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CORPORATE PARTICIPANTS

Steve Iaco *CBRE Group, Inc. - Senior Managing Director, IR and Corporate Communications*

Bob Sulentic *CBRE Group, Inc. - President and CEO*

Jim Groch *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

CONFERENCE CALL PARTICIPANTS

Anthony Paolone *JPMorgan - Analyst*

David Ridley-Lane *BofA Merrill Lynch - Analyst*

Jade Rahmani *KBW - Analyst*

Brandon Dobell *William Blair - Analyst*

Mitch Germain *JMP Securities - Analyst*

PRESENTATION

Operator

Greetings and welcome to the CBRE fourth- quarter 2016 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Steve Iaco with Investor Relations.

Steve Iaco - *CBRE Group, Inc. - Senior Managing Director, IR and Corporate Communications*

Thank you, and welcome to CBRE's fourth-quarter 2016 earnings conference call. Earlier today we issued a press release announcing our financial results for the fourth-quarter and full-year 2016. This release is posted on the homepage of our website, cbre.com. This conference call is being webcast through the Investor Relations section of our website. There you can also find a presentation slide deck that you can use to follow along with our prepared remarks. An audio archive of the webcast will be posted to the website later today and a transcript of our call will be posted tomorrow.

Now please turn to the slide labeled forward-looking statements. This presentation contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding CBRE's future growth momentum, operations, market share, business outlook and financial performance expectations. These statements should be considered estimates only, and actual results may ultimately differ from these estimates.

Except to the extent required by securities laws, we undertake no obligation to update or publicly revise any forward-looking statements we may make today. For a full discussion of the risks and other factors that may impact any forward-looking statements, please refer to our fourth-quarter 2016 earnings report furnished on Form 8-K and our most recent quarterly and annual reports on Form 10-Q and Form 10-K. These reports are filed with the SEC and are available at sec.gov.

During this presentation, we may make certain statements that refer to non-GAAP financial measures as defined by SEC regulations. Where required by these regulations, we have provided reconciliations of these measures to what we believe are the most directly comparable GAAP measures. These reconciliations, together with explanations of these measures, can be found within the appendix of the presentation.

Please turn to slide 3. Participating on our call today are Bob Sulentic, our President and Chief Executive Officer; Jim Groch, our Chief Financial Officer; and Gil Borok, our Deputy Chief Financial Officer and Chief Accounting Officer.

Now please turn to slide 4 as I turn the call over to Bob.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Thank you, Steve, and good morning, everyone. We ended 2016 on a high note. CBRE recorded double-digit adjusted earnings growth for the fourth quarter and the year with excellent performance in all three regional services businesses. These results are particularly noteworthy in a year of generally softer market-wide property sales volumes, virtually no carried interest income, and tepid global economic growth.

We set new records for the Company in 2016 with more than $13 billion of revenue and nearly $1.6 billion of adjusted EBITDA. Credit for this belongs to our more than 75,000 professionals around the globe who are deeply committed to producing great outcomes for our clients day in and day out.

In addition to achieving record financial performance, very importantly, we continued to advance our strategy. This strategy centers around delivering exceptional outcomes to our clients. Our people and the operating platform that supports them are the key elements to delivering these outcomes. Both advanced materially in 2016, and the impact is showing up on our results. CBRE is in a stronger competitive position than ever.

A good example of the strategic gains we made in 2016 is the work we did integrating the Global Workplace Solutions acquisition, one of the largest and quite possibly the most complex in the history of our sector. This effort involved massive client facing, line of business and back-office transformations.

The result of having largely completed this very challenging work is that our occupier outsourcing business is much larger, much more capable of producing strong client outcomes, and well-positioned for strong long-term growth. We now serve clients with employees on the ground in over 100 countries.

We remain riveted on sustaining our progress with particular focus on areas such as technology and data analytics where we can capitalize on the expertise and vast amounts of information we possess. For example, last month we acquired Floored, a leading software-as-a-service platform that produces scalable, interactive 3D visualization technologies for commercial real estate. Clients should expect continued visible advancements from us in the technology area.

Now Jim will take you through our financial results in detail.

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Thank you, Bob. Please turn to slide 5. As Bob indicated, CBRE had very strong performance in 2016. Let me start with three highlights. First, we achieved double-digit adjusted EBITDA growth in 2016 for the Company overall and for each of our regional services businesses.

