FINAL TRANSCRIPT

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CBG - Q4 2009 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 Richard Ellis fourth quarter 2009 earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to Nick Kormeluk, please go ahead.

Nick Kormeluk - *CB Richard Ellis Group, Inc. - IR*

Welcome to CB Richard Ellis's fourth quarter 2009 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 will be posted to 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 future growth momentum, operations and financial performance. 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 or publicly revise any of the forward-looking statements that you may hear today. Please refer to our current annual report on Form 10-K and our currentquarterly report on Form 10-Q, in particular any discussion of risk factors or forward-looking statements, which are filed with the SEC and available at the SEC ™s website (http://www.sec.gov), for a full discussion of the risks and other factors that may impact any estimates that you may hear today.

We may make certain statements during the course of this presentation which 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 attached hereto within the appendix of the presentation.

Please turn to slide three. Our management team members participating today are Brett White, our President and CEO, and Bob Sulentic, our Group President and Chief Financial Officer. Along with us for the question-and-answer session are Gil Borok, our Chief Accounting Officer and CFO of the Americas, and Jim Groch, our Chief Investment Officer.

I will now hand the call off to Brett.

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

Thank you, Nick.

I will start my comments today with some highlights from the fourth quarter, and for that please turn to slide four. First and most significantly, the Company achieved a modest increase in total fourth quarter revenues compared to 2008. This is the first year-over-year increase we've experienced in seven quarters. In addition, adjusted net income came in almost flat in Q4 2009 compared to Q4 2008. As noted in our press release, Asia-Pacific led all other geographies in revenue growth by a significant percentage, posting a year-over-year revenue increase of 43% for the quarter. EMEA also posted solid growth, with revenue increasing 8% in Q4 versus the prior year.

Our outsourcing business continued to demonstrate strong fundamentals in the quarter, as CBRE continued to capture a significant share of this work [awarded] in Q4. New client wins and expansions of existing relationships helped drive growth in square footage [inter-management, by approximately 300 million square feet in Q4 compared to Q4 2008. However, year-over-year comparisons show modest outsourcing revenue declines, as customers continued to spend less on their real estate needs in 2009 compared to 2008.

Recurring revenue comprised approximately 55% of total revenue in the fourth quarter, as compared to approximately 57% in the fourth quarter of 2008. As you may recall, in the third quarter we announced that we had met our goal of removing $600 million of annual run rate expenses, and had targeted $535 million in realized savings for 2009. The amount of cost savings realized in 2009 versus our 2007 base year was considerably higher, coming in over $550 million. This allowed us to drive the strong EBITDA margins we were able to post once again this quarter.

We continue to further strengthen our balance sheet to position the Company for growth. In November, we raised an additional $300 million of capital through an at-the-market equity offering. We also recently launched a second round of loan modification offers, primarily targeting early renewal of additional revolver capacity. Significant uncertainty remains in the market with regard to the ultimate unwinding and resolution of the very substantial amount of underwater commercial real estate mortgages coming due over the next few years. However, we are pleased to see the stabilization that began to occur in the business in the fourth quarter, and the year-over-year growth we're seeing in various areas of our business.

Perhaps most importantly, we believe that CBRE was able to exploit the downturn in the global marks by continuing to attract many of our competitors' people and clients to our market-leading platform. The resulting accretion of market share now captured by the Company should pay handsome dividends in the coming years as the markets recover.

Our notable quarterly transactions are listed here slide five. I will not spend time going through them, but we included them to illustrate some key business wins.

With that, I will now turn the call over to Bob Sulentic to go over our financial results.

Bob?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Thank you, Brett.

Please advance to slide six. Revenue was $1.3 billion for the fourth quarter, up slightly from last year, resulting primarily from improvements in sales and leasing activity. Normalized EBITDA was $199 million, providing a normalized EBITDA margin of 15.3%. Our cost of services was down 130 basis points, as a percentage of revenue, to 55.6% in the fourth quarter of 2009, versus 56.9% in the fourth quarter last year. This resulted from the slight improvement in overall revenues, and a higher mix of sales and lease revenue versus the prior-year quarter, along with the benefits of cost reductions.

In the fourth quarter of 2009, operating expenses declined 3.5% to $410.7 million, versus $425.5 million in the fourth quarter of 2008. As Brett mentioned earlier, relative to our $600 million run rate cost-savings target, we have executed actions for the full amount, and we achieved over $550 million in 2009 savings. The majority of these savings were in operating expenses, with some of them cost-of-services.

Please turn to slide seven. Revenues from property and facilities management, fees per assets under management, loan servicing fees, and leasing commissions from existing clients, are all largely recurring. As Brett noted, these revenues represented approximately 55% of total for the fourth quarter of 2009, similar to 57% of total in the fourth quarter of 2008. Leasing was the largest service line in fourth quarter, and it increased 3% in the quarter versus the fourth quarter of 2008. This represents the first quarterly increase in leasing revenue since the first quarter of 2008.

Our property and facilities management business accounted for 33% of total revenues in the fourth quarter of 2009, as compared to 35% in the fourth quarter of 2008. Sales revenue increased by 24% in the fourth quarter of 2009 versus a year ago, which was its first year-over-year quarterly increase since the fourth quarter of 2007. The appraisal and valuation business revenue was slightly higher in the fourth quarter of 2009 as compared to the fourth quarter of 2008; also a trend reversal. Global investment management revenue was down 10% year-over-year, while development services revenue was down 15%, and the commercial mortgage brokerage business was down [only] 7%, as the challenges in the credit market eased a bit and GSA lending remains strong.

Please turn to slide eight. The trend in outsourcing revenue was similar to the full-year trend, with a decline of 5% on a year-over-year basis. The primary reason for this trend remains low corporate spending. Despite this lower spending, we continue growing the number of clients and square footage we have under management. The number of new outsourcing contracts that included an international component increased by 50% in the last two years. As shown on this slide, for the fourth quarter we won seven new accounts, expanded six client relationships, and signed 11 renewals. Our square footage under management stood at 2.2 billion at the end of the year, representing an annual increase of 16% over year-end 2008. For the full-year 2009, we secured 32 outsourcing contracts, and renewed or expanded 56 existing relationships; illustrating the continuing strong momentum that was evident in 2008.

Although I won't go through all the details, we've attached slide nine which provides certain U.S. market statistics illustrating just how challenging vacancy and absorption trends have been, and are projected to be in 2010. The glimmer of hope on this slide is that the estimated range of cap rates for 2010 shows some possibility of contracting. We have already seen some cap rate contraction among the best properties in the strongest markets.

