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CBRE Group, Inc. (CBRE)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the CBRE Q3 2025 Earnings Conference Call and Webcast. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the floor over to your host, Chandni Luthra, Global Head of FP&A Investor Relations. Please go ahead.

Chandni Luthra

Executive Vice President and Head-Investor Relations & FP&A, CBRE Group, Inc.

Good morning, everyone, and welcome to CBRE third quarter 2025 earnings conference call. Earlier today, we posted a presentation deck on our website that you can use to follow along with our prepared remarks and an Excel file that contains additional supplemental materials.

Today's presentation contains forward-looking statements, including without limitation statements concerning our business outlook, business plans and capital allocation strategy, as well as our earnings and cash flow outlook. These statements involve risks and uncertainties that may cause actual results and trends to differ materially. For a full discussion of these risks and other factors that may impact these statements, please refer to this morning's earnings release and our SEC filings.

We've provided reconciliations of the non-GAAP financial measures discussed on our call to the most directly comparable GAAP measures, together with explanations of these measures in our presentation deck appendix. Throughout our remarks, when we cite financial performance relative to expectations, we are referring to actual results against the outlook we provided on our second quarter 2025 earnings call in July, unless otherwise noted.

Also, as a reminder, our resilient businesses include facilities management, project management, property management, loan servicing valuation and other portfolio services and recoating investment management fee. Our transactional businesses comprise property sales, leasing, mortgage origination, carried interest and incentive fee in the investment management business and development fees.

Before we begin, as a brief technical matter, we want to note that we recently responded to a comment letter from the SEC regarding our presentation of net revenue. Going forward, while we will continue to provide supplemental information to help you understand the portion of our revenue that is pass-through in nature, our formal reporting will focus on gross revenue. I'm joined on today's call by Bob Sulentic, our Chair & CEO; and Emma Giamartino, our Chief Financial Officer.

Now please turn to slide 3 as I turn the call over to Bob.

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Thanks, Chandni, and good morning, everyone. CBRE continued to produce excellent results in the third quarter. All four segments delivered strong growth in operating leverage and we exceeded expectations we had going into the quarter. We often talk about our breadth and depth across asset type, client type, line of business and geography. This breadth and depth give us scale that supports our strategy in many ways. These include recruiting from inside and outside the sector, developing integrated solutions for clients, making capital investments and creating an information advantage. Our scale is particularly helpful in driving growth in areas that are either secularly favored or cyclically resilient. This came through clearly in our third quarter results.

The data center asset type and related client group provides a good example. We produced nearly \$700 million of revenue from data centers in the third quarter, 40% more than in 2024's third quarter. This contributed to profitability in all four segments, accounting for about 10% of overall EBITDA for the quarter.

From a geographic perspective, Japan and India are particularly well-positioned for sustained secular growth in commercial real estate services. We have large businesses in both countries and in Q3, their combined revenue rose more than 30% to nearly \$400 million. Given our results year-to-date and momentum in our business, we are raising our full year core EPS outlook to \$6.25 to \$6.35 from \$6.10 to \$6.20.

Emma will discuss our outlook after she reviews the quarter's highlights. Emma?

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

Thank you, Bob. Good morning, everyone. Our third quarter results exceeded expectations across the board, highlighted by 34% growth in core EPS and 19% in core EBITDA. We delivered double-digit revenue gains in both our resilient and transactional businesses, underscoring the balanced strength of our business. Throughout my segment discussion, I will cite growth rates in local currency. This does not reflect a 1% to 2% FX benefit to the USD growth rates. As Chandni mentioned, we will no longer report net revenue. However, internally, we continue

to focus on revenue excluding pass-through costs as our primary growth metric, as we believe it best captures the value of the services we deliver to our clients.

Now I'll detail our performance for each segment beginning on slide 4. In Advisory Services, revenue growth exceeded expectations, rising 16%, led by outperformance in both leasing and sales. Global leasing revenue rose 17%, accelerating from the second quarter, despite a tougher year-over-year comparison. In the US, leasing reached its highest level for any third quarter, growing 18%. US industrial increased 27% as third-party logistics providers continue to take more space and larger occupiers came back to the market. Data center leasing picked up materially, resulting in a more than doubling of revenue over last year. In addition, US office leasing once again rose by double digits. Outside the US, APAC leasing was strong, driven by India and Japan, while results were mixed in Europe.

