as well as their marketing and media outlet, which has created a strong corporate reputation and global brand for CBRE (S). They are the industry leader, and CBRE is the most recognizable and powerful brand in the real estate services industry. They gained this position through a relentless focus on serving the clients' interests and maintaining their RISE values - Respect, Integrity, Service and Excellence. CBRE built their reputation for RISE over decades, but recognize that a reputation can be weakened or destroyed by just one action of one employee. Although CBRE doesn't produce products, all of their interactions and services together

represent their work and their brand. CBRE strives in all of their work and interactions on behalf of CBRE to protect the reputation of the brand. Their top leaders within the company must ensure that nothing they do at work or in their personal lives will adversely impact the brand.

The brand CBRE and the logo that represents it are trademarks that are registered and recognized around the world (S). They have set out specific guidelines for the use of the marks globally, including specific color palettes, fonts and other attributes that make the marks immediately recognizable throughout the world. CBRE must follow these standards and take all appropriate steps to protect the brand and marks. In addition, all publications, materials, databases and other programs developed by or for CBRE are intellectual property belonging to CBRE. Employees are required to acknowledge that these valuable creations belong to CBRE. Similar to desks, printers and office supplies, employees may not take intellectual property at the end of their employment(CBRE Reputation and Brand).

Corporate, Social, and Environmental Responsibility

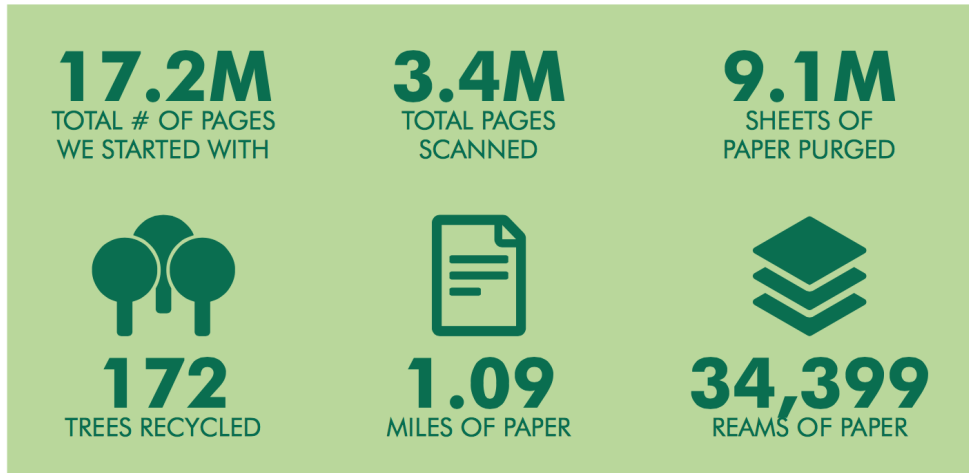
Corporate Responsibility is at the heart of CBRE's business practices. CBRE aspires to be recognized equally for their commitment to responsible business as well as for the quality of their commercial real estate services (S). CBRE is committed to integrating responsible and sustainable business practices across their global operations. The corporate responsibility program includes: governance, health and safety, environmental sustainability, people and culture, ethics and compliance, procurement, and communities and giving.

CBRE make it their policy to do the right thing and to act responsibly in their day-to-day relationships with their customers, suppliers, employees, communities and all stakeholders (S). They focus their attention on the areas where they can make the greatest impact, which is helping

reduce the impact of the built environment on climate change, using their talent, energy and resources to improve the quality of the communities in which they operate as well as the lives of others; and helping their people to reach their full potential while providing a safe and ethical workplace. Their responsible business practices are an essential element for their brand and fundamental to their “RISE” values of Respect, Integrity, Service and Excellence. CBRE is consistently evaluating their progress, their corporate responsibility strategy is backed by tangible commitments and their performance is evaluated annually and assessed against external reporting standards.

In 2014, CBRE continued their policy commitment to locate at least 70% of their corporate facilities over 20,000 square feet in space or buildings with recognized green building standards by 2017 **(S)**. CBRE has built on global standards to deliver a regionally tailored policy for how CBRE manages their own premises. The policy details the minimum standards that CBRE tenancies should follow. They have set goals, actions and targets against areas such as energy, waste, water, office supplies and suppliers, and indoor air quality. The aim is for all tenancies entering a new lease agreement or renewal of lease to meet these targets by 2015.