Please turn to slide ten. Marketwide US investment volumes for the fourth quarter of 2009 totaled $18.1 billion, according to Real Capital Analytics, down 10% from the year earlier quarter. For full year 2009, market-wide investment activity slumped 63% from 2008 to $52 billion, and 67% from the 2007 peak. Fourth quarter 2009 investment activity did improve by 38% compared with third quarter 2009 volume. This is the second straight quarterly improvement, following seven quarter-to-quarter declines stretching back to the fourth quarter of 2007.

Despite the year-over-year decrease in overall US dollar investment volumes, our Americas sales revenue for the quarter increased 7% on a year-over-year basis. In our America's leasing business, revenue declined only 2% in the fourth quarter of 2009 versus prior year, much better than the full-year 2009 decrease of 22%. Not surprisingly, U.S. office vacancy rates increased again by 20 basis points in the fourth quarter of 2009, to end the year at 16.3%. Although this was the ninth consecutive quarter of rising vacancy rates, the trend of severe increases, which characterized much of the past year and-a-half, appears to be abating.

Please turn to slide 11. Our investment sales revenue in EMEA increased 29% in the fourth quarter of 2009, as compared to the fourth quarter of 2008. This is in stark contrast to the 41% decline for the full-year 2009. It was encouraging to see that the fourth quarter 2009 increase in investment activity was broad-based, with notably stronger performance in France and the UK. The recovery was also seen in Central and Eastern Europe, which had previously been severely impacted. CBRE's revenue from leasing in EMEA grew 3% in the fourth quarter of 2009 versus the fourth quarter of 2008. This compares favorably to a 25% leasing decline for the full year of 2009. Most notable was the rebound in London, where rental rates improved by 3.5%.

Please turn to slide 12. CBRE's sales revenue in Asia-Pacific jumped by 88% in the fourth quarter of 2009 versus the prior year fourth quarter. This dramatic improvement limited the full year 2009 revenue decline to on 14% versus 2008. This improvement was also broad-based, with activity picking up across virtually all geographies, led by Australia and China. CBRE's leasing revenue in Asia-Pacific grew by 30% in the fourth quarter versus the prior year fourth quarter, obviously much better than the full year 2009 contraction of 12%. Rental rates in Asia-Pacific saw signs of stabilizing, and the countries with the strongest trends were China, Japan and India.

Please turn to slide 13. Revenue for the development services segment was down 17% to $24.5 million in the fourth quarter of 2009 versus the fourth quarter of 2008. Operating results for the fourth quarter of 2009 showed normalized EBITDA of $6.3 million, after adding back $900,000 of cost containment expenses and $15 million of net write-downs of impaired assets. The fourth quarter 2009 normalized EBITDA margin was 25.7%, as compared to 24.1% for the fourth quarter of 2008. At December 31st, 2009, in process development totaled $4.7 billion, down 16% from year-ago levels. The pipeline at December 31st, 2009, totaled $900 million, down 64% from year-ago levels. The combined total of $5.6 billion is down 31% from year-ago levels. At the end of the fourth quarter, our equity co-investments in the development services business totaled $64.7 million.

Please turn to slide 14. Global investment management revenue was relatively flat for the quarter versus last year at $38.7 million. Asset management fees increased slightly to $33.4 million versus $32.7 million in the third quarter of 2008, while acquisition, disposition and incentive fees decreased by $1.1 million. Assets under management totaled $34.7 billion at the end of the fourth quarter, which was almost flat compared to the third quarter of 2009, but down $3.8 billion versus year-end 2008. Our co-investments in this business at the end of the quarter totaled $102.2 million.

Our global investment management EBITDA reconciliation detail is shown on slide 15. Fourth quarter 2009 EBITDA was impacted by a non-cash write-down of $3.6 million attributable to decreased property valuations, and $300,000 of cost containment expenses. In the fourth quarter of 2009, we didn't realize any carried interest revenue, and we reversed a net $200,000 of previously-accrued carried interest compensation expense as compared to the fourth quarter of 2008, when we also did not realize the carried interest revenue, but reversed a net $25.8 million of carried interest compensation expense. As of December 31, 2009, the Company maintains a cumulative accrual of carried interest compensation expense of approximately $14 million, which pertains to anticipated future carried interest revenue. This business operated at a modest EBITDA margin of 4% and 6% of the fourth quarter 2009 and full-year 2009, respectively.

Please turn to slide 16. Real Capital Analytics now classifies $176 billion of commercial real estate as distressed. This includes properties that are troubled, including those that are delinquent or in default in lender RAO or in workout. The potential for considerably more properties to become distressed is very real, in view of the substantial amount of commercial real estate debt that will be coming due over the next few years. Distressed assets continue to come to the market at a slower pace than anticipated. Nevertheless, the Company's portfolio of distressed assets being marketed for sale in the US now exceeds $5 billion. We have been appointed receiver for more than 20 million square feet of property in the US, and 4 million square feet in the UK.

Please turn to slide 17. There has been no significant change in our debt amortization and maturity profile in the fourth quarter; however, our net debt has declined materially as a result of our $300 million ATM equity raise, and cash from operations. As you will notice on the next slide, our cash balance at the end of the year reflects this additional capital. As Brett indicated earlier, we also recently launched a second round of loan modification discussions, primarily targeting early renewal and extension of our revolver. We'll announce the results of this effort, once complete. At year-end 2009, we have approximately $380 million in debt amortizing and/or maturing through 2012.

Please turn to slide 18. Excluding our mortgage brokerage warehouse facility and non-recourse real estate loans, our total net debt at the end of the fourth quarter of 2009 is down to $1.4 billion. This is a reduction of $441 million from the third quarter of 2009, primarily driven by the $300 million ATM equity raise in November, and cash flow from operations generating the fourth quarter. Net debt at Q4 2009 was reduced by $546 million, or 28% compared to the fourth quarter of 2008. At the end of 2009, our weighed average interest rate was 7%, the same as it was at the end of the third quarter.

Although we'll not speak to it directly, slide 19 is included to show annual capitalization comparisons.