Our property sales business delivered 28% revenue growth. Like leasing, US sales saw strength in office, industrial and data centers. Outside the US, we saw particularly strong sales growth in Germany, the Netherlands and Japan. [indiscernible] (00:06:43) mortgage origination revenue growth was driven by an increase in origination fees, primarily from CMBS lenders, banks and debt funds. Advisory SOP grew 23%, reflecting strong operating leverage.

Turning to our Building Operations & Experience segment on slide 5, we saw 11% revenue growth. In the Enterprise business, growth was driven by work for data center hyperscalers as well as new client wins and expansions in the technology, life sciences and healthcare sectors. Our local business achieved a mid-teens revenue increase, supported by continued growth in the UK and Americas. Revenue in the Americas was up 30%, reflecting strong market share gains for the segment. BOE SOP grew 15%, delivering operating leverage driven by continued cost efficiencies across the segment.

Please turn to slide 6. In the Project Management segment, revenue increased 19%, while pass-through costs rose 23%. We achieved broad-based double-digit revenue growth supported by the UK, the Middle East and North America. Legacy Turner & Townsend's revenue in North America have more than doubled since 2022, demonstrating the benefit of being part of the larger CBRE platform and we see significant runway for further gains in this large, slightly penetrated market.

Across client sectors, we saw strong activity with the UK government, reflecting a large national healthcare mandate and ongoing demand from hyperscalers for data center projects. This growth was slightly offset by continued softness from certain technology clients that are focusing capital spending on AI investment. Project Management SOP grew 16%, delivering operating leverage when viewed as a percentage of revenue, excluding pass-through costs.

In Real Estate Investments on slide 7, segment operating profit was up 8%, in line with our expectation. In investment management, we raised \$2.4 billion of new capital in the quarter and are on track for a strong fundraising year. AUM ended the quarter at approximately \$156 billion, up \$500 million for the quarter. AUM growth in the quarter was tempered by currency headwinds. Absent these headwinds, AUM increased \$1.3 billion.

In development, operating profit also met expectations. Our strategic land acquisitions in recent years, coupled with our land development and entitlement capabilities, position us to capitalize on demand for large data center development sites. We expect to monetize several of these sites later this year or next year. We continue to believe our development portfolio has more than \$900 million of embedded profit that will be monetized over the

next five years. As always, the timing of asset monetization, especially between quarters, can be difficult to predict with precision.

Now, I'll turn to our balance sheet and capital allocation on slide 8. In keeping with our expectations of better full year performance, we now expect to generate approximately \$1.8 billion of free cash flow for the year. Net leverage stood at 1.2 turns at quarter end and we continue to expect to de-lever through the end of the year.

Please turn to slide 9. As Bob mentioned, we have raised our full year core EPS guidance to \$6.25 to \$6.35, reflecting our outperformance to-date and confidence in our fourth quarter pipeline. Our outlook includes contributions from the data center site dispositions and our development business. The midpoint of our new guidance range reflects 24% growth and would be more than 10% above our prior peak EPS. This is a notable outcome produced within only two years of the commercial real estate market trough.

With that, I'll turn the call back to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Anthony Paolone from JPMorgan. Your line is now live.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning and nice quarter. Just have a question as we start to look to the rest of the year and just the strength that you had in 3Q. Do you feel like anything got pulled forward from the fourth quarter or perhaps how we should think about like when or in what business lines do comps start to get more challenging or start to normalize from these pretty high levels of growth?

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

A

So, Tony, we haven't seen a significant pull forward across our segments. We are seeing strong momentum. But as you noted, we are starting to come up against some tough comps. So, going through each segment, starting with Advisory, on the leasing front, we had a tough comp in Q3 and that continues in Q4. On the sales front, as you've seen that pick up pretty significantly in the third quarter, going into the fourth quarter, we continue to see strong activity, but that's sort of minor looking against 2024. Q3 sales growth was 14% and Q4 sales growth was 35%. So, that growth rate is going to start to decelerate somewhat into Q4. And then on the Project Management front, I do want to note that we have a very tough compare in the fourth quarter. In the prior year, our SOP growth grew 30% in the fourth quarter.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you for that. And then just my follow up, can you maybe comment on the M&A pipeline, especially given the free cash flow and also whether that had any impact on not buying back stock in the quarter? Thanks.