Another initiative that CBRE is taking towards becoming more environmentally responsible is by digitizing all files rather than using paper. Reducing file storage requirements is a critical component of CBRE’s efficient environment strategy **(S)**. In 2014, eight U.S. CBRE offices adopted a digitization initiative in which existing paper files were scanned and recycled. Initiative outcomes are captured as follows **(S)**:



Along with their digitization initiative, CBRE has created sustainable office operations standards which consist of a recycling program that includes paper and aluminum, purchase of all green office supplies, optimizing efficiency for all printing, copying, scanning and mailing functions. Other office operations include electronic marketing materials, turning off office lights and equipment when not in use, eliminating the purchase/use of plastic, paper, styrofoam utensils, and bottled water. CBRE employ green cleaning practices along with properly disposing of any electronic office equipment and batteries. Lastly, they actively participate in the local market Green Task Force and national Eco Knight program (CBRE Corporate Responsibility Report). (S)

According to CBRE's Environmental Responsibility Report, some awards CBRE has earned due to their efforts of being environmentally and socially responsible include being recognized for its climate-change disclosure transparency through inclusion in Climate Disclosure Leadership Index 2013. CBRE was also ranked no. 102 in its 2014 Green Rankings, a list which measures the environmental performance of the 500 largest U.S.-based publicly traded companies. Along with many more prestigious award earnings for being environmentally

friendly and sustainable, CBRE was also ranked no. 3 in International Association of Outsourcing Professionals among outsourcing companies (all industries) and no. 1 in real estate occupier outsourcing for five consecutive years. Our analysis of their outstanding awards proves that CBRE takes pride in their work as well as the communities they serve in globally.

2. Finance

	2012	2013	2014	Industry
Current Ratio	1.19	1.11	1.23	1.34
Gross Profit Ratio	42.52%	41.75%	38.01%	24.57%
Net Profit Ratio	4.84%	4.41%	5.35%	3.61%
ROI	4.04%	4.52%	6.34%	0.09%
Days of Inventory	-	-	-	-
Average Collection Period	142.03	104.48	99.26	
Debt-to-Asset	45.16%	33.69%	31.14%	78%
Return on Equity	20.5%	16.7%	21.4%	23.05%
Time Interest Earned	4.20	4.46	6.56	7.1

Current Ratio (W)

Compared with the industry over the last year, CBRE has a lower current ratio than the industry average of 1.34. CBRE is less liquid than its competitors for multiple reasons. Our client currently has approximately \$1.23 for every \$1 in liabilities. The total current assets increased from 2013 to 2014 by nearly \$700 million. The total current liabilities also increased slightly by less than \$270 million due to raising cost associated with acquisitions, which has a negative impact on current ratio. Some of these liabilities also include loans or expenses to employees other than the executive officers. The majority of these loans represent sign-on and retention bonuses issued or assumed in connection with acquisitions and prepaid commissions as well as

prepaid retention and recruitment awards issued to employees. These expenses also include the purchase of general liability and automotive insurance through an unrelated insurance carrier for all employees. As of December 31, 2014 and 2013, clients reserves for claims under these insurance programs were \$73.2 million and \$65.7 million, which were included in other current and other long-term liabilities in the balance sheets. Of these amounts, \$2.0 million and \$2.2 million, represented estimated current liabilities as of December 31, 2014 and 2013. Also, liabilities related to real estate and other assets held for sale have been included within other current liabilities in the balance sheets.

Gross Profit Ratio (S)

Overall, CBRE's gross profit ratios have been slowing down in growth. In 2012 CBRE's gross profit ratio was 42.52%, in 2013 it was 41.75%, and 38.01% in 2014. However CBRE's gross profit ratios are well above the industry standard of 24.5%. CBRE's has experienced revenue growth by the billions but as sales grow as so do costs. Also CBRE leasing and sales commissions have generally increased.

From the 2012 to 2013 gross profit decreased from 42.52% to 41.75%. The reason why gross profit margins decreased in growth is because revenues increased by 10% while costs of services increased 11.9%. This increase was primarily driven by higher worldwide sales, property, facilities and project management, and leasing activity. Revenue growth slowed despite the increase of activity because of negative foreign currency translation to the tune of \$73.4 million. This increase was primarily due to higher costs associated with global property and facilities management businesses and commissions.

Between 2013 to 2014 the company has a 26% growth in sales and a 33.9% increase in costs of services that year. Revenue growth slowed despite of increase in activity because of negative foreign currency translation to the tune of \$53.5 million. This increase was primarily due to higher costs associated with global property and facilities management businesses and commissions.

