

FINAL TRANSCRIPT

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CBG - Q1 2008 CB Richard Ellis Group, Inc. Earnings Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the CB RE first quarter 2008 earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded.

I'd now like to turn the conference over to your host, Senior Vice President of investor relations, Mr. Nick.Kormeluk. Please go ahead.

Nick Kormeluk - CB Richard Ellis Group, Inc. - SVP of IR

Thank you and welcome to CB Richard Ellis' first quarter 2008 earnings conference call. Last night, we issued a press release announcing our financial results. This release is available on the homepage of our website, at www.cbre.com. This conference call is being webcast live and is available on the investor relations section of our website. Also available is a presentation slide deck, which you can use to follow along with our prepared remarks. An archived audio of the webcast, a transcript and a PDF version of the slide presentation will be posted on the website later today.

Please turn to the slide labeled forward-looking statements. Our presentation today contain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our growth momentum in 2008, future operations, future expenses and future financial performance. These statements should be considered as estimates only and actual results may ultimately differ from these estimates. These forward-looking statements reflect the information

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we have on the day of this conference call and except to the extent required by applicable securities laws, CB Richard Ellis Group undertakes no obligation to update or publicly revise any of these forward-looking statements that we make today.

For a more detailed discussion of these forward-looking statements and other factors that could cause results to differ, please refer to our first quarter earnings press release dated April 29, 2008, on Form 8-K and on our annual report on Form 10-K, which are filed with the SEC and available at the SEC's website at www.sec.gov. We may make certain statements during the course of this presentation that include references to non-GAAP financial measures as defined by SEC regulations. As required by these regulations we have provided reconciliations of these measures to what we believe are the most directly comparable GAAP measures, which are included in the appendix of today's presentation.

Please turn to slide three. Our management team members participating today include Brett White, our President and Chief Executive Officer; Ken Kay, our Senior Executive Vice President and Chief Financial Officer; and Bill Concannon, Vice Chairman of our Global Corporate Services division.

I would now like to turn the call over to Brett.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Thanks, Nick. Please turn to slide 4. It is clear that our long-term strategy of diversifying across geographies and service lines shielded us from the full effects of the downturn in Q1 and allowed us to post a modest increase in first quarter revenue, which was also better than our internal expectations. Negative factors for the quarter against our expectations were: first, while we projected a steep decline in our global investment property sales business and our U.S. mortgage brokerage business, the decline in the U.S. and European property sales were marginally steeper than our forecast. Second, the anticipated downturn in U.S. and EMEA leasing volumes did not occur and we believe that this downturn has simply taken longer to manifest itself, and now could likely impact quarters two through four.

Neutral or positive performance against our expectations were: first, our Outsourcing business posted very strong growth with year-over-year quarterly revenue up 34%, well ahead of our expectations. Second, as mentioned earlier, the Global Leasing business was much stronger than forecast, up 20% over the prior-year quarter, our strongest first quarter ever. Third, our Global Valuation and Advisory business also showed strong growth of 9% year over year. Fourth, Development Services posted results consistent with our expectations. Fifth, Asia-Pacific exceeded our aggressive growth assumptions with revenues up 46% over prior year. And finally our CBRE Investors business, while well off prior-year Q1 performance due to timing of carried interest revenues, performed as anticipated. Assets under management in the Global Investment Management business grew substantially to \$42 billion at the end of quarter one. In an effort to capitalize on current market conditions, we have been very aggressive with our infill acquisition execution. I will discuss this in more detail a little later.

As indicated on slide 5, revenue was \$1.2 billion for the quarter. Net income, adjusting for one-time items was \$31.7 million, which translates to \$0.15 in adjusted earnings per share. Normalized EBITDA came in at \$104.6 million. Listed on slide 6 are just a few accomplishments to the firm since our last call. Most notable on this list are our addition to the Fortune 500 this year, and the Business Week designation of being ranked number 11 among the 50 best-in-class companies. Additionally, CB Richard Ellis was once again ranked the number one investment sales firm by RCA in Q1 2008, with a market share of 14.2%, which is nearly double the number two firm. This list of accomplishments reflect ongoing recognition for our position as the world's preeminent commercial real estate services firm, and the exceptional client service we bring to the market every day.

Please turn to slide 7. Here we've highlighted just a few of our major successes during the quarter for your reference. Please turn to slide 8. We are continuing our aggressive approach to infill acquisitions in 2008, and have been very active in the first quarter. We completed eight transactions in the quarter for an aggregate purchase price of almost \$125 million, most notable being our entries into Romania and Denmark through our acquisitions of Eurisko and Cedar Homes respectively. These transactions add approximately \$100 million of revenue on an annualized basis. Please turn to slide 9. Next, as we did last

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quarter, I would like to update you on select U.S. market statistics to provide some context for what we are seeing in the market. Forecast vacancy rates for 2008, for both office and industrial property in the U.S. have deteriorated since our last call. The deterioration of the vacancy figures is a direct result of our lowered forecast absorption in office and industrial properties. Our cap rate forecast by property type have not changed since last quarter.

