FINAL TRANSCRIPT

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CBG - Q3 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 the CB Richard Ellis third quarter earnings conference call. (OPERATOR INSTRUCTIONS). I would now like to turn the conference over to our host, Senior Vice President of Investor Relations, Nick Kormeluk. Please go ahead.

Nick Kormeluk - *CB Richard Ellis Group, Inc. - Senior Vice President, Investor Relations*

Thank you and welcome to CB Richard Ellis' third quarter 2008 earnings conference call. Last night we issued a press release announcing our financial results. This release is available on the home page 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 archive 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.

This presentation contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 including statements regarding our momentum in and possible scenarios for 2008 and 2009, future operations, expenses, financial performance, performance under our credit facilities, and the success and impact of future securities offerings. These statements should be considered as estimates only and actual results may ultimately differ from these estimates. Except to the extent required by applicable securities laws, we undertake no obligation to update you or publicly revise any of these forward-looking statements that you may hear today.

Please refer to our current annual report on Form 10-K and our current quarterly report on Form 10-Q, in particular, any discussion of risk factors which are filed with the SEC and available at the SEC's website at www.SEC.gov. for a full discussion of the risks and other factors that may impact estimates that you may hear today. We may make certain statements during the course of

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this presentation which includes 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 attached hereto within the appendix.

Please turn to slide three. Our management team members participating today include Brett White, our President and Chief Executive Officer, and Ken Kay, our Senior Executive Vice President and Chief Financial Officer.

I would now like to turn the call over to

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Thank you, Nick, and please turn to slide four.

Macro market conditions for the third quarter were among the most challenging we've encountered. The dual forces of a financial market dislocation and significant global economic weakening took a significant toll on the general business climate. Despite these challenges, we posted respectable revenue and profit for the quarter. Our performance under very adverse conditions illustrates a flexibility of our business model, our ability to quickly reduce expenses, and maintain a respectable level of profitability. To put our results in perspective, our normalized EBITDA margin this quarter is more than 350 basis points higher than it was in the last downturn for the full-year 2001.

Highlights for the quarter were outsourcing, up 30% in Q3. We continue to capture market share gains. As an example, US investment sales share increased to 17.2% for 2008 year-to-date according to Real Capital Analytics. We successfully achieved $190 million in run rate expense savings that will permanently benefit the full-year 2009 and beyond. Company EBITDA margins improved significantly from first half of the year coming in at 12.2% on a normalized basis for the third quarter.

Ongoing challenges include worldwide global capital markets remain soft and are not yet showing signs of recovery. Leasing has remained resilient despite almost a full year of poor economic conditions around the global. However, future economic decline could negatively impact this. Investment management and development services incentive fees and gains continues to be deferred due to the tougher sales environment.

Please turn to slide five. Despite the challenging market and the perception that [buy] a lot of sensational headline that no business is being transacted at all, we continue to execute significant real estate transaction all around the global on behalf of some of the world's largest owners and occupiers. Lifted on slide five are just a few of our major accomplishments for the third quarter.

Please turn to slide six. As we have done in the past few quarters, I would like to update you on select US commercial real estate statistics to provide some context for what we are seeing in the US market. Forecast absorption and corresponding vacancy rates for year-end 2008 have improved modestly for office properties since our last forecast, while industrial has weakened a bit and retail properties have remain relatively flat. Actual cap rates have edged up somewhat since last quarter. However, the low transaction volume is masking the extent of the cap rate expansion across all property types. Our cap rate forecast assumes a significant increase for all property types by year-end 2009 as you will notice in the slide.

Please turn to slide seven. I'll now provide a detailed breakdown of results of our sales and leasing businesses in the Americas. Sales for the third quarter declined 48% year-over-year while year to date sales were down 45%. The credit crisis continues to reduce the field of players in both equity and debt markets and severely constrained capital.

In the US, several well capitalized lenders have suspended their real estate programs for the remainder of the year. Those who remain in the market, including some life insurance companies, private equity funds, and Fannie and Freddie for multi-family have sharply tightened terms. A year ago, quality product was being underwritten at 65% to 85% loan-to-value and spreads of

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125 to 150 basis points. Today, loan to value ratios have dropped to 50% to 65% and spreads widen to 260 to 400 plus basis points. As a consequence, loan origination volumes are approximating 2003 and '04 levels.

On the equity side, substantial capital is still looking for opportunities but not at today's asking prices. A recent institutional fund survey estimates equity commitments to commercial real estate of approximately $300 billion. Revenue for the US leasing business declined 7% in Q3 as compared to the same quarter last year. This was considerable better than the 16% decline in the second quarter. On a year-to-date basis, leasing was down 4% from a year ago.

Surprisingly, the net absorbing trend thus far this year compares favorably to previous recessions. This trend, along with other employment data, suggests that marketing conditions have reflected more of the state of paralysis. The leases are simply renewed for the same amount of space without the space givebacks that are typical in a recession. The events since the middle of September, however, suggest that this pattern could change as the deepening financial crisis forces a hands of some companies to reduce their space needs.

Turning to slide eight, we see the sales and leasing results for EMEA. Compared to last year, CBRE sales revenue in EMEA was down 39% for the third quarter and down 35% year-to-date. Against the backdrop of severe dislocation in the financial markets, the [year's ago] economy contracted in the third quarter of this year, as did some of the major national markets. The key feature of the investment market continues to be the lack of market transactions due to the standoff between buyer and seller expectations.

Investment activity across Europe remained muted in the third quarter, especially in the UK, France, and Germany. By contrast, third quarter activity was most robust in some of the Nordic and Central and Eastern Europe markets.

Leasing revenue for Q3 was down 12% compared to the same quarter last year and up 2% year-to-date. Leasing activity and rent movements in the main European office markets increasingly reflect the weaker economic outlook. Growing occupier caution has led to extended negotiations and leasing activity is increasingly driven by consolidations or cost efficiency goals rather than expansion. Despite the greater economic uncertainty, rents generally remain stable in Q3.

Third quarter results for the Asia Pacific region are shown on slide nine. Investment volumes in Asia Pacific declined steeply in the third quarter as a result of the worsening state of global financial markets and slowing capital flows into the sector. Third quarter 2008 sales revenue was down 50% compared to the same quarter last year and down 27% year-to-date. [Bid/Ask] spreads remain wide and asset prices have begun to adjust downward at a measured price for some properties in certain sectors with highly leveraged asset owners generally more receptive to negotiation.

