

CBRE Group

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1:00 p.m. EST**

Ron Kamdem: All right. Thanks, everyone. My name is Ron Kamden. I'm the head of U.S. REITs Commercial Real Estate Research. Thanks for joining us on day one of our eighth Annual CRE conference. Hope you enjoyed a lot of the really great content, and we're just going to keep it going. So before we sort of dig into this next session, just some quick disclosures.

For important disclosures, please see the Morgan Stanley research disclosures website at www.morganstanley.com, research disclosures. If you have any questions, please reach out to your Morgan Stanley sales representative. So with that, maybe I'll just pass it over to you, Bob, maybe two or three minutes, a quick intro for those in the room that may not know the company.

Bob Sulentic: Okay. Thank you, Ronald. Good to be here with everybody. So, I don't know how well the group in the room knows us. I'm sure it's a variety of depth and knowledge. But CBRE is the largest commercial real estate services and investment firm in the world. And that size gap between others has grown pretty significantly over the last few years.

The way I think about our business and the way I think it's best to get -- kind of get your head around what we are is we're a company that defines its opportunity by the base of commercial real estate assets around the world. That base of assets, when you think about it, and I'm talking about broadly, completely around the world, office buildings, industrial buildings, hospitals, manufacturing buildings, sophisticated distribution buildings, data centers, we do work across all those asset classes. And we do pretty much every service you could do. We're in nine different lines of business, and we have multiple services and some of those that aggregate up to those lines of business. By scale, we're the largest globally in six of those nine lines of business in two of the lines of business were sizable, but not at the top.

And in one line of business, which is development mainly here in the U.S. were by a pretty wide margin, now the largest commercial developer in the U.S. So we're -- so we cover all the asset classes. We have all the different services you can offer. We work in about 100 countries. So that's the third dimension. And the fourth dimension is the clients. We work for pretty much every large investor in or occupier of commercial real estate somewhere around the world.

Our strategy is to -- it is an explicit part of our strategy to be broad and deep across those 4 dimensions. And then to a time unfolds and the economy unfolds and all the markets we operate in, unfold to drive resources into the areas that are being secularly benefited at any one time. So as an example, when we went into COVID, office building slowed down dramatically, we have a big office building business. We also have had a big industrial business. We doubled down on our

industrial business, on our multifamily business, and two years into COVID, we were having record earnings even with the dip in office buildings.

More recently, we've had big exposure in data centers. We manage -- we have a data center management business where we manage 700 data centers. We have a project management business out as pulled way away from the rest of the sector. Turner & Townsend, that we combined with our own business, that has done 500 data centers over the last decade and has 150 data centers underway, mostly hyperscale data centers. Our development business controls a lot of data center land that we're able to monetize, and we do a lot of data center transactions in our brokerage business.

So, that's how you think about CBRE. We've built a very strong balance sheet. Even though we've done a lot of M&A, we're relatively lightly levered. So we have capital to push into these various areas of the business when we see these opportunities.

To give you an example, I've been in the business now for 40 years, an example of an opportunity that companies in our sector have always had trouble taking advantage of it, when you're in either the development of ownership business and you go into a downturn been in the last couple of years, a lot of the best opportunities are to acquire land at that point in time. And the fact is most of the companies that do the land acquisition and development, don't have the balance sheet to acquire that land on their own. So they go to third-party capital sources.

Well, what's going on with the third-party capital sources? They're on the sidelines because they're not quite sure what to do because of our balance sheet, we've been able to provide a lot of capital for our development business, Trammell Crow Company, and we've used our capital to secure some large land portfolios on the industrial side on the multifamily side. We believe we'll now harvest those projects at three to four years out when there is a dearth of new product coming online because nobody else was doing that. So this is what CBRE's strategy is to be broad and deep across those four dimensions: drive resources into the areas with secular benefit, build scale that allows us to build expertise, and serve these big clients in multiple places around the world with multiple lines of business.

Ron Kamdem: That's great color. I guess, it's actually a really good start to my next question, which is just looking back for a second, at 2024 and you sort of take a step back, like how would you sum up the year and sort of the performance across the key segments and sort of that strategy that you just laid out?

Bob Sulentic: When we think about a quarter or a year, Ron, we tend to think about it in terms of financial performance and strategic gains or not. So even though last year was a very good year for us financially. It was our second best year ever. Large growth for the year or fourth quarter was our best quarter ever financially I would say last year for us was dominated by gains we made on the strategic side.