Please turn to slide 10. Here we provided a more detailed breakdown of results of our sales and leasing businesses in the Americas. While sales for all of 2007 grew 7%, Q1 2008 results were down 38% compared to the prior-year quarter. This compares to the Q4 2007 decrease of 14%, which we indicated would worsen before it improved on our call last quarter. Generally, the sales performance in the first quarter was marginally worse than we had anticipated. Leasing results, which were up 3% for 2007, rose 16% for the quarter, as compared to the prior year first quarter. This was well ahead of our internal expectations. Turning to slide 11 we see the sales and leasing results for EMEA. For all of 2007 sales revenue grew 44%, but was down 32% for the first quarter of 2008, versus the comparable quarter last year. This result was materially worse than our expectations. Similar to U.S. results, the leasing business in EMEA did better than we had anticipated, posting 18% growth for the first quarter of 2008 when compared to the same quarter last year.

In Asia-Pacific, sales grew 115% for all of 2007, but 6% for the first quarter of 2008. The investment market in Asia was stable in the first quarter despite the continuing global credit crunch. The leasing business, which was up 13% for full-year 2007, rose 50% in Q1 2008, versus the same quarter last year. Leasing fundamentals across Asia-Pacific remain strong, reflecting substantial demand from both domestic and multinational occupiers. For a more detailed discussion of our performance this quarter, I'll now turn the call over to Ken Kay.

Ken Kay - *CB Richard Ellis Group, Inc. - SEVP & CFO*

Thanks, Brett. Our first quarter results are summarized on slide 13. For the quarter, revenue was \$1.2 billion, up \$17 million or 1% from the year-ago quarter. This increase was primarily the result of higher global outsourcing and leasing revenue, partially offset by weakness in our capital markets businesses in the Americas and the EMEA, plus a tough comparison for our Global Investment Management business this quarter. As a percentage of revenue, cost of services rose to 57% from 54% last year. This increase was mainly due to business and geographic mix with higher outsourcing reimbursable worldwide and increased compensation expense in EMEA and Asia-Pacific due to acquisitions and investment in growth of the platform. Operating expense of \$432.3 million was up 5% from the year-ago quarter, driven mainly by increased costs attributable to investment in growth of the business, including the impact of infill acquisitions. In the quarter we posted an equity loss from unconsolidated subsidiaries versus equity income in the year-ago quarter. This loss was primarily due to a \$10.6 million write-down of our investment in CBRE Reality Finance attributable to its decline in market valuation.

After adjusting for one-time items EBITDA for the quarter was \$104.6 million, down 35% or \$57.3 million from the prior year. The decline in EBITDA was predominately a result of the timing of carried interest activity, with \$46.4 million of carried interest revenue recognized in Q1 2007, with no comparable amount recorded in the first quarter of 2008, partially offset by lower carried interest incentive compensation expense of \$11.4 million. Additionally, EBITDA in the EMEA segment was lower due to a revenue mix shift from investment sales activity to outsourcing and higher costs driven by investment in growth of the business.

Please turn to slide number 14. Total revenue in Q1 increased by 1% from the prior-year quarter. Property and facilities management was our best performing line of business, increasing by 34% year over year. This growth was driven by the addition of new outsourcing accounts and the expansion of services to existing clients from cross-selling initiatives. As Brett discussed, the leasing business performed ahead of expectations on a global basis, growing 20% year over year. Sales revenue was down 33% from the prior year or a little more than we had expected in the Americas and EMEA, as a result of ongoing challenges in the credit market. The appraisal and valuation business grew by 9% in the quarter due to higher fee revenue in EMEA and Asia-Pacific. We are seeing a pick up in demand for appraisals related to loan workouts, as well as nontraditional advisory and consulting assignments, which offset lower activity from CMBS financing originations. As expected, Global Investment

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Management revenue was down 53% year over year, mainly due to the absence of carried interest revenue for the current quarter.

Development Services revenue was up 79%, attributable mainly to construction revenue. The commercial mortgage business was down 46% year over year, due to lower fees in the U.S. resulting from a decrease in the number of loan originations, as expected, in light of the continuing credit crunch. First quarter 2008 loan volume totaled \$2.5 billion, down from \$6.2 billion in the first quarter of 2007, when the investment market was at its high point. Turning to slide 15, we see the trend in our normalized EBITDA margin over time along with our long-term EBITDA margin target. In Q1, our EBITDA margin declined due to business mix shifting from investment sales to outsourcing, which has a higher reimbursable element, the lack of carried interest revenue being realized this quarter and due to typical Q1 seasonality. While margin may fluctuate on a quarter-to-quarter basis we remain committed to our long-term goal of 20% EBITDA margins.

Please turn to slide number 16. Excluding the Mortgage Brokerage warehouse facility and the Development Services real estate loans, which are non-recourse, our total net debt at the end of Q1 was approximately \$2.1 billion. The Development Services business finances its projects with third-party financing sources. The majority of these real estate loans are recourse to the development projects, but non-recourse to the Company. As of March 31, 2008, the other debt category on our balance sheet included a non-recourse revolving credit line balance of \$54.6 million related to the Development Services business. The outstanding balance of real estate loans was approximately \$520 million, of which only \$7 million was recourse to the Company.