On the leasing side of the business, global uncertainty is now adversely impacting tenant demand in Asia Pacific. The clients in office rents were seen in Tokyo, Mumbai, Shanghai, and Manila. In Australia and New Zealand, growth in rentals have slowed while incentives have increased in some locations. Despite these conditions, third quarter leasing revenue was up 24% compared to the prior year quarter, and up 33% year-to-date. For a more detailed discussion of our financial results outlook, I would now turn the call over to our CFO, Ken Kay.

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

Thank, Brett. As indicated on slide number 10, revenue was $1.3 billion for the quarter. Net income, adjusting for one-time items, was $56.1 million, which translate to $0.27 in adjusted earnings per share. Normalized EBITDA came in at $159 million. The biggest contributors to the decline in adjusted net income and earnings per share were the 13% decline in revenues and resulting lower margins driven predominantly by weaker sales activity on a global basis and softer leasing. These declines were offset by growth in outsourcing revenues albeit with lower EBIT margins. Included in the revenue decline were lower results from the global investment management business which was negatively affected by the deferral of recognition of carried interest revenue and incentive fees.

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Our third quarter results are summarized on slide number 11. For the quarter, revenue was $1.3 billion, down $192 million or 13% from the year ago quarter. The decline in revenues was primarily due to the reasons previously discussed and will be provide another top level view by revenue by service line in a few more slides.

As a percentage of revenue, cost of services rose to 58.1% from 53% in the third quarter last year. This increase was mainly due to the shift in the mix of revenues with outsourcing including reimbursables growth comprising a greater portion of the total. Additionally, higher professional salaries resulting from prior acquisitions and organic growth initiatives from the second half of 2007, mostly in the EMEA and Asia Pacific, also added to the cost base.

Operating expenses of $421 million were down 10.1% or $47.4 million versus the third quarter of last year. The reduction in operating expenses was driven by reduced incentive compensation expense resulting from lower business performance and the benefit of cost reduction steps taken earlier this year. I will discuss our cost reduction activities in more detail in a bit.

The equity loss from unconsolidated subsidiaries in the current year was primarily attributable to the further non-cash write down of our investment in CBRE Realty Finance. The equity income from unconsolidated subsidiaries in the prior year period was mainly due to dispositions within selected funds in our Global Investment Management segment which did not recur in the current year period. Gains from disposition of real estate were $42.6 million in the quarter related to project sales in the Development Services business line of which $22.4 million was minority interest expense which reflects the component attributable to our investment partners. After adjusting for one-time items, the resulting EBITDA for the quarter was $158.8 million, down 38%, or $95.8 million from the prior year.

Please turn to slide number 12. This slide reflects the Company's year-to-date operating results through the third quarter. We have provided this information for your reference, but will not be devoting time to discuss this in our prepared remarks.

Please turn to slide number 13. Total revenue in Q3 2008 decreased by 13% from the prior year third quarter. Leasing comprised 34% of total Company revenue. The decline of 5% year-over-year was slightly better than performance in the second quarter. Property and facilities management also came in at 34% of total revenue in the third quarter, due to continued strong performance with growth of 30% year-over-year. Sales revenue on a combined basis was down 46% from the prior year quarter. The appraisal and valuation business declined by 11% in the quarter. Global Investment Management revenue was down 59% year-over-year while Development services revenue was up 44%, attributable mainly to construction revenue. The commercial mortgage brokerage business was down 36% year-over-year as the credit crunch continued to do exact a toll on loan volumes.

Please turn to slide number 14. The trend of companies choosing to outsource their real estate needs continued unabated in the third quarter. Our leading position in commercial real estate services is a key factor in our ability to win, expand, and renew long-term contracts with these organizations. During the third quarter, we added 11 new outsourcing clients including Zurich Financial Services Group and Convergys, a leader in global business process outsourcing. We expanded 10 existing relationships including Royal Dutch Shell, Barclays, Lexmark and Prudential. We renewed existing relationships with seven clients including Hospital Corporation of America and RR Donnelley.

Increasingly, we are serving corporate customers on an international and global basis. That is testament to our integrated full-service platform, one of the few in the world that can offer seamless service delivery around the global managed from a single point of contact. Since the end of 2007, our property and facilities square footage under management has grown by 12.3% to 1.8 billion square feet.

Please turn to slide number 15. At September 30, 2008, in-process development totaled $6.3 billion, down approximately 5% from year ago levels and 3% from December 31, 2007. The pipeline at September 30, 2008, stood at $3.4 billion, up approximately 17% from year ago levels and 26% compared with year-end 2007. The combined total of $9.7 billion of in-process and pipeline activity is up slightly from year ago levels and 5% from $9.2 billion at year-end 2007.

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Operating results for the third quarter of 2008 include gains on sale of real estate of $42.6 million as compared to $16.1 million of such gains from the third quarter of 2007. Results for this segment were impacted by purchase accounting for the Trammell Crow Company acquisition which dictates the write-up of assets to fair value upon acquisition, generally eliminating any gains in the near-term. Excluding the impact of purchase accounting, this business' earnings would have increased by approximately $3 million from gains on real estate sold during the third quarter of 2008. Despite not being able to recognize these gains on sale, the Company does receive the related cash.

Please turn to slide number 16. The Global Investment Management Business assets under management decreased 6% during the third quarter to $40.9 billion as of September 30, 2008. The decrease reflects a decline in value of the UK portfolio caused primarily by the drop in the British pound against the dollar as well as certain asset value reductions in both the United States and the UK. Total assets under management is still up approximately 8% from year-end 2007 and 15% from the third quarter of 2007. For the first nine months, we made acquisitions of $4.4 billion dispositions of $1.1 billion.

Revenue for the third quarter of 2008 of $39.8 million was lower than the prior year comparable quarter by $59.3 million. As was the case in the prior two quarters, fees for assets under management actually increased by 12.5% to $34.1 million from $30.3 million, commensurate with the rise in assets under management. This increase was offset by a lack of carried interest revenue down by $10.6 million, reduced incentive fees from separate accounts, and lower acquisition fees as indicated on the slide.

EBITDA for the second quarter was negatively impacted by the decline in higher margin incentive-based revenues. Compounding the drop in EBITDA, with a lack of fund liquidations in the current quarter, resulting in a modest equity loss of $1.3 million as compared to equity income of approximately $2.8 million from such recognized in the third quarter of last year. Offsetting these factors was the reversal of net $15.2 million in carried interest incentive compensation expense previously accrued due to reduced valuations of assets and a corresponding expected decline in future carried interest revenue.

Our carried interest detail is shown on slide 17. In Q3 of 2008, we did not realize any carried interest revenue. As of September 30, 2008, the Company still maintains a cumulative remaining accrual of carried interest compensation expense of approximately $49 million which pertains to anticipated future carried interest revenue.