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

A

So, Tony, our capital allocation priorities remain as they've always been. We prioritize M&A and co-investment into REI and we use the remainder of the free cash flow that we generate for share repurchases. We do continue to believe that our share price is undervalued and we'll buy back shares in the absence of M&A. As you know, I can't comment on particulars of what we're targeting, but we continue to focus on the areas of our business that are resilient, that can benefit from secular tailwinds. And we're looking for targets that are extremely well-operated that can really benefit from being a part of the CBRE platform. We're extremely patient to find the right deals. We're actively advancing our M&A approach, improving our integration, improving our identification of new deals. And we're very confident that we will find the right targets over time.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Thank you.

Q

Operator: Thank you. Next question today is coming from Julien Blouin from Goldman Sachs. Your line is now live.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Yeah. Thank you for the question and congratulations on the quarter. Bob, I wanted to ask you, Advisory sales results were very impressive again this quarter. But just taking a step back, there appears to still be this latent need to transact from both older vintage real estate funds that need to return capital to investors to start their next fundraising cycles. And then more recent vintages are still sitting on a lot of dry powder. So, I guess taking stock of all of that versus what's sort of happening in the macro, where are we in the CRE transaction market recovery? And how much more room is there to run?

Q

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Well, we think about that a lot, as you would expect, Julien. And I think in general, we would say that we expect a longer, slower recovery in the sales part of our business than we've seen historically. And we're early into that recovery. We expect it to run for some time. Obviously, in September, when interest rates ticked down, sales activity picked up. But we do have strong pipelines. And people talk about pent-up demand. There's pent-up demand on both sides. There's pent-up demand from buyers. You mentioned the capital stores that the real estate investors have.

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And there's a lot of owners of assets that are ready to sell the assets. And the gap between buy/sell expectations has closed pretty significantly. So, we expect a nice, strong, steady recovery investment sales over the next couple of years. Obviously, if something happens in the macro economy, that would interrupt that in one direction or another, it could change our expectations. But that's where we are right now.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Okay, thank you. And Emma, maybe following on from Tony's question, turning to the fourth quarter, as you mentioned, there's tougher year-over-year comps. But I guess how would you describe the deal activity so far in the fourth quarter? How do pipelines compared to this time last year? And then also, if I could sneak another one on the Advisory segment, looks like maybe the incremental margins this quarter were a little bit lower. Is there something happening maybe on the hiring side?

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Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

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So, to take your first question, pipelines are strong. We're continuing to see strong activity in the beginning of the fourth quarter through October, both on the leasing and sales side. I do want to say that, we provided a guidance range up to \$6.35 and that largely incorporates the flow through from outperformance in the third quarter.

But if everything goes as we're expecting, if transaction activity continues as we're seeing right now and as we expect, and if these development sites that we have a high confidence well-monetized this year do turn out, we will be at the high end of our EPS range. On the margin side, within Advisory, our incrementals were a little over 25% this quarter, which is lower than what we've seen earlier in the year and the major impact there was an increase in incentive comp, because of the performance of the overall segment of business.

Julien Blouin

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you.

Operator: Thank you. Next question is coming from Ronald Kamdem from Morgan Stanley. Your line is now live.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Just sticking with the Advisory segment a little bit, clearly where the outperformance came this quarter, maybe can you talk a little bit just about sort of the talent in terms of people, are you appropriately staffed? Do you want to hire more people? What's the competition like, just sort of color on how you're thinking about this gradual recovery and your position? Thanks.

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

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Well, again, something we focus on all the time. And I would say, we are appropriately staffed, but we're also adding where we find the right talent. We've got capacity in our leasing brokerage team to do more, and we've got considerable capacity in both our sales team and our mortgage origination teams. We have had a really good run with talent across our brokerage business, but in particular in the leasing business. And when you look at – and we've taken considerable market share over the last couple of years and improved our leasing product.

And what's gone on there is, we've around the world made significant upgrades to our local leasing leadership teams. We have a managed brokerage platform that we use that's supported by a technology tool that helps us identify where in the market we have holes in our coverage and we aggressively try to close those holes. We also use it to manage our interface with our clients. The tools we support our leasing business with the technology tools, the data we support our leasing business with the research, we support our leasing business with the Advisory tools like workplace design, labor analytics have allowed us to move ahead in that business, not only in landing new business, but in landing new talent and retaining the talent we have.