On slide 20, we have illustrated our financial ratio covenant requirements. You can see that our leverage ratio, net debt to EBITDA, as defined in our credit agreements, at the end of the fourth quarter continued to improve with the equity raise and cash generation, and had plenty of room under the maximum ratio committed of 4.25 times. This leverage ratio at December 31, 2009, at 2.3 times compared favorably to the December 31, 2008, ratio of 3.28 times. Our trailing 12-month interest coverage ratio was 4.14 times, well in excess of the required minimum of 2 times. The total amount of covenant EBITDA add backs related to the credit agreement to normalized EBITDA was approximately $75 million for the trailing 12-month period ending December 31, 2009. The amount of add backs will continue to decrease as cost savings are realized in operations.

I will now turn the call back over to Brett.

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

Thank you, Bob.

Please turn to slide 21. I would now like to provide some thoughts about expectations as we move into 2010. While macromarket conditions continue to be difficult, we are seeing more signs that the environment is improving. Leasing markets, while far from robust, have seen some return of demand as the repricing of space has created opportunity. This is especially true in the major bellwether markets. For example, London saw a 1/3 increase in Q4 absorption versus the third quarter, as requirements for space, which had been put on hold, were brought back to market. New York City saw a significant turnaround in sentiment at midyear. The second half leasing averaged nearly 1.8 million square feet per month, versus less than 1 million square feet on average during the first six months. However, we expect our leasing business to show some volatility in results through 2010. Consistent growth will resume only when employers begin rehiring on a sustained basis.

There have also been hopeful indicators in the beleaguered credit markets, including the completion of three CMBS transactions, conservatively underwritten with modest yield premiums that were oversubscribed. Two of these deals were done without

Government backing; an increase in lending activity from banks and life insurers, as yields on corporate bonds have compressed, and the reopening of the refinancing market, which remained largely closed earlier in 2009.

In addition, the real estate investment property sales markets are showing increased activity, and some value stabilization at the high end of the market. This trend is most clearly evident in the United Kingdom, where price has corrected sharply. Property values there increased 10% over the last six months of the year, driven by 100 basis points of yield compression. Investment markets in Greater China and Australia also became notably active late in the year. Australia property saw modest yield compression in Q4 for the first time in nearly two years.

While US investment sales remain historically depressed, activity has also recovered from the near dormant state earlier in the year, and cap rates have lowered for the best properties in the strongest markets. Global capital, foreign and domestic, is slowly coming off the sidelines. Elsewhere, things continue to show solid growth in fundamentals, notably the number of accounts and the square footage we handle. This is particularly true in Asia-Pacific and EMEA. The outlook for global investment management and development services will continue to be challenged until the investment sales environment and property values improve. Among our geographies, we expect Asia-Pacific to continue leading us in terms of relative growth, because of the health of their local economies.

Lastly, we'll continue to have a bias to supporting growth in the business, versus pursuing additional rounds of cost reductions. We believe unique, and perhaps once-in-a-lifetime, opportunities to grow share will present themselves, as markets evolve from a crisis condition to one of recovery.

In closing, I would like to comment specifically about our earnings outlook. For two years now, we declined to provide guidance about our short-terms earnings prospects, and that remains the case today; however, as the global economy begins to emerge from this unprecedented financial crisis and returns to what appears to be the beginning of a more normal operating environment, we feel it is appropriate to remind you of our consistent and long-standing view of our operating leverage in a normal environment. Notwithstanding years with unusual positive or negative influence upon revenues, we believe the Company should be able to deliver annual revenue growth in the 6% to 8% range, annual EBITDA growth in the 10% to 14% range, and annual EPS growth in the 15% to 20% range. While it's still far too early to describe 2010 as a normal operating environment, our initial expectation is that our performance in 2010 may be within these more typical ranges.

With that, operator, we would now like to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We will go to the line of Anthony Paolone with JPMorgan. Please go ahead.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Thank you, good morning.

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

Good morning.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Brett, just by way of giving some parameters around numbers for 2010 and some of your comments about the business, you seem just a little bit more bullish than maybe you were a couple of months ago at the investor day, and I was wondering if you can give us a sense as to maybe more specifically what has really changed in the couple of months that you have seen?

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

Sure, Anthony, and I think that is a fair characterization of our current read of the market. Last fall, we were experiencing some very, very early signs of bottoming in the commercial real estate markets. We were seeing that in Europe, and particularly the UK and France, in certain cities in Asia, there seemed to be signs of stabilization, and in fact some strength, but it was very, very early. Now, having completed the full-year 2009, having had a chance to really watch the seasoning of two more quarters through the business, we can draw some, I think, more firm conclusions about where we are in this cycle.

First, I would say that the global markets are, as they tend to do in these cycles, they are moving towards recovery at vastly different paces. Those markets I just referenced that were showing some strength, or strengthening, in the early third quarter, I think, are on the capital market side and leasing side are now showing demonstrable strength. So we're seeing good, positive signs out of France and the UK, and many Asian markets, and Australia as well.

That having been said, the US markets are still searching for bottom. That having been said, the pace of decline in the US sales and leasing markets has improved sequentially each quarter through 2009, and that was really one of the things that was very important for us to watch, was how Q3 and Q4 played out, and what that sequential decline in (inaudible) revenues would look like through the years. Having completed that year, we can now tell you that the sequential decline in revenues across both sales and leasing in the US has improved steadily and sequentially throughout the year. Nonetheless, those revenue lines are still declining, albeit at now very, very low rates.

So it appears to us, and I think we feel relatively good about this, that the US markets are very close to bottoming, notwithstanding another major shock to the system, and we'll talk about that later, with the potential that might be. But notwithstanding another major shock, the US markets seem to be quite close to bottom, and poised for some, I would imagine would be very, very slow incremental recovery. Other markets globally seem to be well ahead in some cases of the US markets; and that, by the way, is not surprising, based on how those economies wee faring and the way that particular the UK devalued real estate in 2008 and 2009.

Anthony, one last comment on that is this recovery cycle, as we begin to inch our way into it, likely will play out quite differently than -- I think, than the traditional recovery cycles we're all used to, just ask the down cycle did. There was nothing typical or usual about the markets the way these markets came apart the last two and-a-half years, and I suspect that recovery will be a different than what we're used to as well, and different in the sense I think it will be more incremental, and longer to take firm hold globally, than perhaps prior recovery cycles.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

It seemed like the way down was a little bit faster; this time, you think the way back up may be a bit slower? Is that, is that -- am I reading that right?