In March we exercised the accordion provision in our existing credit agreement to syndicate a \$300 million term A-1 loan. Proceeds from this term loan were used to reduce the outstanding revolver borrowing. This new facility will expand our flexibility to continue our infill acquisition and co-investment programs and other strategic corporate initiatives. Both Moodys Investor Service and Standard & Poor's have reaffirmed our senior debt ratings with a stable outlook in reference to the new term loan. The amount outstanding on our revolver at quarter end was \$311.2 million. Our net debt to EBITDA ratio at March 31, 2008 was 2.3 times similar to our ratio at March 31, 2007. Our trailing 12-month interest coverage ratio was 5.6 times. Our weighted average cost of debt was approximately 4.4% at March 31, 2008 versus 6.8% at March 31, 2007.

Please turn to slide number 17. Our normalized internal cash flow for Q1 is illustrated on this slide. This metric is derived by adjusting normalized net income for the effects of depreciation, amortization, net capital expenditures, cash flow from the Development Services net gains that was excluded from the P&L due to purchase accounting rules, and the cash component of acquisition-related costs. On this basis, our Q1 trailing 12-month internal cash flow was \$477 million. Due to our limited capital expenditure and working capital needs, our internal cash flow tends to be highly correlated with our net income. For Q1 net capital expenditures were \$9 million. We continue to expect full-year 2008 capital expenditures to come in at approximately \$80 million.

Please turn to slide number 18. For the Americas, revenue and normalized EBITDA were generally flat on a quarter-over-quarter basis, as the decline in investment sales was offset by growth in outsourcing and leasing revenues. The margin differential from outsourcing, vis--vis investment sales, was mitigated by lower operating costs. EMEA posted revenue of \$242.8 million, up 8% from the prior year. Normalized EBITDA declined 68% to \$11.9 million for the quarter. The decline in investment sales was more than offset by growth in leasing, outsourcing, and appraisal valuation revenues.

The reduction in first-quarter EBITDA performance and margin is not indicative of expected full-year EBITDA or EBITDA margin, and was in line with our expectations for the quarter. Investments in growth of the business through recent strategic recruitment and acquisitions, coupled with the reduced higher margin investment sales activity, compounded the impact of the higher fixed cost nature of the business on the seasonally-slower revenue quarter. We expect that these margin impacts will balance out as the year progresses, with full-year margins likely reach the high teens. Asia-Pacific revenue of \$137.4 million was up 46% year over year. Normalized EBITDA was \$13.7 million, representing a 44% increase. As Brett mentioned before, high growth for this region in all service lines is due to continuing strong economies and steps we've taken to enhance the platform through acquisitions and planned expansions.

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Please turn to slide number 19. The Development Services business continues to maintain an active development program. At the end of the first quarter of 2008 in-process development and investment totaled \$6.3 billion, up 15% from \$5.5 billion in the first quarter of 2007. The pipeline at the end of the first quarter of 2008 stood at \$2.8 billion compared with \$2.9 billion in the first quarter of 2007. Revenue for the first quarter of 2008 increased primarily due to construction revenue, which also led to a corresponding increase in construction job costs, therefore not translating into increased operating income or EBITDA.

Taking a look at our Global Investment Management business, please turn to slide number 20. The Global Investment Management business continued to post strong growth in assets under management, evidencing continued strength in flows of capital to commercial real estate. Assets under management totaled \$42.2 billion at the end of the first quarter of 2008, up approximately 12% from year-end 2007 and 38% from first quarter 2007. For the quarter we made acquisitions of \$2.2 billion and dispositions of \$200 million. The purchase of a majority interest in Wood Partners contributed \$2.4 billion to assets under management. As noted previously, revenue for the quarter was down from the prior-year first quarter due to a lack of carried interest revenue recognized this period versus \$46.4 million reported in the first three months of last year.

Please turn to slide number 21. In Q1, although we did not recognize any carried interest revenue we did recognize \$5.3 million in carried interest incentive compensation expense, all of which related to future periods revenue. Excluding the incentive compensation expense pertaining to future periods EBITDA for the first quarter would have been \$3.9 million, down from \$43.3 million in the year ago quarter. EBITDA margin for the quarter would have been 10% versus 51% in the prior-year quarter. We expect to recognize acquisition fees and carried interest revenue later in 2008 that will more closely approximate to prior-year revenue, and thus margins for this business will improve accordingly. As of March 31, 2008, the Company maintains a cumulative remaining accrual of such compensation expense of approximately \$62 million, which pertains to anticipated future carried interest revenue.

I will now turn the call over to Bill Concannon to discuss the Outsourcing business.

Bill Concannon - *CB Richard Ellis Group, Inc. - Vice Chairman - Global Corporate Services*

Thank you, Ken. Please turn to slide 22. Our contractual outsourcing business continues to grow significantly. We serve large investors or owners of real estate, such as REITS, and financial institutions, such as life insurance companies, pension funds, as well as real estate partnerships. We also serve occupiers of real estate, such as large corporations, state and federal governments, and healthcare providers. Both the occupier and investor-owner clients look to CBRE's full-service platform for multiple services across their regional, national and increasingly global portfolios. Although our two outsourcing businesses operate somewhat separately, they combine to jointly leverage our considerable scale in areas such as client accounting, IT recruiting, and procurement of third-party goods and services, as well as the utilization of our strong variable network of project managers and technical specialists. In serving these large clients, both our outsourcing businesses regularly generate downstream business for CBRE's other lines of business, such as brokerage, capital markets, and valuation.