So again, if you go back to the history of this business, project management is one of those lines of business that I mentioned. And forever in our sector, CBRE and other companies have had some nice-sized project management businesses, but those businesses were largely attachment business. So in local offices where we did tenant rep work, we would also do tenant finish work.

For corporate clients where we manage their facilities, we would also do project management work on those facilities. And it was -- that business was spread across geography, was spread across those clients, and it was kind of compartmentalized. It wasn't a globally connected, what I would call, highly sophisticated project management business. That didn't exist in our sector.

We combined with Turner & Townsend, which is a very prominent project management business with exceptional leadership, some of the best leadership in the whole industry. We combined our business with theirs. We own 70% of it, their partnership owns 30. We accelerated their growth when they came with us. We expanded not only- not only did we create one integrated business, but we expanded into areas given that secular growth I talked about.

So green energy, lots of data center work, lots of infrastructure work. Big sophisticated projects for these large occupier clients, these large corporates that companies in our sector, ourselves included, weren't doing before. So that business is now to get that whole thing combined. It's a \$3.5 billion business with \$0.5 billion plus of EBITDA growing it at 4 to a mid-double-digit range that should endure for a long time, move us toward infrastructure. So that's one of the things we have done.

We acquired the portion of the flex office operator, Industrious, that we didn't own. Partly because we think flex office has a real future in the portfolio of company's office use, partly because we wanted that experience capability to round out what we do for our clients. And then we combined all of our building operations. So our facilities management, our enterprise facilities management, our local facilities management, our property management and our flex operation into one business. Manages almost 8 billion, 7.7 billion square feet.

We're extracting -- our plan is to extract some real scale economies, some real knowledge across the common things you do when you operate buildings. So whether you're operating hospitals or office buildings, things like procurement, efficient systems operation, lots of accounting work technical engineering services, those are common. You have to be good across that whole 7-plus billion square feet. And then you have to have specialization for data centers, for hospitals, for office buildings, et cetera. So we have that specialization but we have that platform across the whole thing. And again, a little bit like that project management business. There's nothing else like that in the sector. We've never had anything like that. So that we've combined all that, and we're going to have a reportable segment in that area.

And again, we're expecting that to grow in double digits for years to come. I already mentioned one of the things we had done strategically was making these investments into our development business to secure land sites that will harvest profits for years to come. And Emma, our CFO, who's sitting over and talked about it on our call, we think right now sitting here today, the profits we have captured in that portfolio about \$900 million, we'll harvest those over the next four or five years. So that's really strong. We significantly advanced our leadership team. If you look at investment management where we already had a very solid business, but we think we have a lot of upside we brought in the Head of the Americas for GIC. He was Global Head of Real Estate Debt. He's going to be our Co-CEO Chief Investment Officer. That business is now positioned for a lot of growth.

So we feel like we really made some strong strategic gains across the business and we had in the second year -- the first year, leading into the second year, the first year out of a downturn, we had our second biggest year ever. That's just not what's happened in this sector ever before. So we're feeling really good about the strategic gains we made and the financial results are available to all of you to see and Emma laid out for you what we expect for the coming year.

Ron Kamdem:

Excellent. I think what caught a lot of investors' attention was the Industrious acquisition. Just maybe can you talk a little bit more about that? And -- what are the aspirations of that new sort of building operations in experience segment in your mind?

Bob Sulentic:

Well, one of the capabilities that we didn't have within our offering -- our building management offering - was a real experience, office building experience offering and flex offering. We didn't have that. And we owned starting about four years ago, 40% of Industrious. We got to know them

really well. We had 3 seats on our board, our CFO, myself and one of the gentlemen who are on their board.

We watch that business very closely. They significantly outgrew their competitors. Their unit economics, that is, the economics associated with individual units was the best in the sector. Their customer service scores were by far the highest in the sector. So we believed that for years that Flex was something we want to have part of we had the opportunity to get this business.

And then we brought Jamie Hadar, the CEO over, as we have watched him over the years, we recognized him as being very strong, strategically, very strong operationally, and he's an entrepreneur. And so if you want to put a group of businesses together and have a growth orientation, having an entrepreneur who also happens to be strong strategically in operational leads to really positive things. And so that's what we did with that business.