So, we're in a really good place with our brokerage talent. We've made some significant recruits on the investment sales and especially on the mortgage origination side of the business also. So, we're well-staffed. We have plenty of capacity in that staff. But we're also looking to add talent, because as we've already talked about on this call and in our prepared remarks, the market's strong and our pipelines are strong and we are expecting growth.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Helpful. My second – my follow up, I guess, would be just going back to the Project Management business. I think we noticed you didn't break out Turner & Townsend versus the legacy, just any comments there? And then, if you could just update us on the thoughts on the margin opportunity sort of near and long-term, that would be helpful? Thanks.

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

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Well, the reason not to break it out is, because we're now well into that integration and the operating model that supports that business has been pretty much integrated around the world. And not surprisingly, the operating model we're using is the Turner & Townsend model, which we think is the industry's best, one of the big part of the reason why we made that deal in the first place. Now, we're starting to move on to integrating that financial platform around the world, integrating human resources platform, as we call the people platform around the world, et cetera, technology platform. That's an area where we'll use the CBRE platform.

And so, we expect that part of the integration to yield some cost synergies for us next year. I will say, and I've personally been involved in the interface with our clients in a number of areas. The markets recognition of those two businesses coming together and the new capability we have is starting to become pretty noticeable and it's showing up in our new business wins in an area where it's particularly showing up in is clients we already had that gave us a certain type of project that are now giving us bigger, more complex projects and giving us cost consultancy work, because of this combined capability. But all of that leads us to now look at that business as one integrated business going forward.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Helpful. Thank you.

Operator: Thank you. [Operator Instructions] Our next question is coming from Stephen Sheldon from William Blair. Your line is now live.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Hey. Good morning. Thanks. Just starting on data center monetization, sounds like you're seeing strength in that class across a lot of different service lines. So, just as we think about the next two to three years, where do you see the biggest avenues for CBRE to grow supporting data centers? And should investors be expecting monetization around data centers to continue becoming a bigger part of the overall business mix, say, versus the 10% of EBITDA that you called out this quarter?

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

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Well, Stephen, we expect data centers to be around 10% of our earnings this year and more next year. And it's really important to know what's going on. There is this big bump up in activity right now, and we're enjoying the benefit of that. I'm sure everybody that's in the real estate business or the data center services business that reports earnings is going to comment on that very favorably. But in addition to enjoying the benefit of the current

pop in activity, we are building businesses that we believe will be sustainable as the cycle with data centers unfolds.

And inevitably, it's going to be a big build cycle over the next five years, maybe longer. And then beyond that, it's going to be a big operate cycle. Except in an indirect way, through our investment management business, we don't invest in a big way in the ownership of data centers. We do have significant land investments within Trammell Crow Company. And Trammell Crow Company's real strength and has been for years is they're phenomenal at identifying, acquiring, entitling and improving land sites and they've turned their energies in a significant way to data center land sites. And we expect to see significant monetizations that will be at the front end of that cycle and the build part of that cycle.

Turner & Townsend does a lot of project management work, cost consultancy for data centers, that'll extend on for years and as data centers then go into a redevelopment phase, upgrade phase, et cetera, that project and program and cost consultancy work will continue on. So, that's a big enduring opportunity. We have a very large data center brokerage business in our Advisory business and we finance them, we sell them, we lease them. We've coordinated – we've put the Chief Operating Officer of our Advisory business over that effort to coordinate it and we see that as an enduring business.

And then within our BOE segment, we have two lines of business that we're bringing together. One is the management of data centers and we've talked about that. We manage something like 800 data centers on an ongoing basis. And then the small project improvement work in data centers inside the white space with the business we acquired called Direct Line, we're merging those two and forming a digital infrastructure services line of business that will carry separately within BOE. And that business is particularly well-suited to perform, well, not only now as data centers are being built, but we think that the actual operation of data centers and refit of data centers as that life cycle evolves will really play to that business.