Net Profit Ratio (S)

Overall, CBRE's net profit ratios have been has had increase in growth from 2012 net profit ratio of 4.84%, to 4.41% in 2013, and 5.35% in 2014. Fortunately, CBRE's net profit ratios are slightly above the industry standard of 3.61%.

Between 2012 to 2013 net profit decreased 4.84% to 4.41%. Operating, administrative, and other expenses increased during this frame of time due to strategic investments (i.e. acquisitions) including increased headcount, as well as higher insurance, legal, consulting, marketing and travel costs. This increase in operating expenses was offset by a 17% drop in interest expenses. Interest expenses lowered because of major refinancing, mainly deferment on loans. Tax expenses increased as well by \$1.9 million due to higher pre-tax income.

Between 2013 to 2014 net profit rose 4.41% to 5.35%. Operating, administrative, and other expenses increased during this period because of costs of the Norland acquisition, and added payroll expenses. This increase in operating expenses was offset by the decrease in interest expenses of 17.1% or \$23 million due refinancing activities which lowered interest rates on outstanding loans from 6.625% to 5.25% . However, CBRE paid more taxes in 2014 than in 2013 by \$76 million because of higher pre-tax income.

Return on Investment (S)

CBRE's has demonstrated steady growth over the last three years. CBRE is outperforming over industry median of 0.09% by having an ROI of 4.84% in 2012, 4.52% in 2013, and 6.34% in 2014. CBRE has been able to efficiently use of its assets, refinancing its debts, and high net income compared to its industry has led to CBRE having high return on investment for stockholders. Corporate Officers and Top Managers are effectively leveraging assets to generate revenue than its competitors in the industry. A specific top leader who is highly effective and influential is Bob Sulentic. He is the current CBRE President and CEO, he is on the board of directors, is the former CFO, is the former President of Development Services, and served on the Trammell Board of Directors before it was acquired from CBRE. Since becoming President and CEO of CBRE in 2012 the company's return on investment has grew by 30%. One key acquisition that he was heavily involved in was the Norland Acquisition, which closed in 2013 and has greatly improved the EMEA's and the company's overall revenue.

Average Collection Period (S)

CBRE has lowered their average collection period considerably over the last three years, where in 2012 the average collection period was 142.03 and in 2014 the period was 99.26 days. CBRE has made significant changes in the last three years to go below the industry average of 117.41 days. Overall, the company has implemented stricter policies, strategic client selection, and overall health in the economy. CBRE's improved average collection period has allowed them to be more liquid than its competitors by being able to get access to cash in a faster time frame.

Debt-to-Asset (S)

The debt to assets ratio indicates the proportion of our company's assets that are being financed with debt, rather than equity. Our client's current debt-to-asset ratio in 2014 decreased

by more than 2% since 2013 and also decreased by nearly 12% from 2012 and is still doing far better than the industry average of 78%. Although a considerable portion of their assets are being funded with debt, their ratio indicates that their debt is decreasing with time. This ratio decreasing implicates that our client is financing more of their assets with cash, capital or shareholders equity rather than debt. However, through our analysis we realized due to CBRE's low current ratio, there is not enough excess cash or capital to finance their assets, which indicates they finance their assets using a different source. Most of their competitors in the industry are financing over 75% of their assets with debt while CBRE is managing to keep under 32% of their assets financed with debt. A significant component of our clients growth has occurred through acquisitions, including their acquisition of Norland in 2013. Through such acquisitions, our client may incur significant additional debt from time to time to finance these acquisitions, subject to the restrictions and conditions contained in their documents. If our client incurs additional debt, the risks associated with their leverage, including their ability to service their existing debt, would increase. Acquisitions involve risks that business is willing to take. Future acquisitions and any necessary related financings also may involve significant transaction-related expenses, which include severance, lease termination, transaction and deferred financing costs, among others.

An important part of the strategy for our client's Global Investment Management business involves co-investing their capital in certain real estate investments with our clients, and there is an inherent risk of loss of their investments. As of December 31, 2014, our client committed \$19 million to fund future co-investments in their Global Investment Management business, \$12.7 million of which is expected to be funded during 2015 (10k Annual Report). In

addition, some of the co-investment entities may request additional capital from our client and their subsidiaries holding investments in those assets which incurs more debt. Participating as a co-investor is an important part of CBRE's Global Investment Management business, which might suffer if they're unable to make these investments. Although their debt contains restrictions that limit their ability to provide capital to the entities holding direct or indirect interests in co-investments, they may provide this capital in many instances in further support of the co-investment.