Please turn to slide 18. As we said on our second quarter call, we have been working diligently to the remove significant operating expense from our business model in order to better align our cost base with lower activity levels during this downturn in commercial real estate. In total, we have eliminated $190 million of permanent run rate expenses. The largest contributor to these reductions was staff reductions and associated compensation expense savings of approximately $100 million. Another $90 million in savings will be realized from cuts in business promotion and advertising, travel and entertainment, and office operation's costs. All actions necessary to capture these savings will be completed by the end of 2008 in order to allow to us realize the full benefit in 2009. We expect that a little over 50% of the annual savings will benefit 2008 performance. In order to achieve these savings we will realize approximately $15 million in one time charges of which $3.4 million was recorded in the third quarter.

In addition to expense savings, capital expenditures were reduced by 40% for 2008 from the spend expected at the beginning of the year and should now total between $45 million and $50 million. Additionally, variable compensation expense is expected to come down $250 million due to lower operating results. In total, the combined expense reductions would thus approximate $440 million. Our cost reduction activities are ongoing as we pursue additional savings.

Please turn to slide 19. Excluding the mortgage brokerage warehouse facility and the Development Services real estate loans, both of which are non-recourse, our total net debt at the end of Q3 2008 was approximately $2.26 billion. The Development Services business finances its projects with third party financing sources. The substantial majority of these real estate loans are recourse for the development projects, but non-recourse to the Company. As of September 30, 2008, the other debt category on our balance sheet included a non-recourse revolving credit line balance of $5.9 million related to the Development Services

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business. The outstanding balance of real estate loans was approximately $612 million of which only $5 million was recoursed to the Company.

The amount outstanding on a revolver at quarter-end was $560.7 million. This reflects an increase of $156 million from the second quarter of 2008. The increase in the revolver borrowings was primarily due to our concerns over the credit problems in the capital markets in September. Solely as a precaution, we borrowed an additional $150 million from the revolving facility to ensure liquidity for the Company during this market turmoil. The excess borrowings were invested in treasury, money market funds on an interim basis and on October 15, 2008, we repaid the excess revolver borrowings. As we progress to the balance of 2008 and into 2009, our focus will be to predominantly utilize excess cash flow from operations to reduce the outstanding revolver balance.

On slide number 20, we've illustrated our debt covenant requirements and debt maturity schedule through 2010. Our net debt to EBITDA ratio at September 30, 2008, was 3.16 times as compared to 2.91 times at the end of Q2. Our trailing 12-month interest coverage ratio was 5.63 times, our weighted-average cost-to-debt was approximately 4.9% at September 30, 2008, versus 4.1% at June 30, 2008. As you will notice, we are still well within the covenant requirements under our credit agreement. We fully anticipate having ample resources to repay those borrowings coming due in the next few years as noted on the slide through the use of available cash and free cash flow from operations.

Our normalized internal cash flow for the third quarter of 2008 is illustrated on slide number 21. 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 were excluded from the P&L due to purchase accounting rules, and the cash component of acquisition related costs. On this basis, our Q3 trailing 12-month internal cash flow was $306 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 Q3, net capital expenditures were $11.7 million. I will now turn the call back over to Brett.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Thanks, Ken. Please turn to slide 22. It should come as no surprise that providing guidance in a challenging environment is still not realistic. Outsourcing has been one business that has proven very strong and predictable and we expect these favorable results to continue.

Our strategy at this time remains consistent with what we have been doing since the downturn began. This is also no different than how we have managed the business in prior downturns. We continue to aggressively reduce expenses to match revenue levels as evidenced this quarter, vigorously pursue market share through acquiring new client mandates and key revenue producers, prudently manage our cash position and balance sheet, and remain prepared with contingency plans to be able to rapidly react to market conditions should they worsen, improve, or remain the same.

As we had mentioned earlier on the call, we believe that the short-term prospects for the business remain very difficult. Perhaps one of the biggest challenges our firm and other firms are facing at the moment is the difficult in predicting when recovery will come to the investment properties sales business and when we can expect normalized growth rates out of the global leasing businesses. We believe there is a distinct possibility that transaction velocity in our investment property sales business could pick up in the relative near-term as the current level of transactions seem to be at unnatural and unsustainable low levels.

The global leasing businesses, while certainly impacted by economic slow down, are being supported by strong fundamentals in the commercial leasing markets. These fundamentals relate directly to the relatively low amount of new space that has been brought to the market over the past few years and the very low vacancy rates in place when the current downturn hit. We believe it is, for these reasons and others, that the leasing markets have held up remarkably well in the face of a weakening economic environment for over a year. Therefore, we are hopeful that better days may be around the corner. However, we must manage the Company and prepare for the possibility that the contrary is true and that worse days could be ahead.

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As you know, we have a variety of remedies available to us should the markets materially worsen in the coming months including additional cost reductions. We are also considering raising public or private capital and, despite having EBITDA covenant cushion of over $100 million in the third quarter, it is possible that we may decide to pursue additional covenant cushion from our lenders. We have a high level of confidence that these discussions would be fruitful should we initiate them. And while we do not need additional cushion at this time, obtain it for a rainy day could be a very conservative and prudent course of action. Some or all of these activities would put us in good instead should the worse-case predictions come true. We, of course, are hopeful that they will not and indications in our business suggests that they will not. But playing against these possibilities and taking appropriate actions is logical.

If we have learned any lessons from 2008, it is that the smart and successful companies plan against the worst possible outcomes even though those plans may seem overly conservative. Companies that take a contrary view have, in many cases, paid a steep price for their decisions.

In summary, CB Richard Ellis has, as would you have expected, moved very aggressively, very proactively ,and very early to deal with the market downturn we knew was coming late last year. On our earning call in late 2007, we called for a downturn in both the capital markets and the commercial leasing markets. And while the downturn in commercial leasing has not yet manifested itself, we continue to believe that it is possible. By eliminating over $300 million of cost from the firm over the past two years, and by moving proactively and vigorously on costs in the future, we believe that we have put the Company in the best possible position to not only survive through these difficult markets, but to thrive.

We absolutely intend to continue our dominance of the commercial real estate services business by capturing significant market share from our competitors and investing in the business where those investments provide us with an acceptable return.

Operator, we will now take questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). We do have a question from the line of Anthony Paolone, please go ahead.