And then we added into -- we already had office building property management expertise. We already had data center expertise. We already had expertise at running a big complicated distribution center, some of the biggest in the world. So now we have that broad base of capability across the common elements of building operations, and we have one more kind of horizontal capability, which is office building experience and flex to bring to the table.

Ron Kamdem: I want to switch gears to sort of get a little bit of a pulse on sort of capital market recovery. I think you guys have been consistent that the recovery would be gradual, happening over time. Just curious as you sort of sit here today on the ground, just what are you seeing in terms of activity and I think the question in everybody's mind is, is this sort of higher rate environment sort of impacting transactions?

Bob Sulentic: It is. The recovery is slower than recoveries we've seen in the past on the capital market side. And I think our kind of house view is we're not counting on -- we're not sitting around waiting for interest rates to run way down, so it'll be an exposure. We don't think that's what's going to play out. But what is happening over time is the spread- the bid-ask spread for the acquisition of, in particular, industrial buildings and multifamily has closed. With the inflation we've experienced, one thing to remember is, if rates don't go down if interest rates don't go down, the other kind of rates do go up and that's rental rate.

So we will see rental rate growth over time, which means we will see more opportunity for those assets to be in a favorable place to trade, and we think that will happen. But it's not like prior recoveries where you had a big recession. You had low interest rates, and so you come out of a downturn with really favorable circumstances in terms of project-level operating leverage. We're not going to have that this time.

But the other thing, Ronald, that's really important, as you think about CBRE. It's just not a dominant aspect of what's going to happen with our company going forward. We've talked a lot about the fact that we're now about 60% of our business is this group of resilient businesses that either cyclically countercyclical or cyclically neutral or secularly favored, like data centers would be. And that part of our business has consistently grown over the years to the point where it's 60% of our business. And even in this up cycle, now it's growing at roughly the same rate as the rest of the business. It's a cyclical part of the business. So we don't -- we'd love capital markets. That is a nice business for us if they're better, we'll better participate. But we don't need that for record earnings. We don't need to have for sustained double-digit growth at all. And we think it's going to be exactly what it's proving to be on or stay

Ron Kamdem: Right. Makes sense. You touched a little bit on this, but one of the key themes here at Morgan Stanley is sort of data and AI and sort of tech diffusion. I'd love to spend another sort of moment

just thinking about how does CBRE capitalize on the benefits of AI, I think you talked about the data centers, but what are other opportunities?

Bob Sulentic:

So there's two ways we can talk about that. One is what is the data and AI do for our company and then what market opportunity does it create for us to generate revenues and profits? So I'm going to start with -- for the moment for us, the smaller opportunity is what does it do for the operations of our company, not insignificant, but we are using AI to become more efficient. I think that's where most companies are using it. But we also -- I'm going to go back to that building operations and experience offering, where we manage 7.7 billion square feet of space around the world. We are collecting a lot of data on the operation of buildings - preventative maintenance information, et cetera, and we're using AI to assist us in doing that. And that's one of the places where our scale is a big advantage. We also have the biggest brokerage business in the world, and we're a sector that's famous for not having been good at organizing ourselves to use all that data we have. We're really big in that area now. And we've built our digital and technology team, and we now have our Chief Operating Officer, that's exceptionally savvy and we're at the intersection between operations and technology. So we are using AI for- we put a group of things under him, strategy, research digital and technology, and we're combining all that stuff to use data to help us support our business and our clients better than we ever have before. So that's an important part of it.

But on the market-facing part of it, the example I would give you is this kind of crazy explosion in data centers that have seen because of AI and because of all the massive data centers and so forth, chip manufacturing that's been associated with that. So I'll go back and kind of repeat what I said before. We have a data center services business that manages 700 data centers and it's growing nicely. And we did a really good acquisition in that business last year that helps us with the hyperscalers. We have a project management business that's worked on -- that's handled the creation of over 500 data centers over the last decade and has 150 of them underway now, mostly hyperscale data centers, a really good, really profitable business.

We have a development business that's really good at acquiring and developing land that has a control over a good number of data center sites. And if you listen to our quarterly call, you realize that a lot of the profit we're going to generate out of that business is so consistent with our strategy. What's going well secularly, we invest in. We've invested in this land, it's data center land, and we expect very significant portion of the profits we generate in that business come from data centers. And we do a lot of brokerage work. So I think the number we gave on our call is over the last three years, it's grown from 3% to almost 10% of our earnings. That's a pretty big deal and that's the kind of thing that we're getting out of AI.