CBRE is leveraged and have debt service obligations. As of December 31, 2014, their total debt, excluding notes payable on real estate, and warehouse lines of credit, was approximately \$1.9 billion. For the year ended December 31, 2014, their interest expense was approximately \$112.0 million. On January 9, 2015, CBRE entered into an amended and restated credit agreement, which replaced their prior credit agreement. The amended and restated credit agreement provides for a \$2.6 billion revolving credit facility and a \$500 million tranche A term loan facility, with the term facility fully drawn on the closing date of the new facility(10k Annual Report).

Due to the many acquisitions and investments, our client cannot be certain that their earnings will be sufficient to allow them to pay principal and interest on their debt and meet their other obligations, as shown in their current ratio. If CBRE does not have sufficient earnings, they may be required to seek to refinance all or part of their existing debt, sell assets, borrow more money or sell more securities, which may affect their stock price as well as their amounts of debt.

Return On Equity (W)

This profitability ratio measures CBRE's ability to generate profits from its shareholders investments in the company. Based on shareholders investment, CBRE is generating about \$0.21 for every \$1.00 being invested. This return is fairly low, especially from the point of view of investors. Although CBRE's ROE ratio indicates that they are inefficiently using money from shareholders to generate profits, we would argue that our client's financial statements show a fairly low net income due to risk from acquisitions. Most of CBRE's expenses, liabilities, and risks are due to the extensive amount of acquisitions made in one fiscal year. Therefore, although the ratio indicates low numbers, shareholders investments are being used efficiently to grow the company through M&A.

Time Interest Earned (W)

Higher value of times interest earned ratio is favorable to CBRE meaning greater ability of their business to repay its interest and debt. CBRE's times interest earned ratio increased by nearly 2.36 from 2012 to 2014, however slightly lower than the industry average of 7.1. CBRE has seven times more EBIT and six times more interest expense than the industry average which would explain the slightly lower ratio for their times interest earned. Although the slightly lower ratio is nothing to be concerned with, CBRE is leveraged and have debt service obligations. As of December 31, 2014, their total debt, excluding notes payable on real estate and warehouse lines of credit, was approximately \$1.9 billion. For the year ended December 31, 2014, their interest expense was approximately \$112.0 million. Some of their loans which include loans for employees bear interest at rates up to 5.06% per annum and mature on various dates through 2021. Also, their interest expense could increase if interest rates increase because the loans under their credit agreement mentioned above generally bear interest at floating rates.

3. Research and Development

CBRE Research sets the world standard for local market commercial real estate research by providing clients with accurate, insightful and current market knowledge, developed using a consistent methodology across all localities. CBRE Research is an integrated community of outstanding researchers who provide only the best real estate market research, econometric forecasting as well as corporate and public sector strategies to investors and occupiers around the globe (S). CBRE research is run locally, organized regionally and coordinated globally (S). Real estate is inherently a local business, and they fully recognize that detailed local market knowledge, and an understanding of the differences between individual markets, is critical in supporting their clients. With more than 500 professionals in over 40 countries, CBRE research integrates macro analytics with local intelligence and has a proven track record with transparent methodology and sophisticated quantitative analytics(CBRE About Research) (S).

ERIX is CBRE Research's proprietary global application that records complete comparable property market data for over 200 global cities, updated on a quarterly basis. The system provides individual city and cross market reporting. This system allows local data from multiple markets to be assembled into a single global database quickly and efficiently. Local currency and floor space measurements from around the world are systematically converted into globally standardized metrics to allow for international comparison and analysis, while local knowledge, expertise and data are condensed into a consistent, accessible set of relevant real estate market information.

CBRE's rigorous approach to modeling and forecasting, combined with the transactional knowledge and local market expertise of local research professionals, underscores an unmatched

research platform for providing directional advice, insightful decision-making and, ultimately, better client outcomes. CBRE Econometric Advisors' flagship Outlook product provides a consistent modeling approach for forecasting key market variables at the submarket level for both space and capital markets fundamentals (S).

The Global Research Gateway brings together CBRE's collective global research intelligence onto a single platform, providing the clients with easy access to CBRE's most current thought leadership and insights across all geographies and sectors (S).