So, we're enjoying the benefit of the big pop that's going on in the short run, but we're building businesses similar to the strategy we've had with our other resilient businesses that we think will endure well into the future in data centers.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Q

Got it. Yeah. Very helpful context. It seems like there's a lot to be excited about there. Maybe as a follow up, just if we think about CBRE's relationship with occupiers, I think you've been talking more about how you can create better touch points with them and hopefully drive more wallet share gains over time. So, any updates on what you're doing there and the timeline? If some of these things work, the timeline to potentially see wallet share gains with large occupier clients pick up even more?

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

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Our relationship with occupiers is evolving pretty rapidly right now and our – excuse me, our view as to how we serve the big occupiers has evolved. A big part of that is driven by our acquisition of Turner & Townsend and our acquisition of Industrious. And when you look at what we provide to big occupiers, we provide things for them across all four segments. So, obviously, in BOE, we provide facilities management. And obviously in the Turner & Townsend or the Project Management segment, we provide program management, project management, cost consultancy.

So, you look at where those two businesses are today, where they were historically. We went out and spent the better part of \$1 billion to buy an experienced business, Industrious. We now have that as part of our facilities management, as part of our occupier offering. And it doesn't exist elsewhere in our segment. And it is proving to be a real advantage as we go-to-market in that business.

We now have a project management capability and a cost consultancy capability to do a different kind of project work than we or others in our sector were able to do previously. And that is appealing to our clients. In our brokerage business, we've talked already today about the gains we've made in leasing. Leasing as a huge business for us, leasing is a very, very important part of what we do for occupiers. That business has pulled away from where it's been historically.

And then in our development business, in Trammell Crow Company, we have something that's important to the occupiers that doesn't exist in a significant way elsewhere in the segment, and that is our build-to-suit capability. And we do a lot of build-to-suit work for big occupiers around the world – particularly here in the US, but some around the world. And what we've decided to do in that business is to go to our clients and say, we can offer any one of these four things to you in a way that we think is unique and advantages you.

And if you want to buy them that way, we'll sell them to you that way. And if you enjoy the benefits of what we sell you, because it's better than you can get elsewhere, we know you're going to buy the other stuff. And we've learned that a lot of these clients like to buy that way. They to just buy facilities management or Project Management or build-to-suit services. But the cross-sell that comes is, when they're satisfied with each of their things, they're more likely to buy the others. And then in certain cases, we will have clients who've had some recent experience that's been very compelling that'll say, you know what, we want to buy some of this on a bundled basis. And that's how we're thinking about that today.

Stephen Sheldon

Analyst, William Blair & Co. LLC

Great. Thank you.

Q

Operator: Thank you. Next question is coming from Alex Kramm from UBS. Your line is now live.

Alex Kramm

Analyst, UBS Securities LLC

Yes. Hey. Not sure if this is on the same topic, but maybe can you just talk about your BOE outlook and pipelines a little bit more? I know earlier this year with all the tariffs, et cetera, I think there was maybe some uncertainty and maybe things took a little bit longer. So, just wondering how pipelines have trended and if you think things have generally normalized on the BOE side?

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Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Yeah. [Indiscernible] (00:29:51) I'd say, normalized and improved even beyond that. So, within our BOE segment, especially within Enterprise, our pipelines are very strong. And we're expecting to have a Q4 volume of sales that is at a significantly elevated level. As you mentioned, Alex, there is a decent lead time between a sale and when that shows up in our revenue when that contract is converted, because these are very large contracts. And so, that elevated volume of sales should start to show up in our BOE revenue in towards the second half of next year.

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Alex Kramm

Analyst, UBS Securities LLC

All right. And then a very quick follow up on the data center divestment. I don't think you've sliced that. Can you just – the one that potentially is going to slip into 2026, how should we think about the EPS impact if it comes through or not?

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

So, think about the range of outcomes for EPS that we've cited, the \$6.25 to \$6.35. The bottom and top end of that range is really dependent on the development monetization.

Alex Kramm

Analyst, UBS Securities LLC

Helpful. Thank you.

Operator: Thank you. Next question is coming from Steve Sakwa from Evercore ISI. Your line is now live.

Steve Sakwa

Analyst, Evercore ISI

Yeah. Thanks. And I just wanted to maybe go back the buyback. I just am trying to understand if maybe there were some deal activity that was maybe being kicked around internally that I guess precluded you from buying back stock in the third quarter or that was more of an active decision kind of not to buy back stock in the third quarter?