Ron Kamdem:

Yes, excellent. You talked a little bit about sort of the real estate REI business, real estate investments. I guess I'd just love to hear your view on just where do you think we are in the sort of commercial real estate cycle now at this point? And importantly, is this sort of an opportune time to be going on offense and development offsets and investment management standpoint.

Bob Sulentic:

It's a good time to be going on offense from a cyclical perspective, in our view. And one of the reasons is, I was at an off-site conference about 10 days ago with about 80 real estate companies represented there, it was heavily skewed toward investment management companies and a lot of smaller ones led by entrepreneurs who have done well. And one of the themes that was just broadly running through that group was, it's hard to raise capital still with institutions and it's getting easier, but it's still hard. Well, for us, it's hard to raise third-party capital. We've got a lot of balance sheet capital used to attract third-party capital. That's been really helpful. We just brought in, in our investment management business, and it's the kind of thing that becomes available in this point in the cycle, we brought in GIC is a leader in the Americas and global leader on the debt side, as our Co-CEO and Chief Investment Officer, he's one of the most prominent real estate

investors in America. That's the kind of thing you can do at this point in the cycle. We have several very strong funds. We've upped our co-investment in those funds we've built our team and we think we can build those funds. And then on the Trammell Crow company side, on the development side, I already mentioned, we've secured a lot of land positions that other people would like to secure and they don't have the capital to do it.

Ron Kamdem: And I'm curious on sort of on the lending side, what are you hearing from the banks, sort of other lending groups, in terms of their willingness to sort of lend on commercial real estate?

Bob Sulentic: Still slow, but coming back slowly. There's more capital available, more debt available, more equity available. I just had breakfast this morning with our client services head, which is the -- that's the team that raises capital for our investment management business. And I think last year, they raised in the high single-digit billions. And this year, he expects to raise \$13 billion, \$14 billion. So a much better environment than a year ago. That's what's going on in the equity side, and I think you're seeing similar things loosening up on the debt side.

Ron Kamdem: So switching gears to talk about a little bit of the balance sheet and capital allocation. So the balance sheet sits here at less than one times levered. But what I think stood out this earnings was you actually bought back worth of stock since 3Q. Can you talk about sort of what are the capital allocation priorities? How do you balance sort of acquisitions and going on offense versus maybe buying back more stock?

Bob Sulentic: Well, the first thing I want to say about that, we do have a strong balance sheet, and that simply hasn't happened in our sector before. Not just the fact that it's strong at this point in the cycle, the magnitude of that. There just hasn't been a company in this sector before that's had that kind of capability or that kind of investment capacity available, at this point in the cycle.

But Ron, here's one of the things that we are very focused on strategically and set aside. I'm going to talk in a minute about why we bought back a bunch of shares, but what we want CBRE to be, one of the things we want it to be is a machine that perpetually spits out great investment. So investment management, development, M&A opportunities. And we've built the business to be very capable in that regard. At any point in time, we want to have a whole queue of things that we might invest in that have very strong returns. So and again, with an eye toward that secular benefit. So last year, we bought a company with all the crazy stuff going on in the world, one thing that you can be pretty sure has secular tailwinds as medical facilities and defense department-related stuff. We bought a business that serves hospitals for the defense department and our building operations and experience segment. We bought a business last year that provides technical services inside data centers to help build that business. Secured a bunch of data center land. We made sizable co-investments into our investment management business in multiple areas to help start new funds. So we have this view that between M&A and principal investments in our real estate business that we're going to always have a portfolio of opportunities and we're going to always have capital available to push into those opportunities that we think are most strategically appropriate.

On the share repurchase side, for several years now, we've talked about this. We have a commitment, when we don't have more strategic places to put our capital to use our capital to buy our shares back when we think they're trading meaningfully below the intrinsic value of our company. We said at the end of the third quarter, we thought our shares were trading meaningfully below the intrinsic value of our company and then they went down some. And so we went into the market and aggressively acquired shares bought about \$800 million worth of shares. Again, that's part of our investment strategy.