Anthony Paolone - *JP Morgan - Analyst*

Thank you. I'm from JP Morgan. You alluded to the idea that transaction volumes can't remain this depressed forever. Do you anticipate seeing some forced selling at some point, at the very least, to make transaction volumes go up? And, if so, when do you see that unfolding?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Anthony, it's a great question and it's something that we have been watching very carefully. The data would tell us that the current low-level of transaction activity is about double the lowest trough we ever recorded in our business. So we know that it's highly unusual. And we believe that it's also unnatural, in the sense that it's not sustainable.

What we have seen in the markets for the past, really now almost, 12 months is a complete seizure in the credit market support, the trading of commercial property, but also seizure related to a very wide bid-ask spread between buyers and sellers. That bid-ask spread has been narrowing, as you would expect. What we are beginning to see in the marketplace now is really a couple of dynamics that support our thesis that transaction volumes ought to be picking up.

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One is that owners are beginning to capitulate. Those that have held out saying, this is a very short-term anomaly in the marketplace and I'm very confident that values will get back to where they were in July of 2007. Those folks who might have been half of the sellers out there in September 2007, I don't think there's very few left that actually believe that now. Those owners who need to trade property are beginning to do so and we think that that velocity should continue to pick up.

One of the other dynamics which you're referencing is that many owners in the marketplace are going to have to trade properties, whether they like it or not. Some of those owners are fund where the trading of property is their stock and trade and they can only go so long because they sell those properties, sell those funds and return capital to their limited partners and their investors. And then we have, unfortunately, a ever growing number of owners who have issues. And those issues are primarily related to the capital stack and specifically related to debt which may be coming due which has to be replaced. And those owners will either be able to recapitalize those properties and move forward, or many of them will choose sell the properties. And it's for those reasons and many more that we believe that the current level of transaction velocity is simply unsustainable.

Anthony Paolone - *JP Morgan - Analyst*

Okay. On the leasing side, can you comment on how much transaction volumes there, lease signings there, have historically pulled back during downturns? I think it was down 5% in the third quarter. I'm just wondering if that has pulled back more dramatically since September and just how it's looked historically?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Sure. If you look at our numbers for the year, one of the things you would notice, Anthony, is we were actually done, and Ken jump in if I've got this wrong, something like 16%, 17% in the second quarter. Ken, is that right?

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

Yes.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

And, yet, only down about 5% in the third quarter. The way I would describe the leasing markets, Anthony, is that they are amazingly resilient in the face of what has just been horrible, horrible economic news for really over a year now. The reasons for that resiliency are fairly straightforward.

First, post 9-11, I think most major corporation learned a lesson. And that lesson is it is very dangerous to be long on space. So what companies have done in the last seven years is they've been more efficient in their use of space. So when this downturn came, and actually when our clients well over a year ago began thinking about harder times, they really didn't have much space to put back on the market in terms of sublease space. Which, of course, sublease is one of the dynamics that drags the leasing market down.

Secondly, the amount of new construction that's been brought to the market the last three years is at a relatively low level, a relatively small amount of space. So, you're in a market where when the downturn hit last August, you had vacancies that really structurally extremely low levels, occupancy, of course, at high levels, rents in both shape, most properties in very good shape. So, the leasing market was able to withstand a number of very severe body blows for the last year.

As we look at the market right now, what we see is the same situation we saw now almost a year ago. We've been calling, as you know, since late 2007 for a downturn in the leasing business and we've talked about numbers that would look something

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like down 10% to down 20% in terms of total leasing revenues. We haven't seen it, yet. We believe it's certainly possible given this prolonged economic malaise that we are experiencing. But, at the moment, we are not seeing that and time will only tell.

Again, to me, I've been in this business 25 years. I've lived through four of these hard downturns. To me, that downturn in leasing is inevitable. The question will be depth and duration. At the moment, given the market dynamics that we see the depth doesn't look all that deep, but the duration, I think, is an open question.

Anthony Paolone - *JP Morgan - Analyst*

Okay. And then just last question - - you mentioned the idea of bringing some capital into the organization. Can you comment on the magnitude of how much you would want to bring in to feel comfortable?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

I don't want to comment on magnitude. I will only say that as we look at the business right now there is certainly many, many models that we use to try and forecast what future performance is going to look like. Our base case models, which come from the field, would imply that perhaps there's no need for any capital and we just work through the next few quarters and next couple of years and be careful on costs and do fine. But that's not how we are managing the business and it's not how we've managed the business for the past really now going on 15 months.

We manage the business against worse case models, which is to try and think about the worst possible outcomes in the marketplace and how the Company would fair against those outcome. And we have many, many levers that we can use inside the organization to improve EBITDA and cash should those worse case models occur. You saw what to me, at least, are really outstanding cost reduction numbers that we already achieved. Those are in. Those are done. And Ken and his team and our folks around the world have done a remarkable job of focusing on cost and, by the way, that work isn't done.

Our efforts on cost containment are very dynamic and we watch performance daily and make adjustments to costs against that performance. We also, of course, have levers which are aside from just cost inside the business which can improve EBITDA and improve cash.

Then, of course, should we choose to, we could have an opportunity to purchase some additional cushion from our lenders. And we think that our lenders who have been with us for a very, very long time would be amenable to that should it be necessary. I think the third and final choice would be to raise some capital. This is all very dynamic and very fluid because all of those levers go together. And I think that the way we look at it is that raising capital is expensive and something that we would do after the other opportunities were well in play.

Anthony Paolone - *JP Morgan - Analyst*

Okay. Thank you.

Operator

I have a question from the line of Will Marks. Please go ahead.

Will Marks - *JMP Securities - Analyst*

Hello, Ken. Hello, Brett. I have a question on the covenant. What you know now in the fourth quarter, do you expect to violate it? And if so, what -- well, actually, let's just start with that.

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

No, we do not.

Will Marks - *JMP Securities - Analyst*

You don't expect to. Okay. Based on trends right now, would you expect that some level of positive cash flow, or some reduction in net debt during the fourth quarter? And can you quantify at all?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Sure. The answer is, yes but I will let Ken answer the question.

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

Yes, we do. As you know, typically the fourth quarter is our biggest quarter from a cash build perspective and we would use the cash that we generate during the fourth quarter activity to pay down our revolver balance from the level that it is now. So, yes, we do expect to reduce the net debt number further in the fourth quarter.

Will Marks - *JMP Securities - Analyst*

Okay. And does the lack of guidance mean that you are no longer comfortable? I know this wasn't guidance before, but you are no longer comfortable with saying that your earnings will only decline 40% to 50% off last year's level?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

I think the best way to answer that question, Will, is that any company at this point given the fluidity in the marketplace in our business, at least, that attempts to put guidance out there is on a fools errand. This marketplace is more volatile than anything I have ever seen in my career.