CBRE's research is objective and impartial. They prepare and issue real estate market and investment research relied upon by many institutional real estate investors to allocate their resources and investments. Due to the intense research required, it is critical that all research produced by CBRE be objective, impartial, fair and not misleading. CBRE has implemented policies and procedures to identify, disclose and manage conflicts of interest that may arise in the preparation and distribution of their research and to ensure that their researchers are not subject (S) to influence by any real estate professional who might have a stake, however indirect, in their findings.

4. Operations and Logistics

CBRE is structure is segmented by five sections: The Americas, EMEA (Europe, Middle East and Africa), Asia Pacific, Global Investment Management, and Development Services. Each segment is comprised of subsidiaries that operate within the region, with the exception of the Global Investment Management segment consists of any business services conducted by wholly owned subsidiary CB Richard Ellis Investors, L.L.C. and partners and the Development Services segment is any business conducted by wholly owned subsidiary Trammell Crow

Company. Based on the corporate structure, CBRE's subsidiaries operate independently with supervision of the segment's chief officers and are able to act interdependently with other subsidiaries owned by CBRE. There are a number of unique operations within each business unit that includes the design phase, the operation phase, and the disposition phase **(S)**.

CBRE operates capabilities allows the company to operate successfully on an international level because of the decentralized structure in which global subsidiaries operate in **(S)**.

5. Human Resource Management

CBRE'S offers employees a wide range of benefits including health insurance, dental insurance, 401 K plan, parent leave, option to work from home, and vacation days, sick days, and paid holidays **(S)**. CBRE has implemented "The Wheel Program" which is intended to recruit and train graduates at both the bachelor and masters level **(S)**.

CBRE Group, Inc. announced today that it has been recognized for the second year in a row as one of the Achievers 50 Most Engaged Workplaces™ in North America **(S)**. According to Jennifer Ashley, Global Director of Human Resources "CBRE has an environment where [their] employees are engaged and productive every day, whether it's creating workplace environments that promote creativity and collaboration, providing professional development opportunities that allow them to stretch their minds and skill sets, or integrating wellness programs into our work environment to encourage a healthy work/life balance. **(S)**"

Recently, CBRE has renovated its headquarters in Los Angeles as part of its employee engagement initiative **(S)**. The offices are have a boosted air quality by using filtration system, nontoxic furniture, paint, floors, and cleaning chemical that reduce allergens; and humidity

controls to keep the environment comfortable (S). The offices also include tinted windows to minimize heat but allowing sunlight to enter, circadian lighting systems, CBRE has eliminated unhealthy drinks and snacks as part of an overall employee health initiative. CBRE justifies this renovation and health initiatives because it reduces costs in the long-term. The company theorizes if companies are more healthy it will reduce the number of sick days leave. A survey taken by about 250 employees resulted with 83% of them claiming they felt more productive and 92% claiming they felt the renovation had a positive impact of their health (Lawerence). CBRE allocated resources to its offices in order to recruit and retain the best professionals and to reduce the costs that are associated with unhealthy and unhappy employees.

6. Information Technology

With continued exponential growth in the technology and media sectors, CBRE is expanding across the U.S. and the globe. Access to top talent is a core tenet of that growth(S). Increased competition and sophistication within technology and media requires a commercial real estate solution consistent with the unique opportunities and challenges that their client faces. CBRE's Technology & Media Practice comprises a team of industry-leading commercial real estate advisors who are passionate about technology. CBRE understands that their client's real estate strategy involves many moving parts and high-stake decisions. CBRE focuses on "triple bottom line" success, by exceeding their clients operational, financial and cultural objectives in every decision.

An IT system used that was mentioned in research and development is their exclusive system - ERIX. ERIX is CBRE Research's proprietary global application that records complete comparable property market data for over 200 global cities, updated on a quarterly basis (S). The

system provides individual city and cross market reporting. This system allows local data from multiple markets to be assembled into a single global database quickly and efficiently. Local currency and floor space measurements from around the world are systematically converted into globally standardized metrics to allow for international comparison and analysis, while local knowledge, expertise and data are condensed into a consistent, accessible set of relevant real estate market information.