- Ron Kamdem: And then just staying on the acquisitions. So I think the company can create a lot of value with acquisitions, but there's also sort of opportunities to destroy a lot of value- I guess my question is actually what acquisitions make sense for CBRE, but also what doesn't?
- Bob Sulentic: Well, we keep learning about that. Since I've been in this role, we've done over 100. We had a lot of successes. We haven't had exclusively successful acquisitions. We've learned a lot through it. What we've really learned in the last few years is we want to acquire companies that do meaningfully better because they're part of CBRE. So let's say you compete with a private equity firm. And let's just say you buy the argument that they're so sophisticated about buying and capitalizing acquisitions, the best private equity firms, it's hard for real estate firm to compete with. Fair enough, but they don't have the operating capability to make these real estate-related businesses meaningfully better or to synergize them across the client base like we do. So we bought Turner & Townsend, and Turner & Townsend was a 15% grower before we bought it and it became a 20% grower after we bought it. That's a lot of value creation that that's not about how you capitalize it, and that's about what you do with them operation after you get them. And so what we've learned is that there's holes in our business because we are across those four dimensions. There's holes in our business where we could do a lot more. And if there's a company out there that fills that hole and they have a management team that wants to stay there and build the business, that's a really good factor. And by the way, none of our acquisitions we work on that, we do not do auctions. So one of the filters you go through is, if you want to auction your company and just sell it for the highest price and move on, we're not your guys. But if you want to attach your company to somebody where you can grow it, continue to build your career, continue to build your company and enjoy the benefits of the upside that comes with that synergy and also own responsibilities for making it happen, then we're a good home for you, and that's what we
- Ron Kamdem: Got it. And do you guys have any sort of either targeted IRRs or multiples or anything? Or is it much more about sort of the three to five-year outlook?
- Bob Sulentic: We have both. We definitely have, and we build custom, I guess, a better way to describe it, we build custom return thresholds depending on- So if you're going to go out and buy industrial land, you've got a very high rate, because it's got development associated with it and real estate financing risk and all that. If you're going to go out and buy an operating business, that's grown at 11% for the last 8 years, and you could be pretty confident it's going to keep doing that, and it's not cyclical with the economy, you have much lower hurdle for that, and so we build those and we have an overall view of kind of weighted average where we should be and it's meaningfully above our cost of capital.
- Ron Kamdem: Excellent. I got one or two more, and then we'll open up to the room to see any questions in the room. So the first one is just sort of a big picture over the next three to five years, as you sort of sit back, what's the growth opportunity you're most excited about?
- Bob Sulentic: I want to go back to that definition of our opportunity. [inaudible] commercial real estate assets around the world, which is -- it's almost incalculable, however you say that word. You can't calculate it. We haven't figured out yet, and we're going to try to do that. But all we got to do is sit in a city like this and look out the window and look at all of this real estate and then say to yourself, it doesn't include any of the warehouses where I'm looking, it doesn't include any of the university buildings. It doesn't include any data centers. It doesn't include any hospital. And that's just New York. And then you go around the whole U.S. and around all of Europe, China, and some of those places, we aren't going to have access to all that. I think that's pretty clear. It's an enormous, highly fragmented market.

The other thing you know is the people that participate in that market, either as owners of buildings or as occupiers of buildings, absolutely don't want to have a proliferation of service providers. Now most of them don't want to have just one. We know that. But most of them won't have fewer than they have today. And so they want somebody that's spread across the dimensions I talked about - service type, asset type, geography, and they don't just want somebody that's a hobbyist. They want somebody that's good. We can offer a substantial market-leading, or close to market-leading capability almost anywhere they go. So you can put that together for our clients and say not only can we serve you across all those places, but we're serving you with some of the best in the industry in each of those places. And then we reorganized our company around a project management business that's got 20,000 people in it and 15,000 professionals. And we can do things across that base of assets and provide growth and services that others can't. We have a building operations and experience capability with 7.7 billion square feet and all that goes to it. You can start to do things. You can start to build expertise. You can start to make investments that allows you to really take advantage of that enormous fragmented market. That's what I- and then when you couple it with a balance sheet that allows you to make -- quickly make investments in the right places, that's a pretty exciting thing. We've been very clear in saying we expect to be able to grow this thing at double digits through cycle for kind of as far as-

Ron Kamdem: Great. That's clear. And then the other question is just market misperception. You talked about sort of the strategies there, the execution is there. And as you just sort of talking to investors at a conference like this and sort of other meetings, what's coming up as what do you think the market is still missing? Where is sort of the pushback, the pain points, what are investors not really getting about the CBRE story?