It is, as I mentioned with Anthony, we have forecasting models that would imply that recovery could be quite soon. We have other models that imply that it wouldn't be. I don't think that anyone inside our business, or frankly outside our business, is in a position to give any sort of assurance to the marketplace of where performance could be in the coming quarters, much less in the coming weeks.

It's just a very fluid market and I think the most important thing that investor should expect out of this firm is, we are not going to take any chances, we are not going to be foolish. We are going to be very conservative, very prudent ,and do those thing that we think are important and prudent to put the Company in the best possible position. Which, by the way, include lots of investments in the business right now.

We see opportunities in the marketplace that in my lifetime I never thought I would see. We intend to exploit those opportunities when we think they are appropriate to do so. But, again, guidance, I think, is something that in this industry you are not going to see out of anybody for awhile.

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Will Marks - *JMP Securities - Analyst*

Okay. And this goes down the same line; although maybe you can clarify, and that is that your comment about 50% of the expense reductions will be realized in 2008. It's a little confusing because you are doing them in the last quarter, in the last two quarters. So how do you actually realize them all so quickly?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Right. I'm going to let Ken take a bite out of this apple, as well. But let me begin by saying, Will, that we have been on expense reduction since late last year. So, as you well know we've been calling for a pretty severe downturn when many others were not. In fact, I was criticized quite a bit the past couple of quarters of being overly pessimistic on the conference calls. So, our view internally was that this market was going to get very ugly and, in fact, it did. And based on that view, we began moving on cost in late 2007. Ken, perhaps you could talk about the sequencing and timing of the reductions.

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

Yes, I think that's right, Brett. First of all, we've been in cost reduction mode for pretty much the entire year. We started off, I think we talked about this on previous conference calls, where we were really focused at the beginning of the year on more discretionary items - - marketing and promotion and those types of think travel and entertainment. And then, as you know, on our second quarter call we talked about ratcheting up the cost reduction program significantly at that point in time.

In the July, August timeframe is when we really turned up the gas, if you will, in terms of generating much more significant cost reductions. So, the reason we are able to generate, let's call it, 50% plus or so of the run rate benefit in 2008 is because they are rolling in as those cost reduction are phased in over the course of the year. We will have all the actions completed such that in 2009 we will benefit from that full run rate of $190 million. So, because of the fact that we have taken cost reduction actions certainly in the first and second quarter's and then more robustly in the third quarter. As would you expect, some of those benefits are starting to rolling in and that's why we feel that we will get 50% plus of those this year.

Will Marks - *JMP Securities - Analyst*

If you put yourself in our shoes and you're building a model for 2009, the way to think about it on a simple basis would be about $90 million of lower cost -- related to these cost cuts?

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

In 2008?

Will Marks - *JMP Securities - Analyst*

I'm sorry -- well, I'm really thinking about for 2009. Because - - you've essentially realized $90 million already, or you will have by the end of the year. So for next year, a $90 million drop in those costs?

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

Yes, I think that's right. I think that's fair from a modeling standpoint.

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Will Marks - *JMP Securities - Analyst*

Okay. Actually, let me ask you won final question, and that is if you can touch briefly on EMEA. It seems to have more of a margin drop, just a lower margin in general than I would have expected and the Americas seem very strong. Can you touch on if there was anything there that make it unique.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Sure. The first thing I would say, which I know is obvious to you, that while our margin has dropped a bit, it's always been materially and significantly higher than our primary competitors. And we are proud of that and I believe that will continue to be the case in EMEA. You should expect that our margin in EMEA will lead the marketplace in an up and a down market. The reasons that margins in EMEA generally drop more quickly than they do in other geographic jurisdictions is the relationship of fixed and variable costs. So, the compensation programs for (inaudible) or brokers in the EMEA division has a salary component to it and as some of our competitors do in more jurisdictions. So, that tends to be hurtful to margins in a down market.

By the way, it tends to be helpful to margins in an up market. As you recall, the EMEA margins led our margin the last couple of years and it's for the same exact reason. So that's one of the reasons, by the way, that the EMEA business led by Mike Strong for us in Europe is very, very careful on costs. And I would tell you without giving you specific numbers, and I won't, that they have been very aggressive on their costs in Europe. I think they are doing a terrific job over there on that.

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

Brett, just two things to add to that. One is as the outsourcing business grows, of course, we have a mix shift and there's some margin differential there, as you all know, so that will have a little bit of an impact. And then also in 2007, we had a pension credit of about $11 million that reduced expenses last year. So that the year-over-year compare doesn't look as favorable but that was really more of a one time credit that benefited 2007.

Will Marks - *JMP Securities - Analyst*

Thank you very much.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

You're welcome, Will.

Operator

Next question comes from the line of Brandon Dobell, please go ahead.

Brandon Dobell - *William, Blair & Company - Analyst*

Hi, guys, thanks. First want to touch on the $250 million in incentive comp that you talked about. I think on slide 18. Is that related to just the overall decline in the advisory parts of the business or is there a change in the payout ratios that you guys are putting forth now given the tough macro?

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Ken?

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

Yes, it's not necessarily a change in the payout ratios. It's really the reduction, if you will, in commissions and bonuses attributable to lower performance.

Brandon Dobell - *William, Blair & Company - Analyst*

Got it.

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

So, imagine that everyone has a target to achieve and if the actual performance is lower than the target, it's generating much lower accruals and that's really what is driving that $250 million savings number.

Brandon Dobell - *William, Blair & Company - Analyst*

Okay. Just wanted to be sure.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Brandon, to give you some color on that because I think it is something that is a bit different about our firm that we are proud of. The way that we pay many of our executives here is against an EBITDA target. So it's not a profit share. And what that means is if you take the senior management team in our group, you'll see $0 for bonuses in 2008. And the reason for that is that our EBITDA target was a number, performance is going to be below that number and if the payout ratios move down very quickly. On the downside. So once we pass a threshold in performance, there's no bonus for senior management. That model is very prevalent in our business.

So, as performance comes down, what you see on many, many, many of our global managers is their bonuses don't move down by performance. They actually move down two, three, four times performance as, just telling you what right now, what you will see in our Companies this year, is no bonuses in senior management, zero, and it's for that reason.

Brandon Dobell - *William, Blair & Company - Analyst*

Okay. That's helpful. Ken, within the investment management business, should we expect similar accrual reversals going forward? There's not an awful lot hanging out of that, $49 million or so, but given the performance and what happened this quarter, fair to assume that Q4 and Q1 may look pretty similar?