Along with ERIX, CBRE also utilizes the IT program known as Sequentra. Sequentra is a cloud-based solution platform providing an integrated corporate real estate system for managing properties, transactions, projects, occupancy, and space management functions. Sequentra provides a full spectrum of features to manage from an integrated real estate perspective. This program is all web based and internet accessible. With Sequentra information management technology, CBRE has an ideal, cost-effective tool for managing information and processes. Sequentra gives multiple groups a way to collaborate and share data in real-time from a single, fully configurable, web-based interface. Plus, it doesn't require any software to be loaded locally. It allows CBRE to manage files through cloud computing from anywhere around the world in order to maintain highest efficiency and consistency.

CBRE has a confidential information policy has effective procedures in place to protect confidential information entrusted to CBRE and to control the flow of such information within the firm. CBRE has a great deal of information about their clients in which they trust in CBRE and their brand which is weighed heavily on CBRE's ongoing success. Earning and maintaining that trust requires that they handle others' confidential information at least as carefully as they would their own. In addition, acceptance of client confidential information creates a legal

responsibility on CBRE's part to protect it and mishandling it could have severe consequences. For these reasons, they have adopted a policy that all non-public information obtained from a client or potential client shall be treated as confidential and shall not be shared outside CBRE unless explicitly permitted by the terms of a confidentiality agreement or required by the terms of a transaction or relevant law or regulation. They have designed IT systems to reinforce this policy in the reality of a 21st century where most information is communicated digitally.

In regards to other systems, CBRE has a strict policy and agreements regarding confidentiality about information and information systems within the firm. This policy prohibits the flow of information within the firm. An "information barrier" is a set of procedures designed to segregate information and prevent the communication of that information by personnel in one part of CBRE's business with employees in another part of CBRE. These procedures not only make the transfer of information less likely but can also reduce the appearance of conflicts of interest.

VIII. Strategic Issues

A. SWOT Analysis

Strengths

- CBRE offers diverse and differentiated services that go hand in hand with each other that competitors do not offer to this extent.
- Many of CBRE's secondary activities really support the whole structure of the business.
- Some of the financial ratios are grossly above the industry average such as the ROI at 5%, gross profit margin at the average of 20% above industry average.

Weaknesses

- Decentralized organization makes it difficult for top management to make decisions.
- Current ratio is below the industry average, as well as time interest earned ratio.
- Employees are not fully satisfied with corporate culture which creates an imbalance between work and personal life.
- CBRE Global Investment Partners revenue has decreased by 26% in the last quarter.

Opportunities

- Develop more green movement in existing infrastructure.
- Continue to develop sustainable new developments, both commercial and residential.
- Further capitalizing on baby boomer generation in several ways.
- Environmental protection laws

Threats

- Government regulation
- Trends to be caught on by competitors and taken advantage by them first or done better.
- Close competitors try to mimic the primary and secondary activities of CBRE

CBRE seems to be capitalizing on baby boomer real estate opportunities, and they should continue doing so. There is huge demand for creating senior communities with a more modern take and integrated convenience. Boomers want to pay off their mortgage, lower their home expenses, they want less maintenance, and less work and worry (Sightings, Tom). Boomers want modern appliances, energy efficient windows and doors, one floor housing, and walkable neighborhoods (Sightings, Tom). Geriatric designs integrated into new developments or remodels for senior housing is crucial. Boomers differentiate from previous generations because they want to remain on their own, they're more independent and want to stay that way as long as

they can. Only 10% of baby boomers want to move to an age-restricted community (Sightings, Tom). Baby boomers want to be close to family and friends and when they need extended care, they prefer to get the services at home. The reality is, baby boomers have the buying power and are willing to pay for conveniences. The baby boomers consist of 78 million Americans, and the long term effect is that the retired population will continue growing. Gen Xers and millennials are an even bigger population, so it would be jump starting a long term trend to focus on this market.

CBRE is already on the green movement train, and have proved to increase revenue and save on costs of energy, but they need to invest more in existing infrastructure and upgrading it to be more environmentally friendly, and use alternative energy sources when possible. If it's possible to have clean energy options such as solar, geothermal, wind power and other renewable options incorporated even from a distance, but used at their facilities, it could make the biggest difference with reducing carbon emissions and saving money on energy in the long run.

1. *Review of Mission*

CBRE's mission is to deliver consistently superior results by always putting the client first, bringing the best talent to every assignment, collaborating across markets and service lines, capitalizing on the debt of their market information and insight. The current mission is appropriate to what they produce and how they strategically conduct business.