Bob Sulentic: I think for the most part, we're starting to make progress. But for the most part, investors don't define the opportunity and they go, "Oh, this is a brokerage business or this is" -- you guys manage buildings. But they don't step back and think things defined by the base of real estate assets around the world. And oh, by the way, these guys really are spread across that base of assets with breadth and depth that allows them to offer something at the top of the market.

They don't think about it. I think there's way too much focus still in our sector on -- well, not too much focus in our sector on capital markets. Capital markets are really important. They define us by capital markets way too much now. We aren't in any way deemphasizing our brokerage business, our leasing business, our investment sales business, our mortgage origination. We're not deemphasizing those. But through cycle, they're just not growing as fast as the other parts of our business. And as a result, we've landed at this place after many, many years, where 60% of our revenues are these resilient revenues. I think that gets missed, right? And I can't tell you how often we go to- maybe less here today, but I heard there's a lot more focus on the broader business, but we go to conferences, or we have analysts follow us that are very capital markets or REIT oriented, and they don't really think about that broader definition what CBRE has become.

Ron Kamdem: So maybe we'll open it up to see if there's any questions in the room. We see one, two, three and so forth -- four. Sorry to hog all the questions.

Unidentified Audience Member: Two questions. One, could you please talk about your kind of view of the office world and future of the office outside of Park Avenue in New York, or kind of what we all know, what is happening here, but like work-from-home office, how you see future for that? And secondly, what is your growth outlook for data centers? How sustainable it is? You know, like do we have too many kind of projected or like how you think about it in the future? Thank you.

Bob Sulentic: So, with regard to office buildings, and I've been saying this for the last couple of years on our quarterly calls, we work with all these large corporates around the world. Every single one of them

is very focused on their office space. They think it's very important to their business. They think it's a very critical part of their future, and they're spending a lot of time investing in it to make it more effective, to make the experience better, so that instead of trying to get people to come back and work together by mandate, they come back and work together because it's a good place to be. It's an enormous opportunity. And it's an opportunity that we're taking advantage of in part by buying the rest of Industrious and bringing that team in, especially Jamie Hatori, to run that whole thing, so we have within that being horizontal layer of buildings we manage, we have that vertical around experience in office buildings. We expect it to be a growth driver for us going forward. And by the way, we talked about it on our call a couple of weeks ago, New York and Park Avenue have been the toast of the town for office buildings for the last few quarters. But all of a sudden, it's all the gateway cities now, and it's not just the Park Avenue equivalence. It's setting beyond that. And by the way, it's even bigger growth, when you get into cities like Dallas, where I office, or Seattle or Atlanta, when you go to Minneapolis, Pittsburgh, we're seeing big growth. So there's a lot of evidence that we're kind of- I don't think we're returning -- we're reverting all the way to the mean, the pre-COVID mean, but we're reverting toward the precoded mean. And so there's going to be a lot of -- you're even seeing more buyers in the market for office. So I think Blackstone recently did something. So there's going to be momentum there.

As far as data centers go, that's a question everybody gets. And can the real estate facilities and project management, people like us, answer that question as well as the people that are experts in that arena importing hundreds of billions of dollars in? Probably not. You have to look at that and say that the people are putting that money and have studied- there's a chance there'll be a bubble on the ownership side, there'll be too much of it created, or there'll be downward pressure on values at some point. For sure, there'll be second and third-generation data centers. We're already seeing that don't work, but the creation of new data centers and the operation of data centers, which is where we play, that inevitably has to grow.

Unidentified Audience Member: Thanks, Bob, and congratulations on a great year. For a couple of calls, you've mentioned that you think the market is either underappreciating or undervaluing, I believe Trammell Crow specifically, but sort of more broadly. So kind of two related questions. The first would be, when you guys talk about CBRE being undervalued and that prompting sort of share repurchase, what do you mean exactly by that? And the second question would be, how should we, as investors, think about the value of Trammell Crow? You know, people look at homebuilders, they look at kind of construction companies, real estate asset managers, how do you think about it? What's the right sort of way of valuing it because of the unique business?

Bob Sulentic: Yes. Well, we think when we study our growth compared to other companies that we would -- and by the way, we think increasingly of our peer set as being outside just that core group of half a dozen real estate services companies. When you look at our growth compared to those companies, and you look at the resilience in our earnings stream now, we think that relative to those two dimensions, our share price is low. It's -- for sure, our multiples come up, and we're very happy about that. But when you look at those two dimensions, and when -- you know what we know about our business and you have the confidence we have in our business to continue to grow in that kind of resilient direction, you just -- you conclude we're undervalued.