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

Well, I think as we look to Q4, I don't want to get too far ahead of ourselves.

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Brandon Dobell - *William, Blair & Company - Analyst*

Yes. I understand.

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

I would anticipate that based upon asset valuations and expected results from third party appraisals that we are getting in in this quarter that there will be some accrual reversals in the fourth quarter. I don't know exactly the magnitude of those yet, but I would anticipate that we'll have some more of those.

Brandon Dobell - *William, Blair & Company - Analyst*

Okay. That's fair. As you think about the outsourcing business, and you talked about the strong renewals of number of clients, how do we think about how the macro environment changes the size of those relevant contracts? You may renew somebody, but the deal is smaller because there's either less space to manage because of increased sublease or fewer services because even the building owners or corporates are trying to look at the cost structure even in an outsourcing mode. How do we think about out of dollar renewal trends that you are seeing out there or structurally do you just not see people change the dollars they are spending with you for some of these facilities deals?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

It's actually the opposite. And, by the way, you see that in the data right now, you saw. In outsourcing 30% in the third quarter which I think is probably the worse quarter I've ever seen in my life in business.

Here's how it works. Outsourcing accelerates in bad times. It's just that simple. And the impact on the outsourcing revenues based on poor times in the marketplace is not particularly meaningful. In fact, it tends to be far out weighed by the expansion of the outsourcing business both within existing accounts, but what I would tell you right know is we are looking right now at account opportunities that are larger and more encompassing than anything we've seen in our business ever.

We are seeing very, very large multinational corporations who never considered outsourcing before consider it now. And they are doing that because it is an obvious, easily quantifiable way to reduce tens of millions of dollars of operating expense. And shift that work and that responsibility and that risk over to, not the risk, responsibility and work over to a third party.

So our view on the outsourcing business is that no one looks for hard times. But in that business line, they welcome them with open arms and they are very, very busy right now. So I don't think you are going to see any impact on the revenues and outsourcing because of a troubled market. You are going to see the opposite.

Brandon Dobell - *William, Blair & Company - Analyst*

From a broader picture perspective can you talk about some of the indicators out there that give you confidence that investment sales velocity will return. From an outsider's perspective, what either financial metrics, is it the [CNBS] spread? The TED spread? What do you think are most indicative or most relevant as we try to gauge what buyers and sellers are looking at to start making decisions about trading properties?

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Right. In this particular cycle, it's not going to be those data points. In fact, I think it's fair to say that the next couple of quarters is going to be pretty tough in investment property sales because we are digesting some unbelievable body blows the last four months. And we are seeing that.

And we talked about that in our numbers. The reason that we feel that an upturn in velocity is not a foolish scenario, at this point, is that the level of velocity in the business right now is so constrained that it just seems to us unlikely that it can be sustained for a long period of time going forward. And, for the reasons that I mentioned earlier on the call, we are seeing a number of things happen in the marketplace that point us in that direction. So, as I mentioned before, one is the bid-ask spread. And that's probably more important than anything. It's the idea that those folks who own lots of property who in September of 2007 or December of 2007 said, I'm waiting this one out, are now saying, you know what?

I don't know how long this valuation decline is going to be into the business. It could be a long time. Therefore, I might as well trade now than take the risk that it goes down further. Or it doesn't get any better. As I mentioned also, you have many, many, many of the properties that we deal with held in funds. Those funds are in the business of trading properties. And it's not likely that those funds are just going to go out of business because the market is soft.

What they are going to do is accept a lower rate of return for their and as their LPs accept a lower rate of return in those funds, liquidate those funds, move the properties out. And those properties will be bought by buyers who -- by that some cases the same folks that are selling will be bought because their thesis is that the current level of valuation looks a little troughy And this is probably, it may get a little bit worse, probably isn't going to get a lot worse, and this may be a good time to reenter the marketplace.

So, right now at this point in time we are not seeing any increase in velocity. But what we are telling you is that our current thesis is that there is a decent reason to be optimistic that velocity should begin to increase. I don't want to put a timeframe on it because I will definitely be wrong, but it's certainly, to us it seems like it ought to occur in 2009 and it might occur earlier than later. But we are just going to have to see.

Brandon Dobell - *William, Blair & Company - Analyst*

Okay. And then final question for you, I guess maybe for you, Brett. As you think about the environment and your broker force, a lot of experienced people, some newer people, how do you balance where to draw the line on who you want to keep and who you don't think you need to given the slow down in activity and what they - -? And it's tough to gauge a trajectory in recovery in velocity, but there has to be a level of what you where you say the business is back to '03, '04, we need half as many people and we can see needing half as many people even if the business for '09 and 2010 starts to recover because there's capacity among your brokers.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

The way that it works is different in the various geographies. And I'll explain to you. First, in the States remember that our salesforce is fully commissioned. So, there is no real fixed cost against our salespeople. They are supported in their offices and there's a lot of platform behind them. And certainly you scale down the platform against this revenue base, does require us to, in some cases, let some fee owners go. But the folks that in the States that get let go are really perennial low performers. As an example, we are not going into our offices today and looking at the bottom 20% and asking them to leave. And the reason we don't do that in these down cycles, and we don't need to do it, is unfortunately the revenue production of a broker defines their compensation. So, you really don't need to do much of that.

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Now, as a general course of business, our managers in all of our offices around the world do that anyways. They have their own hurdle rates for production. Their own hurdle rates for productivity. Client capture, client retention. And fee owners who don't meet those hurdle rates don't last here. But in a down market that doesn't really change much in the States.

Now in other jurisdictions, where you have a salary bonus component for fee owners, they unfortunately have to take a different view. And that is why in the EMEA you saw both us and our primary competitor announce some layoffs of folks who do generate revenue because they are on, they have a salary component of their compensation. So you tend to see a bit more work on the fee owners outside the states than do you inside the states. But across the business, we have very, very high hurdles for fee owners on production and client capture and retention to remain employed here and those hurdles don't really move up or down much for this market.

Brandon Dobell - *William, Blair & Company - Analyst*

Thanks, guys, very helpful.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

You're welcome.

Operator

We do have a question from the line of Jay Habermann. Please go ahead.