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

Yes, I think the way down was both faster and also more severe in scale. So we saw deeper declines on capital values, we saw very rapid declines in absorption and lease rates than might be typical. I think the recovery cycle is going to be a bit incremental for awhile for two reasons. One, we don't have global economic recovery right now. The U.S., the world's largest economy, is still losing jobs. So we simply can't say we're in recovery in the States, we're not; and none of the data signs that we watch here in the States would imply that we are. So you have the bellwether market still in decline, albeit a much slower rate of decline than it was previously. You know, the other markets that I mentioned are now in, I think, what seems to be a demonstrable recovery.

The recovery cycle, the [firm] experience as a diversified global player, I think in the initial stages is going to be incremental, is going to be something much less than the hockey stick that I think many would like to see, and I think that that hockey stick does exist out there for the business, but it's probably not in the near-term, I think it's a ways out.

And, of course, the big elephant in the room, Tony, as you know, and all of our callers know, is there is a massive amount of commercial real estate mortgage debt in the marketplace that is going to come due over the next three or four years that, as of today, could not be refinanced. And until the resolution of that issue is apparent to the marketplace, forecasting strength of recovery and forecasting growth rates, and so forth, is a bit tricky. So as we think about 2010, and I think as you all think about 2010, it seems to me that we're looking at that large amount of commercial mortgage debt, and assuming there is not some sort of massive unwinding or catastrophic problem that comes from that in 2010. By the way, I think that is a good assumption. However, we all don't know how that is going to be resolved, and some outcomes could be very positive for the firm and the industry, and some could be less so.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, thank you. I just have another item, more related to the balance sheet and $740 million roughly of cash. How that -- is that, what do you do with that cash balance over, say the next couple of quarters? And also in light of your comment of potentially seeing opportunities out there to invest?

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

Right, I will let Bob take that.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

First of all, we have embarked on the process of another set of loan modifications, and we're going to report to the market what the result of that is when it's completed. So, the anticipation is that will use some cash. We also, as you know, have foreign cash in -- as part of that balance that generally is not accessible for day-to-day activities here in the States, so we segregate that when we think about our use of cash. We also are going to, as you implied, be more on the offense this year than we have been the in past couple of years, and we want to make sure that we're in a position where if we choose to invest, we will be able to invest, and that would be in a number of arenas, in the co-investments and our two principal businesses, where we think there is going to be an awful lot of opportunity sometime over the next couple of years, and then of course any [insulate] activity that we may choose to do. We'll begin to look cautiously at those opportunities again. Nothing like we were doing in 2006 and 2007, but certainly this should be a good time to invest over the next year or two, and we want to make sure we're in a position to do that.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

On that M&A side, are there things that have emerged at this point, or is this just you all anticipating, you know, how to think about things in the next few quarters or year, whatever?

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

Tony, it's Brett. I would say a little bit of both. Certainly as the markets begin to get their footing, and they're definitely getting their footing now, we're seeing opportunities begin to present themselves. Early days, absolutely, but nonetheless there are opportunities beginning to present themselves. And we think that over the coming year, we may see some more interesting opportunities come to market. I mentioned in my comments that this is a type of down cycle we've experienced where truly once-in-a-lifetime opportunities may very well present themselves. And those can come, as Bob said, from a variety of areas. Certainly on the capital market side of the market business, you've seen a destruction of capital value that in my career is unprecedented, and that has had a very, very significant impact on firms who are solely focused on those product types.

Imagine being a firm who is in our business that only deals with the sale and purchase of investment properties, and you saw your revenues decline by something like 90% from peak. So we're watching that space carefully. We're watching in the fund management world, how that is playing out. As Bob said, we're looking at co-investment opportunities, where some of our funds might have an opportunity to do some interesting things. I think it's just wise -- I think Bob said it right, I think it's just wise, because at this point in the cycle we seem to be bottoming and slowly emerging into recovery, to be sidelined with some cash and to be ready should an opportunity present itself.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, thank you.

Operator

Next, we will go to the line of Kevin Doherty with Banc of America. Please go ahead.

Kevin Doherty - *Banc of America Securities/Merrill Lynch - Analyst*

Great, thank you. I just want to follow up a bit, and appreciate the commentary you give about this recovery certainly being different, but that said, I think there is certainly an expectation that strong leverage would come through, I think, given the aggressive cost cuts. So I just wanted to see how much of that would be sort of factored into the outlook you gave?

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

You know, I think the way to, Kevin, think about what we said, and what the market is telling all of us is, first of all, I hope I'm stating the obvious that our results for 2009, and the fourth quarter in particular, demonstrate that even in a declining market we can do some pretty terrific things with margins and the production of profits. And as we sit here today, as I said a few minutes ago, Kevin, I know everyone would like to hear us declare that the markets are now in recovery, and that leverage from cost reductions is going to flow through to very strong profits. The fact of the matter is, we're not in recovery yet. We are in some markets, as I mentioned, in the UK and France, and some markets in Asia and Australia, those markets seem to be in recovery.

But the biggest market in the world is not. And we're there right now, we're sitting here in February, and we're in a situation where the U.S. commercial real estate markets are coming off of a fourth quarter where they declined again. So as you think about 2010, and we talk about earnings growth and we talk about EBITDA growth, that is despite the fact that we are still in a

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declining market in the States through the fourth quarter. We are telling you that we believe that -- well, we know that the rate of decline has improved sequentially each quarter in 2009, and we believe we're right there, that we're close to, if not at, the bottoming of the US commercial real estate market. Had that occurred in June of 2009, we would have a much different view of 2010, but it didn't, and it hasn't yet.

So our expectations around 2010 are that on the back of unprecedented cost-cutting by the firm, and the fact that we were able not to only hold on to all of our key people and clients, but in fact on board, keep people and clients from our competitors, we ought to be able to produce positive leverage on the EBITDA and earnings per share line. But make no mistake about it, we're not at the moment forecasting or talking about an environment in 2010 that will feel to you and I, we don't believe, as a typical recovering market where you would see a real flip, strong improvements in sale and lease transactions, velocities and revenues. If that does appear in 2010, and it certainly could, you will be the first to know. But as we sit here right now, we feel that 2010 is going to be a better year, but still a tough year.

And as a also said, I think the -- what you're looking for and what you're alluding to, which is the hockey stick from leverage of cost reductions and good [on-boarding] of revenue, I think is still a bit away. Remember that, and you heard this on another public call yesterday, as you move from crisis back to what feels to us to be a bit more normal environment, you are going to see some pressure on margins and profits, as people actually begin earning some compensation again. So bonuses of some amount will be paid, likely, in 2010. You will see some salary restoration. And those things, while not huge in scale, will also inhibit some of that hockey stick you might expect to see with 6%, 7%, 8% revenue growth.