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

I will say, it was not an active decision not to buy back stock. As we've always said, we feel that our share price is undervalued. We continue to believe that it's undervalued. And so, when we have cash flow available or in our projections it's available, we will be buying back shares. But as you know, it's difficult to talk about our M&A pipeline or our activity there until we get something done now.

Steve Sakwa

Analyst, Evercore ISI

No. Understood. Thank you. And then, Bob, I guess a question that we get a lot is around the facilities management business, and I guess maybe the ultimate TAM of that business and I realize depending on how you size it up, it's a couple billion dollar business. But how do you think about the ultimate TAM of facilities management or how do you think about your market share in that business globally?

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Well, Steve, we've forever tried to measure that TAM and you can get some pretty crazy large numbers. What I will say is, we've consistently expanded our TAM. So, the work we do with data centers definitely has expanded the TAM. We operate a lot of data centers and we're positioned to operate more and that's a growing asset class. The J&J acquisition, which moved us into government work in a bigger way in the hospitals, expanded our TAM. And, of course, that dimension is very, very large potentially.

The Direct Line acquisition where we do work inside the white space in data centers expanded our TAM. So, right on down the line, the things we've done in that business have expanded our TAM and each one of these depending on how you measure it, could have a huge impact. That's one of the things that has made us increasingly optimistic about our ability to grow CBRE is A, we've expanded our TAM in a way that we think is pretty hard for others to do and B, we've grown into that space as we've expanded it.

So, I would tell you that we've done all kinds of work with our strategy group in-house. We've done a bunch of work with very, very top strategy people outside and there's not a single view of that that would suggest we're anywhere near bumping up against our total addressable market and we believe we can continue to expand that market.

Steve Sakwa

Analyst, Evercore ISI

Great. Thank you. That's it.

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Operator: Thank you. Next question is coming from Seth Bergey from Citi. Your line is now live.

Seth Bergey

Analyst, Citi

Hi. I guess, my first one is back on the data center development sites. Did those have access to power, or is that kind of a constraint there?

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Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Well, that is without a doubt the constraint and it's become more of a constraint. It's constraint for anybody that's doing land work in data centers. It's a constraint for the co-locators. It's a constraint for the hyperscalers as they try to expand. And what we do is, we put ourselves in a position by acquiring land or securing control over land, getting entitlements to that land, making certain improvements to that land, and putting that land in a position where the ultimate users of the land who are often hyperscalers, are well-positioned to work with the utility authorities to gain power. And that's really how our strategy in that part of the business works. And it tends to work well, but it's very competitive to get power.

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Seth Bergey

Analyst, Citi

Thanks. And then, I guess, my second one is just back to the leasing. Is that – specifically for office, is that – are you seeing broad-based kind of activity there or is that concentrated in more gateway cities or different classes of office there or any color you can add on to the pipelines you're seeing there would be helpful?

Q

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Well, it is broad-based, but it hasn't been the same every quarter. So, last quarter we talked about secondary and tertiary markets being relatively strong compared to the gateway markets, we were a little surprised by that. And I got a question – or we got a question at the beginning call about what we were surprised by. But I think what we were surprised by in the third quarter was the resurgence on a relative basis of the gateway markets. They were really strong, New York in particular, San Francisco in particular. But if you look over the course of the last 12

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months and you look at our pipelines, I think our expectation, it's fair to say our expectation is you're going to see broad-based growth in office building, leasing, and we don't believe we're barring from the future.

What we believe is, there's a lot of different ways to look at it. People still talk about return to the office. We don't really talk about it that way. What I would say is, it's more of a return to the mean, number one. In other words, COVID is so far in the rear-view mirror, all the arguments pro and con on office space have kind of disappeared and people are thinking about it more like they thought about it before.

But secondly, and this is true of real estate in general, which is another reason why we're so excited about our opportunity. Real estate facilities have become much more critical to companies than they used to be. And I spend so much time with occupiers, they're all talking about the importance of their real estate to their cultures, to the way their people work together, to their productivity. That is a very big theme out there today.

If you go out and look at our warehouse business, our distribution center business, it is so much more strategic to our clients than it ever was historically. I started leasing warehouses. They were just big shell buildings, not nearly as big as they are now. They're just big shell buildings that people storage stuff. And you go into those buildings now, they've got thousands of robots in them and they've got miles and miles of conveyor systems, so buildings are very technical and they're core to what those companies do to serve their clients, they're strategic.