Second, our 17.9% margin of adjusted EBITDA on fee revenue exceeded the 17% target we established at the beginning of the year. This is especially noteworthy given the inclusion in 2016 of a full year of contractual fee revenue from our acquisition of Global Workplace Solutions.

Third, in 2016 we achieved a 17.8% return on invested capital.

Please turn to slide 6 for a more detailed look at our full-year results. In 2016, revenue rose 20% to $13.1 billion. Fee revenue increased 13% to $8.7 billion. Organic fee revenue growth was 5% in local currency, excluding contributions from all acquisitions. This is noteworthy in a year where sales and leasing volumes in the overall market declined.

Adjusted EBITDA rose 10% to $1.6 billion or 13%, excluding the impact of currency movement and hedging. Adjusted EPS was up 12% to $2.30 a share, or up 15% excluding the impact of currency movement and hedging. Full-year adjusted EBITDA of approximately $1.6 billion excludes $78.5

million for the cost elimination program that ended in Q3 2016, and $125.7 million of integration costs related to the Global Workplace Solutions acquisition, including $52.2 million that occurred in Q4.

The benefits of our cost elimination program will be evident when we review our fourth-quarter margins.

Regarding integration costs, prior to year-end we separated most of the legacy back-office support from the prior owner of the acquired Global Workplace Solutions business. We anticipate being completely separated from all such support over the next few months and ending integration related adjustments to EBITDA from this acquisition by second quarter of 2017.

To reiterate, the only material adjustment to EBITDA in Q4 was for the integration of our large acquisition, and this charge will end in Q2.

Please turn to slide 7. We continue to take a prudent approach to both recruiting and M&A activity. For 2016, we added hundreds of producers globally, net of departures, but our overall recruitment level was down from the past few years. We have remained disciplined in underwriting recruitment opportunities at a time when we view some competitors as offering uneconomic terms.

Similarly, we invested in only four infill M&A deals in 2016. As we have said on prior calls, valuations in the market deviated from our underwriting standards over the past several quarters. We continue to have a robust M&A pipeline, but are willing to step aside when terms do not meet our standards.

We continue to invest in technology and data analytics. As Bob noted, we made another acquisition in this space just last month. In addition, we invest -- continue to invest in internal data and technology initiatives that will help our people deliver value for our clients.

Our balance sheet remains highly flexible. We have no required debt repayments until 2019. We ended 2016 with more than $3.5 billion of available liquidity, including nearly $700 million of cash and $2.8 billion of undrawn capacity on our revolver credit facility. At year end, net debt was 1.2 times adjusted EBITDA.

Please turn to slide 8 for a look at full-year revenue growth by line of business. Occupier outsourcing revenue rose 55% in local currency to $6.1 billion, while fee revenue increased 62% in local currency to $2.3 billion. The growth rate was 14% for both revenue and fee revenue without contributions from the acquired Global Workplace Solutions business.

Leasing revenue reached $2.7 billion, up 7% in local currency.

Our capital markets business -- property sales and mortgage services -- totaled $2.3 billion in revenue, reflecting 5% growth in local currency.

Our business mix continued to shift towards more recurring revenue, with contractual fee revenue comprising approximately 42% of total fee revenue for the Company, up from 37% in 2015.

Now please turn to slide 9 as we shift our focus from full year to Q4 financial results. All references for the remainder of this presentation are in local currency unless stated otherwise, and references to currency movement include the impact, if any, from hedging.

Fee revenue in Q4 increased 6% to $2.7 billion. Organic growth in fee revenue was 5%, comprising the vast majority of our growth for the quarter.

Adjusted EBITDA for the quarter rose 10% to $568 million, or 13% without the impact of all currency movements. This increase is notable coming on top of 26% growth in Q4 of 2015. Adjusted EBITDA margin of 21.4% on fee revenue improved 110 basis points from Q4 2015.

Adjusted earnings per share in US dollars increased 15% to $0.93 for the quarter, on top of 19% growth in Q4 2015.

In addition, currency movement, including hedges, had a negative impact of $15.8 million to adjusted EBITDA and $0.03 to adjusted earnings per share when comparing current-quarter results with Q4 2015. Without this impact from currency movement, adjusted earnings per share would have increased 19% in the quarter.

