CBRE GROUP, INC.
Form 10-Q
August 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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

For the Transition Period from __________ to __________

Commission File Number 001 32205

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3391143**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
400 South Hope Street, 25th Floor Los Angeles, California	**90071**
(Address of principal executive offices)	**(Zip Code)**
(213) 613-3333	**Not applicable**
(Registrant s telephone number, including area code)	**(Former name, former address and former fiscal year, if changed since last report)**

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

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

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

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

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

The number of shares of Class A common stock outstanding at July 31, 2016 was 335,618,448.

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June 30, 2016

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CBRE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 431,768	$ 540,403
Restricted cash	70,502	72,764
Receivables, less allowance for doubtful accounts of $45,685 and $46,606 at June 30, 2016 and December 31, 2015, respectively	2,373,157	2,471,740
Warehouse receivables	847,712	1,767,107
Income taxes receivable	92,838	59,331
Prepaid expenses	199,299	172,922
Other current assets	230,805	220,956
Total Current Assets	4,246,081	5,305,223
Property and equipment, net	533,575	529,823
Goodwill	3,061,024	3,085,997
Other intangible assets, net of accumulated amortization of $676,848 and $589,236 at June 30, 2016 and December 31, 2015, respectively	1,396,240	1,450,469
Investments in unconsolidated subsidiaries	226,742	217,943
Deferred tax assets, net	107,709	135,252
Other assets, net	351,201	293,236
Total Assets	$ 9,922,572	$ 11,017,943
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,381,802	$ 1,484,119
Compensation and employee benefits payable	728,021	705,070
Accrued bonus and profit sharing	502,766	866,894
Income taxes payable	46,530	82,194
Short-term borrowings:		
Warehouse lines of credit (which fund loans that U.S. Government Sponsored Entities have committed to purchase)	839,295	1,750,781
Revolving credit facility	156,000	

Other	16	16
Total short-term borrowings	995,311	1,750,797
Current maturities of long-term debt	42,546	34,428
Other current liabilities	45,673	70,655
Total Current Liabilities	3,742,649	4,994,157
Long-term debt, net of current maturities	2,624,977	2,645,111
Deferred tax liabilities, net	85,034	100,361
Non-current tax liabilities	89,625	88,667
Other liabilities	476,517	430,577
Total Liabilities	7,018,802	8,258,873
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders Equity:		
Class A common stock; $0.01 par value; 525,000,000 shares authorized; 335,575,365 and 334,230,496 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	3,356	3,342
Additional paid-in capital	1,131,881	1,106,758
Accumulated earnings	2,292,062	2,088,227
Accumulated other comprehensive loss	(572,181)	(485,675)
Total CBRE Group, Inc. Stockholders Equity	2,855,118	2,712,652
Non-controlling interests	48,652	46,418
Total Equity	2,903,770	2,759,070
Total Liabilities and Equity	$ 9,922,572	$ 11,017,943

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenue	$ 3,207,537	$ 2,390,506	$ 6,054,271	$ 4,443,009
Costs and expenses:				
Cost of services	2,254,233	1,487,974	4,267,846	2,778,751
Operating, administrative and other	680,442	610,158	1,323,808	1,141,933
Depreciation and amortization	90,268	70,605	177,262	140,451
Total costs and expenses	3,024,943	2,168,737	5,768,916	4,061,135
Gain on disposition of real estate		6,986	4,819	6,986
Operating income	182,594	228,755	290,174	388,860
Equity income from unconsolidated subsidiaries	34,929	6,693	92,230	22,144
Other income (loss)	3,882	(1,069)	7,097	18
Interest income	3,066	1,402	4,525	3,699
Interest expense	36,987	26,154	71,777	52,368
Write-off of financing costs on extinguished debt				2,685
Income before provision for income taxes	187,484	209,627	322,249	359,668
Provision for income taxes	64,039	76,474	114,164	133,377
Net income	123,445	133,153	208,085	226,291
Less: Net income attributable to non-controlling interests	1,777	8,124	4,250	8,325
Net income attributable to CBRE Group, Inc.	$ 121,668	$ 125,029	$ 203,835	$ 217,966
Basic income per share:				
Net income per share attributable to CBRE Group, Inc.	$ 0.36	$ 0.38	$ 0.61	$ 0.66
Weighted average shares outstanding for basic income per share	335,076,746	331,999,935	334,534,841	331,988,489

Diluted income per share:				
Net income per share attributable to CBRE Group, Inc.	$ 0.36	$ 0.37	$ 0.60	$ 0.65
Weighted average shares outstanding for diluted income per share	338,080,641	336,154,524	337,797,887	335,926,626