But again, I think the comment I want to make here very clearly is, we are not in a strong recovery here in the States. We're in a declining marketplace that feels to us has now bumped bottom, and we're optimistic that it will begin to improve in 2010.

Kevin Doherty - *Banc of America Securities/Merrill Lynch - Analyst*

Okay, that is -- appreciate that color. And maybe just following up on that, could you help us understand how you're thinking about the seasonality of the business as we move through the year, and maybe how volatile could the quarters be around the revenue changes and even the margins as we move through this period?

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

Sure. Bob?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

I think, Kevin, the best way to think about what might happen in that regard next year is that, in the absence of this hockey stick effect and some very, very strong tick-up in activity, particularly in the U.S., that we're not anticipating, but in the absence of that, you would expect next year -- or this year to play out, 2010 to play out, in terms of seasonality mush as 2009 did.

Kevin Doherty - *Banc of America Securities/Merrill Lynch - Analyst*

Okay. And then just as a follow-up, I know last quarter you talked about revenue per transaction trends in the leasing business that started to flatten out. Maybe if you can just give an update there, and also talk about that metric in the investment sales side as well?

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

Sure, I'll give you numbers this is for U.S. transactions, so make sure you have the box right, U.S.-only sale and lease transactions. If you look at the year-over-year -- I'll give you quarters. Year-over-year revenue changes for sales in the US, Q1 was down 71%, Q2 was down 61%; Q3 down 54%; and Q4 was down 10%. So what you see there is a sequential improvement quarter-to-quarter. Leasing side, going again Q1 to Q4, you've got down 30%, down 27%, down 24% and then down 4%. So again, this is a sequential improvement, but declines nonetheless, and that is what I was referring to earlier when I said it's still in the decline phase but looking better and better.

Kevin Doherty - *Banc of America Securities/Merrill Lynch - Analyst*

Okay, and then any meaningful change in just sort of the size of the individual transactions?

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

I would say that generally, and it's a little harder to get to in our data, I would say generally what you typically see in what I would describe as a very, very early stage of recovery in the States would be the leasing transactions are -- as the velocity picks up, usually with smaller transactions, the sales side, certainly, because values have come down so far, you're talking about smaller transactions definitionally across the sale business, and that has been true, as you know, for the past couple of years, how does that play out prospectively?

Let's assume that my thesis for 2010 is correct, and that soon we see job losses cease in the States and we begin to see job gains. You would then -- you would get the same nice multiplier effect on the upside as you had on the downside. We'll start to see longer-term leases for more space, and that is very beneficial to the business. But that won't come until we see, I believe, and as Bob mentioned his comments, meaningful job growth return to the marketplace, and we're of course not there yet. You are there in other markets around the world, and that is why you're seeing better leasing pick-up in the markets.

Kevin Doherty - *Banc of America Securities/Merrill Lynch - Analyst*

Okay, I appreciate the color. Thank you.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Yes.

Operator

We'll go to the line of Sloan Bohlen with Goldman Sachs. Please go ahead.

Sloan Bohlen - *Goldman Sachs & Co. - Analyst*

Good morning, guys. Brett, you talked about the leasing environment in Europe relative to the United States. Just for the sales market, maybe if you could talk a little about the differences, and why maybe we saw a pick up in London particularly? And, you know, is it more a matter of better absorption of space over there, or is a matter of how loans are being modified here in the United States, and just why do you think it's slower here?

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

Well, we -- it's a great question, and it's an interesting dynamic to watch. This cycle has taught all of us a lot of lessons. I think one of the observations I would make about how the down cycles on the capital markets is that in the UK, there is a much more stringent, and you can perhaps replace that word with severe, mark-to-market process for commercial real estate values. And so you may recall that during the down cycle out of the UK, we were getting, we were all getting monthly marks on commercial property values that were significantly deeper than what you were hearing from the States.

So, you listen to (inaudible) or whoever you want to listen to, and they were talking about 13%, 15%, 17%, 20% value declines, and you listen to the UK and they were talking about 40s. And what happened was you had a very open, free system, where the marks were taken rapidly and deeply, and it allowed the market to recover much more quickly, because the bottom was found. The market, I think, felt and appeared to be a bit more transparent, and that is what these markets, of course, as you know, what the markets need, is an agreement between the bid and the ask about what fair value is. And that, I think, was discovered more quickly in the UK than it has been able to be discovered here. The UK also benefits from being really the international market of choice for property investors, and so I believe very strongly that many, many, many well-healed personal -- individual investors and funds saw the UK market devalued at 40%, 50%, 55%, and viewed that to be an overcorrection and jumped in, and jumped in quick, and there were properties to buy in the UK.

In the States, we have really the opposite situation. We have a market that is a bit more difficult to determine fair value. You have a market where, due to the nature of ownership, the only people who are selling into this marketplace are individuals who have to sell, and very few are doing that. So even if you have -- and many funds right now in the States have an enormous amount of sidelined equity capital available for the purchase of commercial real estate, but they can't find the assets to buy. We have a clogged system at the moment. We have a system where, for lots of reasons, properties that four years ago would have been non-performing are chugging along through the system with the same lender and borrower in place, and that is -- there is no velocity in the system. And that is the [States] issue I referenced earlier, which is at some point either the market's going to improve where those properties have loans that are of lesser value than the value of the property, or there is going to be some event that will occur that will start moving those properties through the system. As we sit here today, it's a bit of a limbo environment in that regard.

Sloan Bohlen - *Goldman Sachs & Co. - Analyst*

I appreciate the color. Maybe just turning to the balance sheet, maybe a question for Bob. You talked a little bit about, you know, being a little bit more offensive on the acquisition front this year. Could you talk about how you reconcile that with maybe your long-term plans for delevering? And obviously, a lot of the pressure is off in the near term, but maybe just how you think about the business -- or the balance sheet long-term?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

We have delevered by over a $500 million in the past year and we've said before that our long-term view is we ought to be levered about 2 to 1, our leverage ratio should be about two times; it's higher than that now. We want to bring that down, and our preferred way to do that would be through cash flow from operations. We expect -- obviously, if you look at the comments at the end of our release, we expect things to improve, and our ability to generate cash to improve, so that would be our favored way to deal with the whole issue of liquidity.