Please turn to slide 10 for a review of our major global lines of business in Q4. As already noted earlier, all percentage increases are in local currency unless otherwise stated.

Occupier outsourcing continued to produce strong growth. Fee revenue, including from our acquisition of Global Workplace Solutions which is now included in both the current and the prior-quarter year, increased 10% globally.

Global property sales revenue increased 8%. Asia Pacific sales revenue rose 35%, reflecting strength in Australia, Greater China and Singapore, as well as an especially large transaction in Japan. Sales revenue also rose silently in EMEA, paced by robust growth in France as well as in Belgium and Germany. This more than offset a modest decline in the United Kingdom as investors continued to adjust to the post-Brexit environment.

US property sales revenue was largely unchanged compared with Q4 2015. We outperformed the market in the US investment sales with a 140 basis point increase in market share in Q4, according to Real Capital Analytics.

The commercial mortgage services business continued to perform very well, with revenue rising 32%. This growth was driven by strong gains from mortgage servicing rights as well as increased loan originations with US government-sponsored enterprises and life insurance companies. Our loan servicing portfolio stood at $145 billion at year-end, up $10 billion from 2015.

Global leasing revenue increased 6%. Asia Pac posted double-digit growth with revenue gains in nearly all countries, most notably Greater China, Japan and Singapore. EMEA saw solid growth of 6% led by Germany, Italy and Poland. US leasing revenue rose 4%.

Valuation revenue increased 6% for the fourth quarter, paced by EMEA. Both revenue and fee revenue from property management services were up 4%.

Please turn to slide 11 regarding Q4 results for our three regional services businesses. We should note that M&A had an immaterial effect on growth rates in each of the regional businesses in Q4.

The Americas, our largest business segment, posted a fee revenue increase of 7%. Asia Pacific, our fastest-growing region in Q4, achieved fee revenue growth of 21%, with strong performance across most of the region.

EMEA produced fee revenue growth of 9%. The United Kingdom performed well with fee revenue up 7%, led by occupier outsourcing. This solid performance in the wake of the Brexit vote attests to the strength and diversity of CBRE's service offering in the UK.

We achieved significant operating leverage in each of the three regional services businesses, supported by strong organic growth and our cost elimination program which ended in Q3. In US dollars, adjusted EBITDA increased 83% in Asia Pacific, 28% in EMEA, and 22% in the Americas. After removing the effect of all foreign currency movements on year-to-year comparisons, adjusted EBITDA increased 74% in Asia Pacific, 46% in EMEA, and 22% in the Americas.

Please turn to slide 12 regarding our occupier outsourcing business, which is reported within the three regional service segments. Fee revenue for this business was up 14% in 2016, excluding the direct contributions from the acquired Global Workplace Solutions business.

Q4 2016 was the first full quarter where both the acquired and the existing outsourcing businesses were included in both current and prior-year results. We achieved combined fee revenue growth of 10% in local currency in Q4.

We expect more modest growth in the first half of 2017, with higher growth in the second half, leading to approximately 10% growth for the full year.

In Q4, we signed 47 new outsourcing contracts and 40 expansions. Our steady gains in the healthcare sector continued as well, as we signed 9 total contracts with hospital systems like Baptist Memorial and Catholic Health Initiatives.

Our global scale, first-rate capabilities and collaborative culture position us better than any other company to capitalize over time on the very large opportunity in this business.

Please turn to slide 13 regarding our Global Investment Management segment. Adjusted EBITDA for this business totaled $15 million for Q4 2016, down from our particularly strong prior-year Q4. Q4 2015 included approximately $30 million of carried interest revenue versus almost none in the current period.

In addition, we saw a decrease in co-investment returns and management fees in the securities business, reflecting the decline in the market for listed securities in Q4 compared with an increase in Q4 of the prior year.

Assets under management ended the year at $86.6 billion. In local currency, AUM for the year was up $2.1 billion, but was down $2.4 billion when measured in US dollars. Approximately 60% of our AUM, excluding securities, is denominated in euros and British pound sterling. With these currencies down by approximately 25% since midyear 2014, the strong dollar continues to negatively impact this segment.

Our Global Investors business continues to attract significant capital from investors due to the strong performance of its investment programs. Equity commitments in Q4 rose to $2.6 billion, bringing total capital raised in 2016 to $8.3 billion, one of our strongest capital raises in recent years.