Please turn to slide number 23. CBRE is a recognized leader in every outsourced service we offer. Our outsourcing clients, whether large occupiers or owner investors, typically engage CBRE to provide one or more of these services through an outsourcing contract with an initial average term of three to five years. Our historical client renewal rates regularly exceed 90%, so our actual relationships with clients are much longer. Our Outsourcing clients transfer the delivery of day-to-day activities associated with our real estate, project management, and facilities to CBRE. Their goal is to leverage our expertise, our scale, and our technology platform to perform services, such as: Managing and administering the portfolio of leased and owned properties; acquiring and disposing of leased and owned space; the construction and interior customization of space, which we refer to as project management; and managing the building operations of their facilities around the country or around the world. As you can see from the wide variety of services represented on this page, each of our contractual client relationships allows us to generate multiple revenue streams. Depending on the scope of our relationship, we can earn management fees, incentive fees, consulting fees and brokerage commissions in performing this work.

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Turning to the next slide, Global Corporate Services, our occupier-focused outsourcing business, continues to grow and perform well. During the first quarter of 2008 we added 11 new outsourcing clients, including Alliance, Nestle, RIMCO, which is a subsidiary of Oregon Health and Science University, and the State of Florida. We also expanded our services for ten existing corporate customers during the quarter, including Hertz Corporation, CISCO, AT&T, Kodak, and Dow Chemical; and renewed our contracts with 11 others, including Volkswagen of America, IBM, and Partners HealthCare.

One of the recent noteworthy wins is Hertz. Recently Hertz embarked upon a number of strategic initiatives aimed at controlling costs, increasing efficiencies and re-engineering processes across the company. Like many companies, Hertz realized that real estate and facilities represented not only a significant area of cost, but also an area that significantly affected the morale and productivity of its employees. After a competitive process, Hertz selected CB Richard Ellis as its global real estate outsourcing service provider for all Hertz-controlled locations in North America and Europe. The scope of our relationship covers over 3,000 locations, including office space, reservation centers, data centers, equipment rental locations, and car rental facilities. CB Richard Ellis will provide a full range of integrated real estate services, including transaction management, construction, and project management, as well as facilities management.

Please turn to slide 25. CBRE's Asset Services business is focused on outsourcing by investor owners. It also continues to perform very well. This is due primarily to investor clients seeking to optimize the management of their properties to maximize overall returns by focusing on property level performance, especially, when market conditions become a bit more challenging. The focus of Asset Services is on the larger institutional owners of real estate that fully utilize CBRE's full-service platform. In Q1 2008, Asset Services won 52 million square feet of new assignments with clients such as GE, AMB, Citicorp, Beacon Capital Partners, Kennedy Associates Real Estate, and ING; bringing our total managed portfolio in the Americas to 650 million square feet.

Please turn to slide number 26. Both corporate and investor-owner clients turn to CB Richard Ellis for outsourcing services, not only for our breadth and excellence in each individual service, but also for the unique ways in which we are able to deliver and integrate these services. Due to our leading number of global locations, we have the ability to physically execute services in more places than any other service provider. We have the deepest and most diverse global network of consultants, and subject matter experts of any firm in the industry. These experts assist our clients, not only with advisory work centered on traditional real estate product types, but they can also address areas like energy management, sustainable construction, tax segregation consulting, strategic location analysis, workspace redesign, and other strategic topics. Our approach to account management and our platform infrastructure also differentiates us from other service providers. As a firm we have invested more than any other in building proprietary systems, processes, tools, and technologies that not only directly enhance client service, but also make our operations flexible and scalable.

The combination of our scale, our breadth and these unique capabilities, is truly difficult for other providers to replicate. This is born out in our success in attracting new clients and retaining and expanding existing relationships. We continue to believe that both our corporate and investor-owner outsourcing businesses will perform very well in the years ahead. In times of economic weakness, we find an acceleration of RFP activity, as companies embrace outsourcing to gain greater efficiencies in our business, and focus on maximizing return from their real estate assets.

We are very pleased with our share of recent wins and believe that we will continue to win a disproportionate amount of new wins that come into the marketplace. New wins like the ones I've mentioned represent opportunities to start a client relationship with significant room for additional growth over the next ten or more years. When we begin new client relationships, we have a systematic client planning and analysis process, which leads us to discover other potential growth opportunities that may have not been -- may not have been originally contemplated. In many cases, the expansion opportunities that we generate for our current clients are awarded without a competitive bidding process due to the strength of our existing relationships. So we believe demand for each of our individual services is positioned for continued growth, even in the midst of a weaker economic environment. During such environments, clients continue to turn to CBRE's Outsourcing Services in order to respond to changing economic conditions. For example, transaction clients accelerate dispositions and sub-leasing activities, facility and property management clients seek to optimize their facility service levels, and project management clients seek to convert in-house staff to CBRE's variable model.