At the same time, we want to have enough cash on our balance sheet, we want to have enough borrowing capacity over time to do sizable things if those opportunities come into play. So even if we did get down to an ideal leverage ratio, or what we characterize as ideal, we would be willing to lever up at the right time in the cycle to do the right deal to grow the Company and to increase the shareholder value in the Company, and that is really the view we have of this thing.

Sloan Bohlen - *Goldman Sachs & Co. - Analyst*

Okay. And then just one last one, if I can. Brett, you talked a little bit about the corporate costs -- corporate cost-cutting, kind of cutting into the revenues of the property and the facilities management business. Can you maybe kind of give us a reference point of how far along we are in that process, and maybe just help us split out how that impact is kind of offset in the growth that you have in that business?

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

Sure. What we were referring to, which is an interesting dynamic in the outsourcing, particularly the corporate outsourcing space right now, is -- and I know you did, if you listen to the numbers, we on-boarded, Bob, I think it was close to 300 million square feet of outsourcing square footage in 2009 full-year, which is an enormous amount of space, and I believe probably twice as much as any other firm in the business brought on last year; and that is great news, because that's the foundation for years and years of growth that we will enjoy in revenues for the firm.

The bad news is that our corporate customers, just like ourselves and probably many of the firms on this phone call, are extremely frugal with spending right now; and where that hurts us the most is in two areas. The project management work that we do for our corporate customers is a good business for us, and our corporate customers are not doing a lot of work on new space at the moment. So that project management work is at a fairly historical low. Related to that is, of course, the transaction work we do for our corporate customers, and again is directly related to project management ebbing. We are not seeing a lot of aggressive space acquisition at the moment, or for the past year, from our corporate customers.

But here's how I think about that; that's all okay. It's gosh, I wish they were all doing those things, but that's not really the main event today, or to us. The main event to us is this, this market-leading -- and we are by far the market leader in the outsourcing space, this market-leading platform is on-boarding clients at a rapid pace, and that is setting a foundation of long-term recurring revenues, and when the market does recover, we're going to see some pretty terrific stuff come through that business from the project management work and the transaction that always flows through these corporate customers. So if there were one thing I would really want to do in a market like this, it would be to on-board these new mandates, and to expand these client relationships, which we have done, as you know. We had some really remarkable client expansions in 2009, certainly highlighted by Bank of America and all the international work we picked up from them. And we are poised and ready for those clients to re-enter the market.

As you heard on other calls recently, there are now signs that those corporate customers are absolutely dusting off those more long-term strategic plans, and beginning to think and talk, and in fact in some cases execute plans to take more space and do some exciting things. But we're in the nascent stages -- early stages of that, and the pressure on revenues we've referenced is what I just discussed.

Sloan Bohlen - *Goldman Sachs & Co. - Analyst*

Thank you, guys.

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

Sure.

Operator

We'll go to the line of Will Marks with JMP Securities. Please go ahead.

Will Marks - *JMP Securities - Analyst*

Good morning, Brett, Bob and Nick. I wanted to ask you first, just back to the guidance, is it possible that you would have the 6% to 8% revenue growth, but in the very high-margin businesses that we are hearing are going to improve at least somewhat versus 2009, certainly sales may be leasing less so. Is it possible that you get -- and it comes from those areas, and therefore those drive more than the 15% to 20% EPS?

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

Bob, I'll let you take a stab at that question.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

It's possible, Will. I mean, of course it's possible. There are things in the marketplace that are going to unfold in ways that we simply can't predict here today. I mean, for instance we might return to -- incredibly quickly to an environment where we could buy and flip properties in our principal business, and you would get outcomes that aren't reflected in here. We don't think that's going to happen. We talked quite a bit here today about job growth in the U.S., and we and others have talked over the recent history about the fact that the distressed opportunities haven't come to the market at the rate that we all thought they were going to come to the market at. A lot of the buyers are still on the sidelines. The sellers are not sure that they're going to place -- that pricing is in a place yet where they want to sell. Any one of those dynamics could break loose, and cause outcomes for us that were more favorable than what we've talked about. There are things out there than can cause outcomes that are less favorable than what we've talked about, obviously, too.

What Brett quoted in our release was kind of our view of where this Company should operate in a more normal environment, coupled with our view that we're heading toward a more normal environment. If we're not headed toward a more normal environment, we're going to get outcomes somewhere on either side of that.

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

And that is -- Bob raised a very good point, Will, which is -- and you've been following us for a very long time. You know that paragraph we gave you is simply the base operating model we've been describing to you and our other analyst investors for almost a decade now. In a normal environment, you should expect that of the firm. As I said in the release and on the call, it is way to early to call this a normal environment; however, looking at our models and our budgets and forecasts, it's not unlikely we could fall in that range this year.

But I know what you're driving at also. It's the same point Kevin was making earlier, and I know what you all want to hear, but I'm not going give it to you, which is you want to hear that we're in recovery, the transaction business is going to start on-boarding revenue, and you're going to get the great hockey stick. I guess I will tell you this, it's out there; I just don't it's this year. I think it's too earl. And we could be wrong; and you know what, we probably will be wrong, whether it's -- we called for 2013 and it's 2011 or we call for 2011 and it comes in 2013.

The one thing you know from watching us, as do our other callers, is this industry tends to miss the big velocity moves on EBITDA in both directions. We tend to be overly optimistic when the market's coming apart; we tend to be overly conservative when the market's coming together. The best we can tell you right now is, we really don't think that hockey stick, that big, big jump in EBITDA and EPS that you're looking for, is 2010. I think it's a bit further out, but we really don't know. We're just reading the tea leaves as we have them right now, and each quarter we'll know a bit more.

Will Marks - *JMP Securities - Analyst*

Great, sorry to beat a dead horse. Thank you for that.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

And let me add on to that, too. I do think you can -- not you, personally, but any of us can hear numbers and they can be a little confusing taken out of context. If you look at our investment properties revenues, they were 11% to 12% of revenues this year. And let's say they spiked in 2010 by 30%. That would only add 4% to our revenues for next year. So you hear these big numbers on some parts of the business, or hear the pop in revenues in Asia, for instance, relative to what they had last year, and you think about what might happen next year. But I do think you have to put those spectacular numbers in the context of what they mean to the overall income statement.

Will Marks - *JMP Securities - Analyst*

Okay. Great. Thank you for the background on all of this. Let me square inch gears, and ask you a few, hopefully, fairly quick questions. Bob, you had mentioned -- I believe you just confirmed, $75 million of EBITDA that would on top of the $372 million reported to get to an adjusted?