As it relates to Trammell Crow Company, that is not a big part of our business, but it's really easy to look at example of what's unique about our company. And I'm going to give you an anecdote about something we did. And by the way, we did this almost totally virtually, starting in the middle of COVID. So we looked at CBRE, and we said, we're really good at creating industrial product, modern premier industrial product through our development business, Trammell Crow Company. And we're really knowledgeable about industrial product from a management and operating

perspective, because we have this- we manage a lot of it, including very sophisticated, some of the most sophisticated warehouses in the world. And we have the biggest industrial brokerage business, both selling industrial buildings and leasing industrial buildings, in the United States, so we know a lot about the operation of industrial buildings. And we got an investment management business that has bought a lot of industrial buildings and has been pretty smart about it. And we got a balance sheet that enables us to do all kinds of things that other companies can't do. We can secure portfolios. We can direct Trammell Crow Company assets into the investment management business because we're the general partner. We're not just a service provider, we've got a lot of the capital in there. So what we did during COVID was we've started a fund called U.S. Logistical Partners, from dead scratch. We directed a bunch of our Trammell Crow development into it, we secured three portfolios with our balance sheet. Our investment management team went out around the world and raised several billion dollars of capital and from standstill till now, we've grown that to be a \$5 billion fund. How many- you guys know the fund business. How many funds have grown from \$0 to \$5 billion since the middle of COVID? And by the way, it's a sector-leading performer. We generate a big incentive fees out of it last year.

Ron Kamdem: I think we can take one more.

Unidentified Audience Member: Thanks for your time today. First question is just around strategic positioning of the business. You talked about all the progress you made this past year with respect to the T&T integration as well as a number of acquisitions to get interesting end markets levered to the resilient businesses. Is there anything, putting aside fit and specific assets or price, is there anything when you step back, you say that I would love to have, this end market exposure that we don't have already or a business line that fits perfectly? So that's my first question.

My second question, I don't want to get thrown out of a CRE conference we're saying this, but I'm curious why you don't view leverage, you know, given the resiliency of your earnings, I think us as generalists are surprised that you guys aren't comfortable going a little bit higher on the edge of what you've guided to? A lot of businesses with, frankly, less resilient earnings but similar streams can -- or levered two or three times, frequently, and given what are- seem like pretty obviously clear value-creating opportunities between M&A and repurchases, we're just curious why the sort of range is 0 to 2 as opposed to higher?

Bob Sulentic: We might go higher, depending on if we bought a really resilient business. But we're not inclined to go higher because we want to always be in a position where we're not under pressure to vary from our strategy. We're not under pressure to not be able to do really great things when they come up. And as a result, we've just made the decision that we're going to manage our balance sheet relatively conservatively. And go back to what was the first one again?

Unidentified Audience Member: The first question was just about high level of business [inaudible]

Bob Sulentic: Oh business- holes in our business, yes. There are a handful of them, and we're working on M&A deals to fill those holes, and we're being very patient about it. You know, I'll go back to the comment I made about we've learned about the kind of businesses and the kind of leaders we want. It wouldn't be very strategically smart for me to tell you what they are, but we do have some that we're specifically working on, and we've refined that quite a bit over the last couple of years.

I would say you look at the whole history of- I came to the company through an acquisition. I was with Trammell Crow Company and CBRE bought us in 2006, and you look at that whole history and you study what goes on in M&A. It's hard for even companies that are serial M&A companies, to have all winners. And you learn a lot as you do them. And I would say that over the course of that almost 20 years now since the company I came with was acquired, the last two or three years has been probably about as good a window as any in terms of us really learning and refining how

we want to approach M&A. And part of it has been- that Turner & Townsend deal provided us with huge insight, and then, you know, we just did the Industrious deal, but we bought 40% of that thing four years ago, and we've learned a lot about- we've been on the board. We've learned a lot about that. And then we've learned a huge amount about some of these technical services firms that we bought in our outsourcing business in the last couple of years. So, the learning curve, even though we've -- maybe we've just been slow learned, but the learning curve has been really steep in the last two or three years, and what we have in front of us today and the approach we're taking on what we have in front of us today has been heavily impacted by what we've learned.

Ron Kamdem:

I think we have to leave it there as we move to the next session. Thanks so much, Bob, for joining us as our second keynote.