Jay Habermann - *Goldman Sachs & Co. - Analyst*

Good morning here with Sloan as well. Maybe for Ken just to start and to go back to the debt covenants question. I think had you alluded to possibly reworking some of the covenants. I'm just curious, have you begun those conversations? And in the event that you would violate the covenants, what would you expect to change? Is it really the interest cost? What are some of the specific terms that you anticipate seeing some changes to?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Let me grab this one and I might ask Ken to follow as well. So, in terms of the credit agreement as I mentioned on the call, we have a credit agreement that has an awful large number of lenders who have been partners with us for many, many years. Many of them were in credit agreements that go back for over 10, 15 years. And as we look at the credit agreement, one of the levers we have available to us should the markets materially worsen is to purchase additional cushion.. We certainly don't expect to violate a covenant, Jay. But we could go in proactively and purchase additional cushion and that purchase would probably be something that involves fee and rate.

How much that would be? We think we have a pretty good idea. We have a pretty good idea of what we might ask for. But those are remedies that we keep in our back pocket and we watch the market carefully. But I do think that given the high level of uncertainty around the marketplace right now, that discussions of that sort could very well occur. But we are going to watch and see.

Jay Habermann - *Goldman Sachs & Co. - Analyst*

If had you to move --

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Ken, do you want to add to that?

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

No.

Jay Habermann - *Goldman Sachs & Co. - Analyst*

Do you have a sense, if you move the leverage ratio from 375 to somewhere in the ordinary of magnitude of five times, do you have a sense what have that would change?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Well, again, Jay, what I don't want to do on the call today is try and speculate what it is exactly we would do with the lenders. I think they would appreciate us having that conversation with them first than on a public call. But I will tell you that we spend a lot of time inside the Company, Ken and his team and my team, looking at various scenarios to provide cushion in a worsened market were that to occur. Certainly, the modeling around (inaudible) leverage ratio covenant has been extensive and I think we know, with explicit detail, exactly what different scenarios for that leverage ratio imply for additional covenant EBITDA cushion. That is just straight math. So we know what a five times would get us. We know what a four and a quarter times would get us. We know everything in between what it would get us.

What we actual would ask for and do is based a lot on what our view is of the future and what we think is a reasonable ask from us without burdening the Company with additional interest expense and fees. It's a balance. And I think that's really as much as we should talk about that today on this call.

Jay Habermann - *Goldman Sachs & Co. - Analyst*

That's fair. In terms of compensation, you mentioned obviously the reductions for senior management. Do you expect most of the compensation this year to be in the form of stock?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

No. I think that our expectation, at the moment, is that first of all there isn't any bonus compensation for the senior team that you know. Jay, and the folks that are out in the field, as I mentioned, they are unfortunately in a down market. Their bonus programs work very much like ours do which is we don't need to do anything unusual with their bonuses because their bonuses move down so quickly with lack of performance.

Now, I will tell you that, as you well know, and I think most of the callers know, we have in the past used additional levers to improve EBITDA by either reducing bonuses further from the earned amount or, I suppose it certainly is possible we could pay some bonuses in stock, but at the moment that certainly isn't our plan and we don't believe the market, at the moment, is going to require that.

But I would say the way to think about this for you is that the bonus liability that we show is going to be paid out in cash and we will wait and see. If things get materially worse, of course, we will relook at that.

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Jay Habermann - *Goldman Sachs & Co. - Analyst*

Okay. Then back to the question on in terms of size. At this point, what's the change in terms of headcount versus where you were at the start of the year? In terms of your announcements, to date?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Yes, it's - - I think the way to answer that question is if you look at the total as the number of vacated and unfilled positions, so folks that left for their own reasons that we didn't terminate and we left those positions vacant, plus terminated employees - - Ken, do you want to give a number on that or not?

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

Yes, the combination of that of the vacated positions and reductions is about 1,100.

Jay Habermann - *Goldman Sachs & Co. - Analyst*

Okay. And then I know you mentioned raising capital as possibly an option down the road. At this point, have you had any conversations with Blum or is that at this point too early?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

With Blum, well, I think the right way to answer that question is to tell you that we've done some work on all the remedies that I discussed with you first, obviously on the OpEx side. I think we are very good at that and we spent an awful lot of time, not only on the cost reductions we've made to-date, but what additional cost levers exist in the business that we could push on should the market worsen.

We've done a lot of work on what, if anything, we might approach our lenders with. And we've done a lot of work on pricing in the sense of trying to understand what the private and public markets look like at the moment and what the cost of that capital might be. We've done enough work that I think we have a pretty good feel for the economics around it. But that's as far as we've gone.

Unidentified Participant - - *Analyst*

Okay. And then, this is Sloan, just one quick question for Ken. You've spoken about forced selling with some funds due to redemptions/ Have you seen much in the way of any redemptions within your own investment management segment?

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

No, nothing of any consequence.

Unidentified Participant - - *Analyst*

Okay.

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

And, Sloan, just to give you, and Ken is exactly right, to give you some color on that. What we are seeing in our own investment management business is that we have many, many, many funds that are in the marketplace in various stages of maturity.

And we do have LPs within those funds who clearly are looking for liquidity for themselves. And so I think the way to give you some color on that is that we have some LP who's have said, we have our own issues at home and, gosh, if you could liquidate that fund a little earlier than you might have thought then we would accept a lower rate of return and we certainly listen to them carefully. Our LPs don't really have a redemption right. It's not like they can call up and say, give us our money back. That money is invested. We have the latitude to run those investments as we see fit, but we are certainly sensitive to the fact that many of the larger global LPs would like to get some liquidity and if we can help them we certainly will. That, of course, is one of the dynamics that Anthony I believe brought up earlier in the call, is that we believe going to enhance transaction velocity in the relative near-term.

Unidentified Participant - - *Analyst*

Thank you. That's helpful.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Sure.

Operator

We do have a question from the line of Pat Burton. Please go ahead.

Patrick Burton - *Smith Barney Citigroup - Analyst*

Yes, hi, I guess my question is for Ken. Ken, how much of the costs are variable? You've outlined what you would cut in operating expenses and in terms of variable comp. But right off the top how much is commission in the sales and leasing and how should we think of that as revenues fall?

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

Well, the number we talked about of being, really variable and moving based upon actual results versus targets is about $250 million. The $190 million that we talked about, which would be in addition to that $250, is really more, almost all what I would call fixed in nature. In other words, it's salaries and those types of costs that would be permanent reductions. So, if you just bifurcating the total $440 million, think of the $250 million as reasonably variable and the $190 as more fixed in nature.

Patrick Burton - *Smith Barney Citigroup - Analyst*

Okay. And then on the property development income, how should we think about that going forward? Is that just porters you have and some porters it will be materially less?

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

I'm sorry, say that again, I'm not sure I understand - -

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Patrick Burton - *Smith Barney Citigroup - Analyst*

The $42 million from the property development, did I have that number right?

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

You're talking about the gains?