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

Gil, you want --

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

It's Gil, that's right, for covenant purposes.

Will Marks - *JMP Securities - Analyst*

Okay. Great, okay -- oh, for covenant purposes, okay. Do you think that is a fair way of looking at the EBITDA base when looking at either the guidance or just how we should all model?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

Yes, but you took the $372 million; you should take the $454 million of normalized, and add to that the $75 for covenant purposes.

Will Marks - *JMP Securities - Analyst*

Sorry, so $454 million is normalized?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

That is normalized. $372 million is reported.

Will Marks - *JMP Securities - Analyst*

And to get to $454 million you add the $75 million?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

No, to get to $454 million, you have to add adjustments and then $75 million to that for covenant purposes.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

The normalized EBITDA number, Will.

Will Marks - *JMP Securities - Analyst*

Yes?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Is what you should focus on if you think about modeling and so forth. Covenant EBITDA is important to our lenders, but I don't think you should model the business off of covenant EBITDA. Use the normalized number, because that is how we are running the --

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Will Marks - *JMP Securities - Analyst*

Which is $454 million?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

Correct.

Will Marks - *JMP Securities - Analyst*

Okay, thanks. Question on the income statement, the minority interest expense line. It changed direction during the quarter. You can give us thoughts on how to model that? It's know -- it's just very tough to model and move the needle.

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

In the normal course, Will, that line is not particularly material. What you have, again, if you're looking at the press release, you have the GAAP numbers on that line, which would include write-downs in both years. so you have the minority portion of those write-downs reflected in that line. And so on a GAAP basis, you have some strange movements year-over-year. On a normalized basis going forward, in the normal course as we get equity earnings in and if we have profits, there would be a normal relationship year-over-year, and it is not particularly material. Meaning there will be some growth -- just as we said, will be some growth to the overall business.

Will Marks - *JMP Securities - Analyst*

And how about the equity loss from unconsolidated subs line?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

Again, not particularly material, and it comes from the principal businesses. So it should grow on a normalized basis in line with the guidance that we have given; I use guidance liberally, but in light of what we're talking about for the consolidated company for 2010.

Will Marks - *JMP Securities - Analyst*

Perfect. Can you give the cash flow figure for 2009, what your operating cash line was. With all the capital raises and you paid down debt by more than just the cap line.

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

It is in the presentation, if you look at the slide, I think it's 19, we give you the cap table for 12/31/08 and 12/31/09, and you can see the change in net debt, which will tell you the answer to that.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

When coupled with the equity raise.

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

Correct.

Will Marks - *JMP Securities - Analyst*

Well, yes, that includes the equity raise, so if you back out the equity raises -- I can do the math. That's all right.

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

Yes, exactly.

Will Marks - *JMP Securities - Analyst*

Okay, and one final question. What do you think the industry decline was in Americas leasing or US leasing during the fourth quarter? If there was a decline?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

In terms of revenues?

Will Marks - *JMP Securities - Analyst*

Yes, I mean you showed -- you were up, I believe, and I am just wondering if you have an industry view of what that figure would have been? You were down 2%?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

We were -- yes, we were nominally down year-over-year fourth quarter, and my guess would be the industry as a whole was probably down. If we were down 3% or 4%, it was probably down 8%. I am guessing, Will. What I would expect and what is normally the case is that in a market like this, we're getting pretty good share accretion, it's just natural in a market like this. So if we're down some amount, I would guess the overall market was down a bit more.

Will Marks - *JMP Securities - Analyst*

Okay, thank you. That is all for me.

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

You know, there is no tracked data, so this is just pure speculation.

Will Marks - *JMP Securities - Analyst*

Got it.

Operator

Next, we will go to the line of Brandon Dobell with William Blair. Please go ahead.

Brandon Dobell - *William Blair & Co. - Analyst*

Thanks. Brett, in past calls you talked about market share sometimes. Any sense of how you finished out the fourth quarter in the basic -- or the various geographies for market share in investment sales, and are there particular areas where you feel you have more headroom than others? I'm guessing U.S. market share is going to be tough to double, but are there areas where you think you have that kind of opportunity?

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

Sure. Let me go through, I think, the three headline business -- not business lines, but let's call buckets of revenues. I will use the outsourcing sales and leases. Outsourcing, I think the numbers are now out there, we had a very strong year in on-boarding share and outsourcing. We talked about 300 million square feet of net additions to the portfolio. I think that is close to double anyone in the industry, so that is a pretty impressive statistic.

On the capital market side, the sale and lease investment properties, in the major markets that matter, the places where real revenue comes from, I would say we're likely the leader in virtually every one of them. In the major cities, with a few exceptions, that is absolutely the case. In the States, we're absolutely the market leader in investment property sales, and in Europe, it's the case in most of the cities, and in Asia It's a bit more a mixed bag. But certainly, in the markets that matter if we're not number one, we're right there. On the leasing side, I believe we're the market leader in virtually every major world market. Certainly we are in the States. We are in the -- excuse me, the UK, and most of the major Western European cities as well.

So our market share, we believe, has moved up nicely in this down cycle, as you expect it would. It would be disappointment if it didn't. In a down cycle, there is absolutely a flight to quality, and you also see the exit of some participants. We saw a little bit of both of that in this most recent down cycle. And also, the nature of business has changed. The outsourcing business, as we've talked about before, has become an extremely technical, extremely complex, high-hurdle business to get into. It really just isn't not possible, really, anymore for all but two, and maybe you can reach and say three, firms to participate in true global outsourcing. It's just too complex and too expensive to be in that business.

On the sales side, the type of sale business that is out there right now is very complex, requires a tremendous amount of underwriting. These are the things we do very well, and we're, we're very pleased with where our share has moved. You know, it's -- it would be nice if I could reference a single publication that ranked all the firms in every market. It doesn't exist in this industry. You have to look to various sources in the major markets, and you have to kind of ignore the thumping we all do of our chests saying we're all number one; go to the data, and you'll find what you need, but I think what you'll find is that CB Richard Ellis leads almost every league table in almost every market.

Brandon Dobell - *William Blair & Co. - Analyst*

Okay. Kind of -- and tying on to that, how correlated do you think a recovery in outsourcing and leasing will be or is? Do those things come hand-in-hand? Can outsourcing recover without leasing recovering or vice-versa?