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$ 123,445	$ 133,153	$ 208,085	$ 226,291
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(102,308)	57,508	(85,714)	(47,912)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	1,733	1,809	3,476	3,604
Unrealized (losses) gains on interest rate swaps, net of tax	(1,206)	263	(4,115)	(2,511)
Unrealized holding gains on available for sale securities, net of tax	1,574	237	645	71
Other, net	(702)	16	(759)	18
Total other comprehensive (loss) income	(100,909)	59,833	(86,467)	(46,730)
Comprehensive income	22,536	192,986	121,618	179,561
Less: Comprehensive income attributable to non-controlling interests	1,694	8,141	4,289	8,309
Comprehensive income attributable to CBRE Group, Inc.	$ 20,842	$ 184,845	$ 117,329	$ 171,252

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 208,085	$ 226,291
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	177,262	140,451
Amortization and write-off of financing costs on extinguished debt	5,204	7,264
Gain on sale of loans, servicing rights and other assets	(73,404)	(74,135)
Net realized and unrealized gain from investments	(7,097)	(18)
Equity income from unconsolidated subsidiaries	(92,230)	(22,144)
Provision for doubtful accounts	4,926	4,412
Compensation expense related to equity awards	28,554	29,132
Distribution of earnings from unconsolidated subsidiaries	14,544	13,174
Tenant concessions received	2,339	6,262
Purchase of trading securities	(57,985)	(42,653)
Proceeds from sale of trading securities	62,497	35,596
Decrease in receivables	72,160	113,769
Increase in prepaid expenses and other assets	(74,672)	(43,118)
Decrease in accounts payable and accrued expenses	(111,699)	(9,767)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(332,454)	(390,333)
Increase in income taxes receivable/payable	(53,095)	(14,125)
Increase (decrease) in other liabilities	21,122	(4,971)
Other operating activities, net	(4,074)	(17,278)
Net cash used in operating activities	(210,017)	(42,191)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(79,058)	(50,388)
Acquisition of Global Workplace Solutions (GWS), including net assets acquired, intangibles and goodwill	(21,900)	
Acquisition of businesses (other than GWS), including net assets acquired, intangibles and goodwill, net of cash acquired	(16,569)	(94,975)
Contributions to unconsolidated subsidiaries	(27,431)	(27,571)
Distributions from unconsolidated subsidiaries	93,912	27,269
Proceeds from the sale of servicing rights and other assets	15,071	12,615
Increase in restricted cash	(478)	(38,678)

Purchase of available for sale securities	(23,984)	(23,453)
Proceeds from the sale of available for sale securities	22,061	24,563
Other investing activities, net	(1,142)	(219)
Net cash used in investing activities	(39,518)	(170,837)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior term loans		500,000
Repayment of senior term loans	(14,375)	(648,738)
Proceeds from revolving credit facility	1,356,000	831,000
Repayment of revolving credit facility	(1,200,000)	(835,512)
Proceeds from notes payable on real estate held for sale and under development	13,315	4,404
Repayment of notes payable on real estate held for sale and under development	(4,102)	
(Repayment of) proceeds from short-term borrowings and other loans, net	(447)	569
Shares repurchased for payment of taxes on equity awards	(5,112)	(5,113)
Proceeds from exercise of stock options	814	3,214
Non-controlling interest contributions	821	4,405
Non-controlling interest distributions	(3,517)	(10,637)
Payment of financing costs	(5,529)	(22,225)
Other financing activities, net	3,620	(1,836)
Net cash provided by (used in) financing activities	141,488	(180,469)
Effect of currency exchange rate changes on cash and cash equivalents	(588)	(10,965)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,635)	(404,462)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	540,403	740,884
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 431,768	$ 336,422
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 63,420	$ 43,123
Income taxes, net	$ 160,353	$ 148,011

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

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CBRE GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Dollars in thousands)

	CBRE Group, Inc. Shareholders					
	Class A common stock	**Additional paid-in capital**	**Accumulated earnings**	**Accumulated other comprehensive loss**	**Non-controlling interests**	**Total**
Balance at December 31, 2015	$ 3,342	$ 1,106,758	$ 2,088,227	$ (485,675)	$ 46,418	$ 2,759,070
Net income			203,835		4,250	208,085
Restricted stock awards vesting (including tax benefit)	13	1,332				1,345
Compensation expense for equity awards		28,554				28,554
Shares repurchased for payment of taxes on equity awards		(5,112)				(5,112)
Foreign currency translation (loss) gain				(85,753)	39	(85,714)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax				3,476		3,476
Unrealized losses on interest rate swaps, net of tax				(4,115)		(4,115)
Unrealized holding gains on available for sale securities, net of tax				645		645
Contributions from non-controlling interests					821	821
Distributions to non-controlling interests					(3,517)	(3,517)
Other	1	349		(759)	641	232
Balance at June 30, 2016	$ 3,356	$ 1,131,881	$ 2,292,062	$ (572,181)	$ 48,652	$ 2,903,770