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And with that, I would like to turn the call back over to Brett.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Thanks, Bill. I want to first quickly recap what we said last quarter about the business environment and then provide you and some perspective on our current view of business conditions. What we told you last quarter was the environment was one of severely constrained liquidity and weakening U.S. and UK economies. It was our belief that the economy and the state of the credit markets would likely worsen before they improved. Any improvement would potentially come in the late summer or fourth quarter of 2008. Our other business lines, for instance outsourcing, investment management, et cetera, were positioned to perform relatively well and consistent with their longer-term growth models, and that parts of Europe and Asia-Pacific would only see modest impacts. Our expectation was that these trends would correct towards the positive in 2008, but the timing of that correction was unknown. Given the uncertainty in expectations for 2008 GDP, timing for recovery of the U.S. economy, and improvement in the credit markets it was unrealistic for us to provide guidance for 2008.

Our update now four months into the year is, first, the fluctuating market conditions continue to make it unrealistic to provide guidance. As we discussed today, we now believe that the capital markets businesses will deteriorate deeper and for longer than our original expectations. Leasing, while having performed well ahead of expectations year to date, should see the expected downturn later this year, and that a positive correction has been postponed some months, as well. Our other business lines are generally performing very well. All of this taken together, in combination with continued diligent cost reduction, appear to create a balance that supports our prior discussion of full-year earnings in the \$2 per share range. As we said on our last call, this is definitely not guidance, as it is simply impossible to forecast future quarters with any certainty at this time.

This concludes our formal comments today. Ken, Bill, and I will now take questions. Operator, please begin the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS) The first question comes from the line of Edward Yruma of JPMorgan. Please go ahead.

Edward Yruma - *JPMorgan - Analyst*

Hi, thanks very much for taking my question. Not pinning you, obviously, to that \$2 number, but just trying to understand some of the drivers behind it, am I clear to understand that you then imply no improvement in the environment and, in fact, a deterioration and can still achieve that \$2 target?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

What we're saying, Edward, is that -- and let's go back and look at the components of our revenue production. We're projecting a further deterioration in both the capital markets business -- so that would be our investment property sales business and our U.S. mortgage brokerage business, as well. Although we were very, very impressed with first quarter production for leasing revenues globally, we do believe that the global economic slowdown has to have an impact on leasing. So we believe that the leasing -- general leasing market should deteriorate over the course of the year somewhat. But those deteriorations in those two business lines are, we believe at the moment, likely to be offset in their entirety by the production of our other business lines and the continued aggressive cost management and in some cases reduction programs we implemented early in 2007

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Edward Yruma - JPMorgan - Analyst

Got you. If you could touch upon the tax rate, I notice it was a little bit light for the quarter, is that sustainable or is there some specific item there that obfuscated that?

Ken Kay - CB Richard Ellis Group, Inc. - SEVP & CFO

No, that was a discreet item that ended up pushing it down for the first quarter, which will not have a ongoing benefit, other than the rates for the full year, but because the pretax number for the first quarter is a pretty small number, it obviously had a fairly large impact on the rate. For the full year you should expect our rate to be probably in the 35% to 36% range.

Edward Yruma - JPMorgan - Analyst

Great. Thank you very much.

Operator

Okay, thank you. And the next question comes from the line of Brandon Dobell of William Blair. Please go ahead.

Brandon Dobell - William Blair - Analyst

I wanted to focus on the outsourcing business for a second. You went through a number of expansions and wins, a couple of questions there. The wins that you put up there on the board, or I guess in general, how -- would you describe those as deals that were pipelined from Trammell, or were those more recent deals that -- maybe that the CB standalone guys have won? And as a -- on the expansions you talked about, what happens to the margin on those deals as you win more business or are we talking more space and more services, just more services? Just trying to get a feel for, when you talk about expansions what we should think of relative to how much you guys can generate on revenue?

Brett White - CB Richard Ellis Group, Inc. - President & CDO

Sure. I'm going to let Bill take that in just one moment. I would tell you that according to our data tracking, through the first four months of this year there were eight significant outsource bids of one sort or another. We believe we won six of them, which explains, I think, a lot of the on boarding of growth you saw in that business so far this year. But, Bill, why don't you take the questions that we've just been asked by Brandon?

Bill Concannon - CB Richard Ellis Group, Inc. - Vice Chairman - Global Corporate Services

Okay, certainly. Well, in terms of the pipeline, it's all a CBRE pipeline, so all of these wins are CBRE initiated wins. There is no more Trammell Crow Company, except our development company, and we have an integrated go-to-market system and it's really paying off. And our discipline around chasing larger deals is paying off, and our global collaboration with our partners in the EMEA and Asia-Pacific, and that integration is paying off. So, in terms of when we expand clients, is it more space or geography with them or is it more services, are we adding services? The truth is it's both. Its clients that see they're getting really good service from CB Richard Ellis. They have more challenges within their departments. Corporate real estate departments are not adding staff to get this work done in-house, so they turn to us and say, can you help us with this challenge in the EMEA, or et cetera. Can you help us add project management to a transaction management account, which happened in several of these cases. So we're expanding geography with these clients, we're expanding service lines, and it's really built around the challenges that these large corporations find themselves in.