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

In recovering, I'm assuming you mean revenue growth, correct?

Brandon Dobell - *William Blair & Co. - Analyst*

Right.

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

Because again, you have this situation where we're on-boarding outsourcing business right now at a very rapid rate, but for the reasons I mentioned earlier the revenues are slower to come. And yes, there's no question that an improvement in job growth will drive both an improvement in leasing revenues and in improvement in outsourcing revenues, because it flows through to expansion of space and the things we get paid to do for these clients. So I think that's a fair conclusion, that when you see one, you will see the other, and they are correlated.

Brandon Dobell - *William Blair & Co. - Analyst*

A couple for Bob. As you look out for this year, I know there's not great visibility on some of these things, but how should we think about some of the impairment charges, it seems like you're kind of running off the issues, from cost savings, acquisitions and (inaudible) charges, those kind of things. How do you think about those? And then also any color around CapEx and the tax rate for 2010 would be helpful.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Okay. First of all, with regard to impairments, at the end of every quarter we do a thorough analysis in our two principal businesses, our investment management business and our development services business, and we take the impairments each quarter that we think need to be taken. So, in other words, sitting here today, we would say those impairments that exist in our portfolio have been taken. When you're in an environment where there is a decline in values or there is maturities -- debt maturities coming along you that may or may not be able to deal with within the portfolio, you can have new instances of impairment.

You mentioned, Brandon, that they've been kind of running off or over time or declining. This year's year-end impairments were dramatically lower than last year's. We think, as the market stabilizes, and it clearly appears to be stabilizing, that that trend of the impairments running off should actually accelerate. So we feel good that you should expect materially less impairments this year than you have seen in the last year.

Brandon Dobell - *William Blair & Co. - Analyst*

Fair enough.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

And with regard to the tax rate, it was about 40% this year, and we think it's going to be a couple of points -- excuse me, it was about 40% for 2009, and we think it's going to be a couple of points less this year than it was in 2009, so about 38%. What was the third piece you asked?

Brandon Dobell - *William Blair & Co. - Analyst*

CapEx spending.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Cap Ex spending was at a very low level last year and, frankly, it was at a level we would rather not be at. It was south of $30 million. The target was $30 million. We will spend more this year than we spent last year. We have some things going on strategically on the IT side that we're going to spend some money on. We have some leases that we're going to renew and extend ourselves, and spend some money on.

And frankly, that is a great proxy for what we think our customers are doing. Just like our customers in several major markets around the world, we're going to lease some space, extend leases we have, and relocate to new spaces that we think are opportune, and we're going to spend money in conjunction with that. So you should expect to see CapEx go up this year, but it will be well below historical peaks.

Brandon Dobell - *William Blair & Co. - Analyst*

Fair enough. A final question. Within the leasing business, especially in the Americas, any sense of how that mix stands now between office, retail, industrial? Just trying to get a sense of where the different levers may be, based on how the economy kind of bumps along and recovers?

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

It's a great question, and that data exists. I am afraid I don't have it with me at the moment. It does exist, though, and it can be found. If Gil can dig it up somewhere, or Gil if you could get back to Brandon and let him know what published data is out there, (inaudible) must have something on that.

Brandon Dobell - *William Blair & Co. - Analyst*

Great, guys. Thanks a lot.

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

You bet.

Operator

Anthony Paolone with JPMorgan. Please go ahead.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Thanks. In the press release, you noted $110 million of EBITDA in facilities in the U.S. I was just wondering how much of the whole facilities' pie that was?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Well, you're talking about the outsourcing revenues, and the EBITDA associated with that, Anthony?

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Yes, you said U.S. property and facilities management had $110 million of EBITDA in 2009, and I was just wondering what portion of the whole property and facilities EBITDA was at?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

It is the just the U.S. portion of our landlord management business and our corporate outsourcing business. So it is -- I don't have a percentage, but it's a big portion of it. Let's say, maybe 50%, 60% of the business.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay. And then just wondering in the facilities business, it seems like on a quarterly basis you renew 13, 15, 17-type contracts. How many typically, I guess, expire in a given quarter? What does that look like?

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

Well, it would be -- in the outsourcing space, there is no seasonality to contract expirations. It's a straight ratable map. So there's nothing -- in that business, these are typically 3-year, 5-year, 7-year contracts, and they're kind of signed on a regular basis throughout the year, and they expire on a ratable basis -- there is no big seasonality to contract expirations in that.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

I'm just curious, I guess, what the renewal rate is?

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

Oh, I'm sorry, what percentage of these renew?

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Yes, I think you said you did 17 -- renewed or extended 17 existing contract in the quarter. So like how many actually had to be addressed or came due?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Anthony, I can't give you an exact percentage for this quarter, but we have historically and consistently run north of 90% on our renewals, well north of 90%.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, that is what I was curious about. Great. And then just one final, just tiny detail, but I was just curious on your balance sheet, Bob, that the warehouse receivables and the warehouse line of credit, historically those matched up like dollar for dollar, and they were just off a little bit, and I was just curious if there was something different that was happening there? I know it's tiny but --

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Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

There is a new program that we've entered into, and it's very similar to what we have done in the past, so it's with a (inaudible), it's with a [hard lander] and they don't match up with that new program. There a slight tweak in timing between the commitment that we get and the drawdown on the line, and that is creating a little bit of a gap between the two, but it's not material and it is not a big part of what we do. And I would not expect it to grow, the gap to grow any going forward.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, but they're not asking to you all to take like more risks in the future or something like that?

Gil Borok - *CB Richard Ellis Group, Inc. - CAO and CFO of the Americas*

No.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Anthony, can I go back? I want to make sure we understood and answered your question about the U.S. property and facilities management EBITDA as a percentage of the whole. Were you asking what percentage of the Company's entire property and facilities management EBITDA resides in the U.S.?

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Yes.

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

I think the answer to that would be north of 75%.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, so the $110 million is really the bulk of that business line?

Robert Sulentic - *CB Richard Ellis Group, Inc. - Group President and Chief Financial Officer*

Our global property and facilities management EBITDA, yes.

Anthony Paolone - *JPMorgan Chase & Co. - Analyst*

Okay, thank you.

Operator

There are no further questions. Please proceed.

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

I appreciate everyone's participation on the call today, and we'll look forward to talking to you after the completion of the first quarter.

Operator

That does conclude our conference for today. Thank you for your participation, and for using AT&T executive teleconference. You may now disconnect.