So, real estate has become a much more – obviously data centers, it's not even worth talking about that's become so obvious. Real estate become a much more strategic asset class than it used to be. And that's true of office buildings, just like it is other aspects of commercial real estate.

Seth Bergey

Analyst, Citi

Great. Thanks.

Q

Operator: Thank you. Next question is coming from Jade Rahmani from KBW. Your line is now live.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. To follow up on office, can you talk about the strength of the sector in the US and if you're seeing the recovery being driven by Class A and Class A+ premier workspaces, plus new development that has robust leasing, or if you believe it's becoming more widespread and that below Class A, Class B, such assets in secondary submarkets is the next leg of growth that you see coming?

Q

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Yeah. Well, what's going on, Jade, is kind of what we thought might go on a year ago. So, when the very best main and main buildings get filled up and there's still demand for really high quality space, then you see people starting to convert buildings that were – or lesser quality to higher quality. That's clearly happening here in Manhattan. The demand has clearly moved into secondary and tertiary markets where there are a lot of good buildings available or at least were available, they're quickly going and you are starting to see new development.

A

And I'll give you a perfect example from our own business. So, for years and years and years, we've had one of the very best office sites in Uptown Dallas and you can develop between a 0.5 million square feet and 2.25 million square feet of space on that site. And we've been sitting on that site. We own it on our balance sheet. We're not in

a hurry to do anything with it. And we now have a couple of large users, high credit users that are very interested in that site. Pretty good odds. We'll go ahead and kick that site off and bring 500,000 square feet, 600,000 square feet of new prime Class A space into the market. And we're not the only ones doing that. Three years ago, if we were having this conversation or four years ago, that wouldn't be part of the conversation, but it is now.

And if you look here in New York, some of the prominent developers have either announced new things or will be in that. We're confident what we know enough about sites that they will be announcing. And again, that's going on in markets around the country. So, it's spreading. It's spreading from Class A buildings to lower class buildings that are being upgraded to starting to see new development and it's a very real trend.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

And then on the industrial side, it had been oversupplied and dealing with not just tariff uncertainty, but negative absorptions due to that excess supply. It seems like the market has clearly turned a corner. Could you comment on what you think drove the growth in the quarter?

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Well, big leases in the best buildings. There's a lot of interest in those. And then on the smaller leases, in the smaller buildings, there were a lot of renewals. Those tend to be shorter leases, older spaces, second generation spaces. So, you saw that coming from both ends of the market. There has been higher vacancy than usual in the last couple of years, we know that. We think the vacancy is going to start going down by midyear next year. And I think what's happening in part is these big, sophisticated users, whose large spaces are critical to their business have figured that out and are starting to take the – obviously, there's others that report their numbers in our sector that have done quite well in the last quarter and are expecting to do quite well going forward. And that's what you're seeing here. You're not only seeing that here in the United States, you're seeing it around the world.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thanks very much. If I could ask one follow up, it would be on EBITDA margins. Are you expecting kind of steady-ish, full year EBITDA margins going forward? Or do you believe that there's still areas of growth that – areas of margin expansion beyond 2025?

Emma E. Giamartino

Chief Financial Officer, CBRE Group, Inc.

So, Jade, we look at our margins within our services segments and as you know the development margins can be pretty lumpy. And so, within Advisory for the full year, I think we're very close to our peak margins, at least going back to 2019. And we think that that's a pretty healthy margin and we expect that to be sustained.

Within BOE, we're going to deliver, as you know, good margin expansion this year. And as Bob noted, across facilities management and property management, we're going to see more synergies next year. And so, you should expect that margin to continue to increase and then Project Management as well, as those cost synergies start to come in. And so, you should expect to see some incremental margin expansion going into next year.

Jade J. Rahmani

Analyst, Keefe, Bruyette & Woods, Inc.

Thanks so much.

Operator: Thank you. We reached end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

Robert E. Sulentic

Chair, President & Chief Executive Officer, CBRE Group, Inc.

Thanks for joining us, everyone. And we'll talk to you next when we report year-end earnings.

Operator: Thank you. That does conclude today's teleconference webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.

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