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

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Readers of this Quarterly Report on Form 10-Q (Quarterly Report) should refer to the audited financial statements and notes to consolidated financial statements of CBRE Group, Inc., a Delaware corporation (which may be referred to in these financial statements as the Company, we, us and our), for the year ended December 31, 2015, which are included in our 2015 Annual Report on Form 10-K (2015 Annual Report), filed with the United States Securities and Exchange Commission (SEC) and also available on our website (www.cbre.com), since we have omitted from this Quarterly Report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to Note 2, Significant Accounting Policies, in the notes to consolidated financial statements in our 2015 Annual Report for further discussion of our significant accounting policies and estimates.

The accompanying consolidated financial statements have been prepared in accordance with the rules applicable to quarterly reports on Form 10-Q and include all information and footnotes required for interim financial statement presentation, but do not include all disclosures required under accounting principles generally accepted in the United States (GAAP) for annual financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments, except as otherwise noted) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amounts of revenue and expenses. Such estimates include the value of goodwill, intangibles and other long-lived assets, real estate assets, accounts receivable, investments in unconsolidated subsidiaries and assumptions used in the calculation of income taxes, retirement and other post-employment benefits, among others. These estimates and assumptions are based on our best judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. Certain reclassifications have been made to the 2015 financial statements to conform with the 2016 presentation.

The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2016.

2. New Accounting Pronouncements

Recent Accounting Pronouncements Pending Adoption

The Financial Accounting Standards Board (FASB) has recently issued four Accounting Standards Updates (ASUs) related to revenue recognition, all of which become effective for the Company on January 1, 2018. The ASUs issued are: (1) in May 2014, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606);* (2) in March 2016, ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net);* (3) in April 2016, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;* and (4) in May 2016, ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-scope Improvements and Practical Expedients.* ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance under GAAP. This ASU permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

effect of this ASU on our ongoing financial reporting. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. We are evaluating the effect that ASU 2016-08 will have on our consolidated financial statements and related disclosures. ASU 2016-10 clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in ASU 2014-09. ASU 2016-12 clarifies guidance in certain narrow areas and adds some practical expedients. We do not believe the application of ASU 2016-10 and ASU 2016-12 will have a material impact on our consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This ASU will significantly change the income statement impact of equity investments and the recognition of changes in fair value of financial liabilities when the fair value option is elected. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is not permitted, except for the provisions related to the recognition of changes in fair value of financial liabilities when the fair value option is elected. We do not believe the adoption of ASU 2016-01 will have a material impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires lessees to recognize most leases on-balance sheet and mandates a modified retrospective transition method for all entities. This ASU is effective for annual periods in fiscal years beginning after December 15, 2018. We are evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.* This ASU clarifies that a change in one of the parties to a derivative contract (through novation) that is part of a hedge accounting relationship does not, by itself, require designation of that relationship, as long as all other hedge accounting criteria continue to be met. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016, with early adoption permitted. We do not believe the adoption of ASU 2016-05 will have a material impact on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, *Simplifying the Transition to the Equity Method of Accounting.* This ASU eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. ASU 2016-07 should be applied prospectively upon its effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. This ASU is effective for all entities for interim and annual periods in fiscal years beginning after December 15, 2016, with early application permitted. We do not believe the application of ASU 2016-07 will have a material impact on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting.* This ASU is intended to improve the accounting for share-based payment transactions as part of the FASB s simplification initiative. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2016-09 will have on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU is intended to improve financial reporting

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

3. Acquisition of Global Workplace Solutions

On September 1, 2015, CBRE, Inc., our wholly-owned subsidiary, pursuant to a Stock and Asset Purchase Agreement with Johnson Controls, Inc. (JCI), acquired JCI s Global Workplace Solutions business (we refer to this transaction as the GWS Acquisition). The acquired GWS business is a market-leading provider of integrated facilities management solutions for major occupiers of commercial real estate and has significant operations around the world. The purchase price was $1.475 billion, paid in cash, with adjustments for working capital and other items.