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Brandon Dobell - *William Blair - Analyst*

And then one follow up on that. Just going back to the wins that you talked about, are those companies that have historically been outsourcing the facilities or properties management, they were just maybe takeaways for you guys? Are these people who had never done this stuff historically? Just trying to gauge the potential of outsource versus insource market opportunity for you guys.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Go ahead, Bill.

Bill Concannon - *CB Richard Ellis Group, Inc. - Vice Chairman - Global Corporate Services*

It's a very good question and we track that very closely. We are having success from a competitive takeaway point of view, but we're also seeing a trend toward companies, particularly in the financial services sector, that haven't put their toe in the water in the past doing outsourcing that are really looking for improving their own predictability of the outcomes they get from corporate real estate, and so they're first time or first generation outsourcers. So we're really seeing a change across the landscape that would give us optimism for further market penetration.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

And, Brandon, as Bill mentioned in his prepared comments, this is indicative of cyclical trends we see and have seen for many, many years. As the economy tends to get a bit tougher, you see both expansions of existing accounts, but you see an increased velocity of new entrants to the outsourcing opportunity.

Brandon Dobell - *William Blair - Analyst*

From a different perspective, this morning Jones talked about on their earnings call, maybe not weaker-than-expected performance in Asia-Pac, but just more time to get deals done, a little tighter financing, and a little bit more scrutiny about in the deals out there. Does that match with what you guys are seeing in that region from a capital markets or transaction perspective, or is there a difference in the business that we should be aware of that maybe would make your commentary different?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Sure. Well the first thing I would say is that both we and Jones Lang run, I think, top of market businesses in Asia-Pacific, both really terrific -- terrific businesses. I would differ with their view about Asia-Pacific. Our experience in Asia-Pacific first quarter was it was remarkable performance across the business. As you saw in the first quarter, our revenues grew 46%. I don't have any problems with that number. (LAUGHTER)

Brandon Dobell - *William Blair - Analyst*

Clearly. Okay. And then one final one, not sure if its better for Ken or you, Brett, but as you look at the EMEA business, in particular the profit trajectory through the balance of the year, maybe some color around the assumptions that keep you positive on what that business can generate from a margin perspective. Just trying to get a better understanding of how confident you are, or why you can be so confident that profits will still be pretty solid there?

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Ken Kay - *CB Richard Ellis Group, Inc. - SEVP & CFO*

Sure. Good question. A couple of things, I think -- just before addressing that. I think -- just to provide some context with regard to the first quarter of 2008. It was really more -- at least from an earnings -- or even a margin perspective really more consistent with what you would see from a seasonal pattern perspective. If you looked -- if you didn't look at 2007 and 2006, which we probably all got a little bit spoiled relative to margins as a result of the strength in the investment sales business, but if you go back and look at our historical information prior to those years, you would see that really the first quarter of 2008 from an earnings perspective was pretty similar to the initial quarter earnings pattern that we've seen from this business. And it's really more a reversion back to that and if you realize that that first quarter is seasonally the slowest quarter for us, and that the impact of the fixed cost structure, and also the investments that we've made in the business would have more of an impact on that first quarter, you actually should be pretty pleased with the fact that we generated profitability consistent with that even after having made those investments in the growth of the business.

So as we look out over the balance of the year we're expecting, obviously, a mix shift with regards to the investment sales business, but the contribution from each one of the service lines combined with effective cost containments, and then just a more normal earnings pattern that we would see throughout the balance of the year, is what gives us confidence with regard to that overall margins for Europe on a full-year basis will be as we stated in our prepared remarks.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

And I would say also that the story in Europe is a component of and very similar to the overall story for the firm, which is we have businesses in Europe that are definitely suffering from the credit market situation, that is the capital markets businesses, but the other businesses in Europe are doing quite well, thank you, and those are doing a good job of picking up their -- their relative share of revenues and profits. And so as we look out at the business in Europe, that story I gave earlier to Edward about how we think about full-year performance holds very true there. Now, all of that -- and I just want to say, again, and we said this a lot last six months, this is all based on assumptions that at the moment seem logical to us, but we are all living in the moment in a very fluid marketplace and these quarterly calls are a great opportunity for us to give you updates on that.

Brandon Dobell - *William Blair - Analyst*

Great. Thanks a lot.

Operator

Okay. Thank you. And the next question comes from the line of Will Marks of JMP Securities. Please go ahead.

Will Marks - *JMP Securities - Analyst*

Thank you. Hello, Brett, Ken, Bill. I had a question, I guess first on share repurchase, just any thoughts and you didn't buy any back during the first quarter, is that correct?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

That's correct.

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Will Marks - JMP Securities - Analyst

Okay. And thoughts on share repurchase going forward? I may have missed it I apologize.

Brett White - CB Richard Ellis Group, Inc. - President & CDO

Well, that's fine. Will. We -- the story remains the same as it has been now since our last earnings call, that being that we completed what we consider was a fairly aggressive share repurchase in the fourth quarter of 2007. We purchased about \$635 million of our stock back. We are looking at this year -- and we mentioned this on the Q4 call and I want to underscore it -- and I'm glad you asked the question, Will -- underscore it again, we see this particular marketplace as ripe with opportunity on a number of fronts and those fronts at the moment come ahead of share repurchase. And as you noted in the prepared remarks we made, our M&A activity through the first quarter of 2008 is as strong -- in fact it's stronger than we've ever had in the first quarter. We see lots of opportunities in the marketplace to on-board -- how do I say this appropriately -- on-board revenues from firms that are suffering a bit more than perhaps we are, and we're spending a lot of time in that area right now. So we're keeping some powder dry for those opportunities and we'll see how the year plays out. Share repurchase, as we've said before, remains an opportunity for us, always is, but at the moment we see higher yield opportunities -- higher return opportunities in the M&A space and the co-investment space.