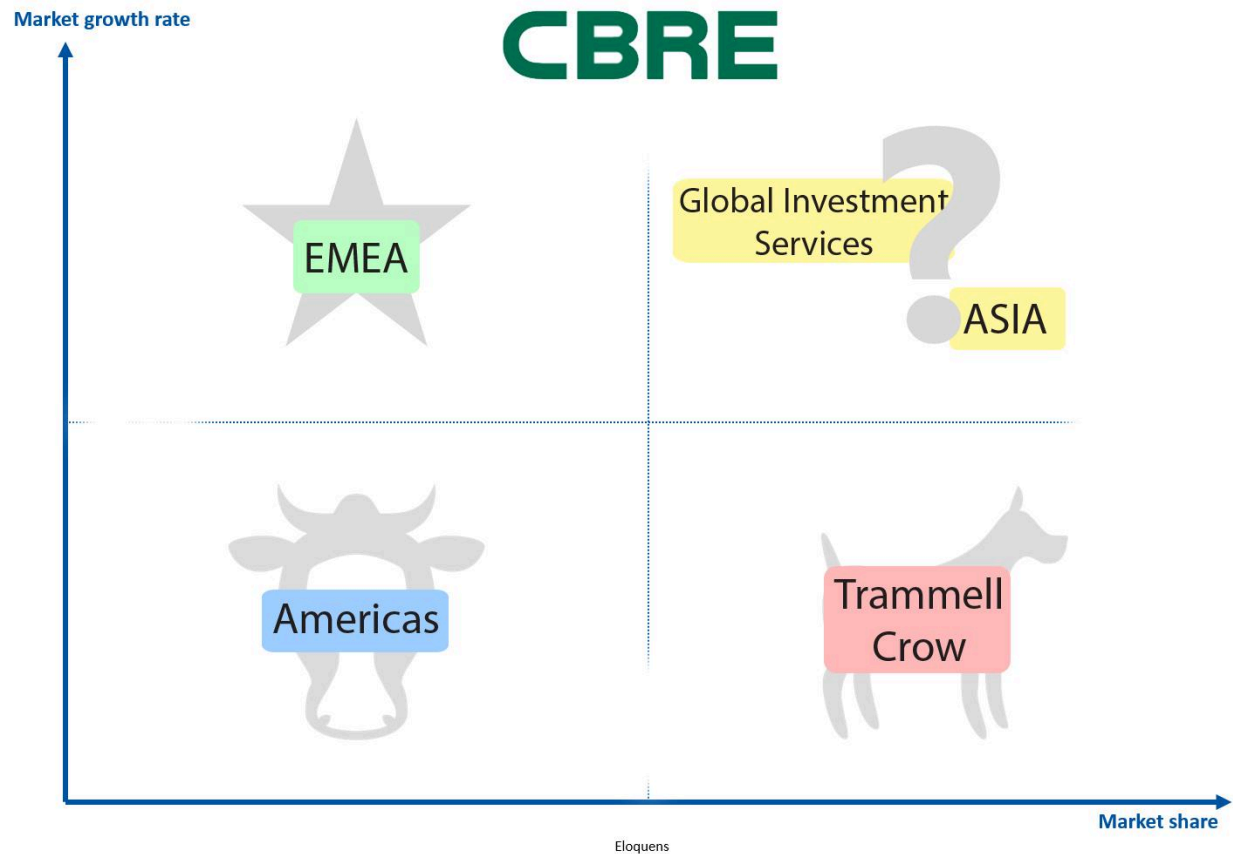
Review of Objectives

- Increase revenue from large clients
- Capitalize on cross-selling opportunities
- Continue to grow our investment management business

-Focus on operating efficiency

All objectives focus on growth and are crucial to increasing revenue.

IX. Recommended Directional Corporate Strategy



Recommended Corporate Strategy: Divest Development Services (Trammell Crow)

CB Richard Ellis's current generic strategy is broad differentiation due to their high amount of services offered at a premium price. The company currently holds a 37% market share in the commercial real estate industry.

CBRE offers their clients services based on the company's core competency of credible real estate advice and experience. Our recommended directional corporate strategy is divesting the Development Services segment due to its low contributing margin and decrease in growth.

The segment is not in alignment with CBRE's business model creating higher risk of convoluting the real estate group's core competency.

We reviewed their historical performance for the last five years. The segments contribution margin for this segment has been less than 1% of total revenue. CBRE hasn't had a significant growth in the past five years and their revenue in the specific development division dropped 32% from 2011 to 2012. Divesting development services will create greater opportunity to increase revenue in their Global Investment Management segment, which is currently generating the least amount of revenues. In addition to the divestiture of Trammell Crow, we recommend that CBRE continue to use the BCG matrix to evaluate and manage the performance of their business segments with a three year timeline for improved performance for "question marks" and "dogs".