The preliminary purchase accounting adjustments related to the GWS Acquisition have been recorded in the accompanying consolidated financial statements. The excess purchase price over the estimated fair value of net assets acquired has been recorded to goodwill. The goodwill arising from the GWS Acquisition consists largely of the synergies and economies of scale expected from combining the operations acquired from GWS with our business. Of the $852 million of goodwill recorded in connection with the GWS Acquisition, approximately $445 million is deductible for tax purposes. Given the complexity of the transaction, the calculation of the fair value of certain assets and liabilities acquired, including intangible assets and income tax items, is still preliminary. As a result, the assignment of goodwill to our reporting units has not been completed. We expect to complete the purchase price allocation and the assignment of goodwill to our reporting units as soon as practicable, but no later than one year from the acquisition date.

Unaudited pro forma results, assuming the GWS Acquisition had occurred as of January 1, 2015 for purposes of the 2015 pro forma disclosures, are presented below. They include certain adjustments for the three and six months ended June 30, 2015, including $16.9 million and $33.8 million, respectively, of increased amortization expense as a result of intangible assets acquired in the GWS Acquisition, $9.0 million and $19.3 million, respectively, of additional interest expense as a result of debt incurred to finance the GWS Acquisition, the removal of $4.8 million and $8.0 million, respectively, of direct costs incurred by us related to the GWS Acquisition, net of the tax impact during the period of these pro forma adjustments. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the GWS Acquisition occurred on January 1, 2015 and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenue	$ 3,136,506	$ 6,062,009

Operating income	$	237,646	$	409,049
Net income attributable to CBRE Group, Inc.	$	125,896	$	220,665
Basic income per share:				
Net income per share attributable to CBRE Group, Inc.	$	0.38	$	0.66
Weighted average shares outstanding for basic income per share		331,999,935		331,988,489
Diluted income per share:				
Net income per share attributable to CBRE Group, Inc.	$	0.37	$	0.66
Weighted average shares outstanding for diluted income per share		336,154,524		335,926,626

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. Variable Interest Entities (VIEs)

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

As of June 30, 2016 and December 31, 2015, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	June 30, 2016	December 31, 2015
Investments in unconsolidated subsidiaries	$ 21,898	$ 21,457
Other assets, current	6,407	3,723
Co-investment commitments	176	180
Maximum exposure to loss	$ 28,481	$ 25,360

5. Fair Value Measurements

The *Fair Value Measurements and Disclosures* topic (Topic 820) of the FASB Accounting Standards Codification (ASC) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There were no significant transfers in or out of Level 1 and Level 2 during the three and six months ended June 30, 2016 and 2015. There have been no significant changes to the valuation techniques and inputs used to develop the recurring fair value measurements from those disclosed in our 2015 Annual Report.

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 (dollars in thousands):

	As of June 30, 2016			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities:				
Debt securities:				
U.S. treasury securities	$ 6,752	$	$	$ 6,752
Debt securities issued by U.S. federal agencies		5,104		5,104
Corporate debt securities		18,957		18,957
Asset-backed securities		2,890		2,890
Collateralized mortgage obligations		1,297		1,297
Total debt securities	6,752	28,248		35,000
Equity securities	22,968			22,968
Total available for sale securities	29,720	28,248		57,968
Trading securities	68,471			68,471
Warehouse receivables		847,712		847,712
Foreign currency exchange forward contracts		12,586		12,586
Total assets at fair value	$ 98,191	$ 888,546	$	$ 986,737
Liabilities				
Interest rate swaps	$	$ 22,840	$	$ 22,840
Securities sold, not yet purchased	3,084			3,084
Foreign currency exchange forward contracts		5,429		5,429
Total liabilities at fair value	$ 3,084	$ 28,269	$	$ 31,353

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CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	As of December 31, 2015			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities:				
Debt securities:				
U.S. treasury securities	$ 7,350	$	$	$ 7,350
Debt securities issued by U.S. federal agencies		3,360		3,360
Corporate debt securities		18,085		18,085
Asset-backed securities		1,897		1,897
Collateralized mortgage obligations		1,752		1,752
Total debt securities	7,350	25,094		32,444
Equity securities	24,118			24,118
Total available for sale securities	31,468	25,094		56,562
Trading securities	64,124			64,124
Warehouse receivables		1,767,107		1,767,107
Loan commitments			1,680	1,680
Foreign currency exchange forward contracts		9,236		9,236
Total assets at fair value	$ 95,592	$ 1,801,437	$ 1,680	$ 1,898,709&