Will Marks - JMP Securities - Analyst

Great. Okay, thank you for that. And then on -- different question on asset management, can you just talk about -- you've done a great job in growing that business in this environment, and it's sometimes hard for people to understand how that business can grow in the current environment, and can you just explain trends in the business and make us comfortable that AUM will continue to rise and there's the prospects for incentive fees growing as well?

Brett White - CB Richard Ellis Group, Inc. - President & CDO

Sure. Will, it's another great question. Now whether that I can give you comfort or not, I don't know, but I'll tell you how we look at the environment at the moment. A couple of things are happening in the Asset Management business that are structural and very important to recognize. First let me give you the negatives. The negatives are that lots of the larger legacy pension funds are beginning to get close to target allocation. They're getting there two different ways. The first is that they are suffering in some cases AUM deterioration, which means they get to that percentage allocation more quickly for those areas that they're underweighted. Secondly, many of the pension funds raised their target allocations four or five years ago, and just over time they've been able to get that capital out.

Now, that having been said, many of them raised those allocations again, as you know, last year and the year before. In fact, according to Kingsley Associates there's about \$76 billion of capital that's targeted towards allocation in the states this year as over the number of about \$47 billion last year. That's targeted. What's happening in the industry, which is positive for us and for a few other players, is that there is a very, very rapid consolidation of fund management companies, advisors such as ourself, so as the marketplace begins to settle a bit what we're finding is that the typical pension fund, rather than hiring four or five advisors for real estate investment activities, is consolidating to one or two. That has been very beneficial to our ability to raise capital. And to give you some specifics around that, we are in the marketplace raising and having just completed -- also having raised some funds globally. We hit our target equity raises. I would tell you that the work is definitely harder today than it was a year ago, nonetheless there is still plentiful capital that do use commercial real estate as a terrific asset class to be invested in.

We believe that our ability to raise capital continues to be advantaged over many, if not most of the players in that space. Our competitive advantage in that business, of course, is that we believe we have a better and higher quality set of data around the asset class than do other firms who are not direct participants in the services of commercial real estate. These things all bode well for our ability to raise capital now and in the future. The real challenge out there at the moment is deploying the capital,

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and what you're seeing in the marketplace -- and you heard this earlier on Jones Lang's call and I thought Colin did a very good job of describing the bid out spread that exists in the marketplace today. That true globally, and so you're seeing the money get more patient on investments. Nonetheless, it's being invested.

The same holds true for the realization of fund liquidations, as of course for our firm, and most of the firms in this business, fund liquidations, provide the promotes and carried interest that we realize through our revenue stream and those are situations which we're being much more careful about now. When there's a bid out spread of this sort, if you can be patient on liquidating a fund and wait a quarter or two for the market to improve, you're probably better off doing that. So long term we see a terrific growth opportunity in this business. We believe today, as we've believed for a number of years, that this should be the fastest growing business on a relative basis. In the firm it remains so at the moment and we feel very, very good about that business.

Will Marks - *JMP Securities - Analyst*

Great, thanks. Let me ask one final question, and you brought up Colin's comments, one other comment that they made is related to all the acquisitions, and you guys have been aggressive on acquisitions, too. And their -- while their acquisitions are profitable, I guess barely, in the near term they should be longer term, but that does apply some pressure in near term on margins. Do you see the same thing when you buy -- make acquisitions, are they not too profitable initially and why wouldn't they be profitable initially?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

No, we don't see the same thing. Our acquisitions are profitable initially, but I'll let Ken comment on that.

Ken Kay - *CB Richard Ellis Group, Inc. - SEVP & CFO*

Yes, it's a good question. When we pursue these infill acquisition companies, we are very selective with the ones that we go after and the ones that provide accretion to our margins. And the way that we structure them is such that within a matter of months, obviously you might have some initial deal cost that you have to expense in the first couple of months or so, but after that they're really contributing to the growth of our margins, and so within a quarter or so, they are beneficial to us from a margin growth standpoint.

Will Marks - *JMP Securities - Analyst*

Okay, perfect. Thank you.

Operator

Okay, thank you. And the next question comes from the line of Sloan Bohlen of Goldman Sachs. Please go ahead.

Sloan Bohlen - *Goldman Sachs - Analyst*

Good morning, guys. Just a quick question for Brett. With regards to the bid/ask spread for commercial real estate have, could you give us a sense of maybe in the U.S. where you are and then if you could frame that relative to your expectations that you laid out on slide number 9?