Based on the BCG Growth-Share Matrix CBRE development services falls under the "dog" section, this means that they have low market share, and do not have the potential to bring much cash to the company. " According to the BCG Growth-Share Matrix, dogs should be either sold off or managed carefully for the small amount of cash they generate" (Wheelen, Hunger, Hoffman, Bamford pg. 202). Divesting CBRE's development services it will create more more growth opportunity for the Global Investment Management segment.

The Global Investment Management segment was labeled under the questionable business operation because it is relatively new and requires capital to finance operations. The segment has also shown questionable results. We don't recommend divesting until two financial quarters. The ASIA segment is also new and requires significant capital. The current situation with the Chinese Yuan also raises awareness to Asia's questionable market. CBRE needs to

reassess the BCG Matrix after six months to see where these question mark business operations are placed.

CBRE's previous growth strategy was horizontal growth. Recent activity suggests they have accomplished their goals however, this has resulted in an increase of liabilities contributing to a lower current ratio compared to the industry standard. We recommend the company use a two year pause strategy in M&A. This will allow the company to organize the infrastructure and increase performance for the shareholder's equity.

X. Strategy Implementation

The real estate mogul firm has significant financial risks especially with the devaluing of the Yuen. It is crucial CBRE monitor foreign exchange risk as well as the divestiture Trammell Crow within three months.

CBRE has already addressed the foreign exchange issue by establishing a treasury management department to monitor and prevent risk for FX trading. The company has recently proceeded in a future exchange contract for foreign currencies protecting the company from future fluctuations in foreign currencies.

The treasury management team will receive an incentives program to raise revenue from foreign exchange price gains. The incentives include commissions and interests on the transactions. CBRE already performs interest rate swaps skimming profit from the currency exchange rates. CBRE does not need more attention on foreign exchange so we will focus on the divestiture of Trammell Crow.

a. Program

Program: Divestiture of Trammell Crow

Divest Trammell Crow due to the development segments five year performance. The capital retained from the sale will be contributed to the sustainability initiatives CBRE practices as well as current operations in the Global Investment Management Services segment. The program will take three months to complete. The three months will allow for significant preparation of financial data, goodwill evaluation, recruiting of a corporate development team, and carve-out financial statements.

b. Budget

During the divestiture program, it is important to keep the three crucial variables low: timing, price and ease. Countless documents will be analysed and reported along with contracts between participating stakeholders. Fortunately, CB Richard Ellis's previous experiences with M&A helps reduce the costs of implementing the Trammell Crow program significantly. The program will take three months to complete and require a budget of \$100,000.

Budget Cost	\$100,000
Corporate Development Team	\$68,000
Administrative	\$14,000
Brokerage Commission	\$18,000

c. Policies and procedures

CBRE has performed dozens of mergers and acquisitions giving the company experience and policy programs already installed. In order to successfully divest Trammell Crow in a timely manner, we will need to recruit members to form a team for the divestiture program. The COO of the America's Board of Directors would lead the team for strategy implementation. He along with executive members the person selects from Trammell Crow will prepare documents and data analysis. The corporate development team and the business brokerage firm will exchange data and the required resources to formulate a profitable divestiture or sell of the development company.

XI. Evaluation and Control

The Divestiture Program of the Development Services (aka Trammell Crow) needs to be monitored to ensure stability. The Recommended Evaluation Metric that CBRE uses in evaluating the strategy is for monitoring and assessing the return on investment and accounting based costing. Currently CBRE's 2014 annual return on investment was 6.34%, if this strategy was implemented we would want to see over the course of strategy implementation an increase to at least 7%. Activity Based Costing needs to be performed on the Divestiture Program to understand Trammell Crow's operating performance at an in depth internal level. This technique is useful because it provides a value-chain analysis of firm's activities for making outsourcing decisions. The output controls that will be used to ensure that divestiture is the proper course of action is to see if outsourcing development activities generates revenue and lowers costs. An input control that will be used is reviewing the financial changes and standing on the BCG

Matrix of the Global Investment Management Services segment along with the Asia Pacific segment. This control is useful to analyze whether or not the resources allocated from Development Services to the other segments has had a positive or negative impact.

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