Patrick Burton - *Smith Barney Citigroup - Analyst*

Yes, the gains, correct.

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

It's - that's a business that's really driven by transactions. And the timing of those transaction is very difficult to predict So, it's going to be a variable amount on a quarter-to-quarter basis. Typically what happens in the development business it's very back-end loaded so you will see more activity traditionally in the fourth quarter, some in the third quarter. And then lighter activity in the first couple of quarters of the year. So, it's not necessarily going to be the $42 million as being a recurring amount. There will be gain, but it will be variable depending upon the the number of transactions and the size of the transactions that we consummate during the quarter.

Patrick Burton - *Smith Barney Citigroup - Analyst*

Okay. Thank you.

Operator

You have a question from the line of Anthony Paolone. Please go ahead.

Anthony Paolone - *JP Morgan - Analyst*

Thank you, just a couple follow-ups. In the Investment Management Business, how much committed equity do you have that hasn't been deployed, yet is not necessarily included in the AUM number?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

That's a good question, Anthony, and I don't know the answer to it. We did talk about, in our deck, that we've raised multiple billion dollars of dollars this year. And I think it's a fair assumption that most of that money has not been deployed. I think, Anthony, a better answer I could give you is that if you look around the marketplace for 2008, the numbers vary widely depend on who you read, but the amount of equity that's been raised for commercial real estate this year is well north of $100 billion, some numbers have it north of $300 billion. And most of that money have not been deployed.

It is one of the reasons why we believe the transaction velocities are due to increase. There is a mountain of equity that is sitting out there in investment managers hands that needs to get deployed. They are paid to deploy it and I think they will deploy it. But the majority of it has not been deployed and our business, I think, is not much different than the rest.

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Anthony Paolone - *JP Morgan - Analyst*

If it does not get deployed over a certain period of time, do you lose it? Do you get fees on it in the meantime? How does that work?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

For most investment management companies and in our business the way it works is if you have a period of time where you are paid on the committed capital that you don't have to deploy it. But when that period of time expires, and it depends on the fund, it can be a year, two years for deployment, you got to give it back. And I would just tell you that it is the rare investment management company that does that. The way to - - I think the thing about it is, Anthony, in any marketplace good real estate investment managers believe they can find value. And certainly in this marketplace where values have come down so far, under so much dislocation, I think most investment managers believe that there is going to be a lot of value to be had in the market in 2009 and we are getting ready to deploy that capital. But that's how it works.

Anthony Paolone - *JP Morgan - Analyst*

Last question on the facilities management business, I think you mentioned in your commentary that it ran at a lower EBITDA margin than it typically would in a quarter. Can you tell us what that margin was?

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Ken, do you want to handle that?

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

Yes, I don't think it was running lower, per se, than what it runs on an annual basis. Typically in the -- it sits around the 10%, 11% range.

Anthony Paolone - *JP Morgan - Analyst*

That's what it was in the third quarter?

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

Yes.

Anthony Paolone - *JP Morgan - Analyst*

And that should be a pretty normalized rate for that business?

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

Yes, it won't vary much overtime. There are opportunities to increase it based upon the economies and leveraging purchasing power and such. But that's probably a good set of statistics to use in the near-term.

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Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

And that's exactly right, Ken, and the way that business works and the reason that those margins don't move a lot, Anthony, is that that business is a people-based business. So as you on-board these accounts you on-board the people that run those accounts, that manage those buildings and a lot of reimbursable costs comes through that line.

I should say that the way we account for outsourcing is that the transaction work, which is really the high margin piece of that business, is for the most part stripped out of our accounting for that line and put over by activity in the transaction lines. So, what our account managers or outsourcing people would say to you if they were on the call is if you gave us credit for all the transactions we do on behalf of these very large multinational you would see that margin in the mid to high teens. But, gosh, all that goes over to the brokerage line where those transactions actually are done. And I think that's a fair comment.

Anthony Paolone - *JP Morgan - Analyst*

Okay. Great. Thank you.

Operator

There are no further questions at this time.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Well, I'd like to finally pass along some news that is certainly sad for CB Richard Ellis but terrific and exciting news for our CFO, Ken Kay. Ken has accepted one of those proverbial offers, too good to refuse, as he put it. And after a long period of soul searching and thoughtful consideration, as would you expect from Ken, he has decided to leave CB Richard Ellis later this year to pursue a career with a public company outside of the commercial real estate industry.

Fortunately, as you would expect, CB Richard Ellis has a very strong tradition of succession planning and over the past two years Ken has built a terrific team around that and prepared that succession plan. Ken is number two in the business, Gil Borok our Executive Vice President of Finance and Chief Accounting Officer has been groomed fourth quarter over the past two years to step into Ken's position if needed. Gil is well known to, I think, almost all of you on the call, is well known within our Company and the business in-general. Gil has been a member of our senior management team and a section 15 officer since 2003. So Gil has been very, very deep in our finance functions for a very long time.

Currently Gil is responsible for accounting, tax, budgeting, internal audit, and he's worked as a team with Ken on all of our external audit and audit committee matters. So we except an absolutely seamless and disruption-free transaction over the coming weeks as Ken completes the tasks on his plate and he and Gil manage this through conclusion.

We are certainly sorry to see Ken go and we thank him for his six years of service. We are awfully excited for him and his family and his new chapter in his life. And perhaps, more importantly, we are excited for Gil and believe all of you will fine working with Gil a pleasure and just as productivity and comfortable as you found your relationship with Ken.

Before we close the call, I thought it would be appropriate to allow Ken to talk to you directly. So Ken.

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

Thanks, Brett. Most importantly, I want everyone to know that my departure is solely as a result of having a remarkable opportunity at another prominent public company. An announcement from that company will be forthcoming. We have accomplished a

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lot over the last six years and certainly one of the most important of those accomplishment has been the building of a team of people around me, including Gil, that can handle pretty much anything that the Company has to manage.

As would you expect of me, I have made it a priority for years to give Gil an ever increasing set of my responsibilities culminating in his five-year tenure as a section 16 officer, head of accounting with tax, and a myriad of other responsibilities underneath him. Gil has worked side by side with me for many years, and the Company is in terrific hands with Gil heading finance. Everyone should rest assure that there is no hidden reason for me leaving the Company. My decision to leave CBRE was a very, very difficult one and I believe this Company is not only the finest firm in the industry, but will emerge from this downturn stronger and better positioned than any of its competitors.

Brett White - *CB Richard Ellis Group, Inc. - President and CEO*

Thank you all for participating and, operator, this will conclude our call.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference Service. You may now disconnect

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