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Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Sure, I would start by, Sloan, pointing you towards the Real Capital Analytics report that came out just a couple of days ago for the first quarter and they have some terrific metrics on spreads between bid and ask, but basically what we are seeing -- and let me put it -- let me describe the spread this way. If you look at offering price versus closed price, what you're seeing out there is something in the range of, let's call it a 10%, maybe a bit more than that spread between the price at which properties are being offered and where properties are actually being closed. It's interesting -- why that is meaningful, Sloan, is that, first half of last year you actually saw that flipped. You saw properties closing at higher prices than they were offered, which is indicative of a very, very frothy market. We're back to what feels to us like a -- look, it's not really a constrained environment, a tough environment, but that kind of bid/ask spread is certainly at the far end of what's normal, but it's not hugely abnormal.

What's going on right now is that the market is digesting all of that, it's getting used to it. And -- so what we're seeing out there is -- I know we're now talking about property acquisitions, just to be clear not M&A, but on property acquisitions what we're seeing is that sellers generally feel that the fundamentals behind the asset class are strong, and that while they may soften near term, the long term -- let's call that 12 months and more out == prospects for the fundamentals are good. Therefore, unless they have a reason why they need to sell, many sellers aren't selling. On the buy side, I think what you've got are a lot of folks out there right now -- you have really two types of buyers out there right now. You have your traditional buyers who are going to buy regardless, so the fund advisors who need to get two or three billion out there this year are going to try very, very hard to get that capital placed. They probably will get it placed and they'll pay what they need to pay to get those deals done.

But you also have right now a lot of buyers who have entered the market, or buyers who have been in the market who have different buying criteria, who are looking for real value deflation as an entry point to the marketplace now. So their view is the market has reset, the values ought to be 15%, 20% down from where they were July or August of last year, and they're not going to buy unless values get there. And that's really the stalemate that exists in the market place right now on a lot of these bids. People bringing portfolios to the market saying, look, this stuff was worth \$220 million July of 2007, I might take \$210 million, but I'm not going to take \$200 million, and buyers are there saying I think the market -- the world has changed, I'll pay you \$200 million. That's very indicative of the early stages of a market correction, as you know, and we expect that over time that begins to then move back to a ground where both buyers and sellers can transact properties in a more robust fashion. At the moment, though, particularly at the upper end of the marketplace, you're seeing these stalemate on trading.

Just to give you a little color around that, when you look at the marketplace right now, there's a very interesting set of dynamics at play. If we look at transactions over \$100 million in the office sector, the velocity of those transactions is off 90% from peak levels. As you then move down the value chain -- we look at properties in the \$50 million range or \$40 million range -- those might be off 60%. As you go below \$30 million or below \$20 million, those might be off 40%, and it gives you a real sense for where the pressure's being felt on the bid/ask spread and where it isn't. One of the great benefits to our particular business, in the capital markets business is we play the entire field. While we are -- while we do a significant share of the multi-billion dollar portfolio sales, we also do a very, very significant share of the mid-price deals, and the deals in the \$10 million, \$20 million range, and it's those deals this year that have allowed us to outperform the broader market.

Sloan Bohlen - *Goldman Sachs - Analyst*

Thank you, very much for the color, and just one quick follow-on to that. Of the \$76 billion that you mentioned that's out there on the sidelines targeted to be deployed, how much would you characterize of that is those that'll just go out and need to buy to add to their portfolios versus those that are looking for opportunities where the market resets?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

I don't know, Sloan, so I don't want to be tied to a number. My guess is that two-thirds of that, a bit more, is your traditional pension fund, investment that needs to occur. Maybe a third of it is either those funds -- that pension fund who has allocated

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a component of their directed capital this year towards opportunistic buying, or new entrants that are opportunistic buyers. This year I think opportunistic buying is the vulture idea, and really it's those folks that have been unable to get really into the market so far.

Sloan Bohlen - *Goldman Sachs - Analyst*

All right. Thank you very much.

Operator

Okay, thank you. And the final question comes from the line of Vance Edelson of Morgan Stanley. Please go ahead.

Vance Edelson - *Morgan Stanley - Analyst*

Hi, thanks for taking the question. On the investment management business, is it conceivable that the variability of the carried interest will smooth considerably as the business grows, as you raise and invest capital globally so that we won't see swings that are as dramatic? Does that seem reasonable?

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

It is reasonable to assume that. As this business grows, the frequency of the realization of carried interest should become smoother and smoother. What you saw in 2007, and you may see this in future years, as well, is we had a very, very robust marketplace, which caused some very large individual carried interest to come through, so that provides some lumpiness, too. But absolutely, as this business continues to grow, the frequency within which you recognize these back-end promotes should increase and should smooth the performance of that business.

Vance Edelson - *Morgan Stanley - Analyst*

Okay. Thanks for the color. Good luck, guys.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

Thanks.

Operator

Okay, thank you.

Brett White - *CB Richard Ellis Group, Inc. - President & CDO*

All right, if there's no more questions, thanks everyone for your participation in today's call. We look forward to talking to you next quarter

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Operator

Okay, thank you. And ladies and gentlemen, this conference will be made available for replay after 9:30 today until Wednesday, May 7th at midnight. You may access the AT&T executive playback service at any time by dialing 1-800-475-6701, entering the access code 917661. International participants dial 1-320-365-3844, again the access code is 917661. And that does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference service. You may now disconnect.

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