Notably, our increased focus on open-ended core and core-plus investment programs, which we described at our Investor Day, has shown good results with CBRE funds in the top quartile for investment performance in the US and in EMEA.

Please turn to slide 14 regarding our Development Services segment. Development Services had a record year in 2016 and another strong quarter in Q4, though earnings decline, as expected, from a particularly strong Q4 2015. For Q4 2016, this business produced $48 million of EBITDA. Development projects in process totaled $6.6 billion, down $100 million from year-end 2015. The pipeline totaled $4.2 billion, up $600 million from a year ago.

Please turn to slide 15. Before I turn the call back to Bob, I'd like to highlight two key points regarding Q4. First, our regional services businesses performed very well, with 9% growth in fee revenue in local currency and 33% growth in adjusted EBITDA, excluding currency effects including hedging. This growth is almost exclusively organic.

Next, our leasing and capital markets businesses outperformed the market with revenue growth in local currency of 6% and 13%, respectively.

Now, please turn to slide 16 for Bob's closing remarks.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Thanks, Jim. CBRE enters 2017 in a great position following very strong performance in 2016. Our business has positive underlying momentum as the global economy continues to grow, albeit at a modest pace, and commercial real estate fundamentals remain sound.

Our outlook is bolstered by the many advantages CBRE holds as the sector leader. Our talent base is deep and our people are aligned with and energized by our strategy.

Our operating platform is becoming stronger as we continue to invest in technology, data analytics, and other strategic initiatives.

Our specific expectations for 2017 are based on the following assumptions: Number one, global economic growth will approximate 3% according to the consensus view of economists. Number two, US job growth will slow from 2016's pace, but remain relatively solid. Number three, market wide property sales volumes globally will be roughly in line with 2016 levels, with continued volatility quarter to quarter.

Against this backdrop in local currency, we expect our capital markets businesses -- property sales and mortgage services -- to increase revenue at a low to mid single-digit rate, and leasing revenue to grow at a mid single-digit rate, reflecting our ability to take market share in both business lines.

We expect the occupier outsourcing business to achieve approximately 10% fee revenue growth in local currency, with a weighting to the second half of the year.

Combined adjusted EBITDA from real estate investment businesses is anticipated to be flat to slightly down from 2016, with improved performance from Global Investment Management, while Development Services comes down from a record level in 2016.

Our adjusted EBITDA margin on fee revenue is expected to remain strong at approximately 17.5% to 18%.

Overall, we expect to achieve adjusted earnings per share for 2017 in the range of $2.35 to $2.45. We anticipate growth to be constrained by a $0.06 per share headwind from adverse foreign currency movement. At the midpoint of our guidance range, the growth rate for earnings per share would be 4% in US dollars or 7% in local currency, almost entirely from organic growth.

With that, operator, we'll open the lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Anthony Paolone, JPMorgan.

Anthony Paolone - *JPMorgan - Analyst*

Thanks. Good morning and nice quarter. I'm going to start with leasing, and in 2016 that was up about 5%, and it seems like the expectation is about the same for 2017.

Can you give any color on which regions or countries you think lead or lag in 2017?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Tony, this is Bob; thanks. We expect leasing to perform similarly to what it did this year, pretty much around the world. We should see some gains here in the US and in Continental Europe. In Asia Pacific, we'll be relatively flat next year, we think, but on balance we should see a performance pretty consistent with this year.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And then on outsourcing, if we look at what it was in the fourth quarter it was up, I think, 4% in the quarter, and it seemed to be impacted by currency. Your outlook for next year is about 10%. How much currency effect do you have in that 10% for 2017?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Thanks, Anthony. Yes, as you said, it was up 4% USD, up 10% local currency. And as we noted at our Investor Day, we're not hedging currencies this year. And as Bob noted in his closing, based on the currency, based on the forward curve today, we're assuming about a 6% -- I'm sorry, about a $0.06 currency headwind for the year overall; and our guidance within GWS global currency growth is 10%.

We haven't gotten that specific as to say what will the growth in USD be in that line of business, but hopefully those data points give you enough to go on.

Anthony Paolone - *JPMorgan - Analyst*

It sounds like the assumption is not going to be as appreciable as it was in 2016, just in terms of having it being a headwind.

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Yes. I mean, if you look at the forward curve today versus where we are, it should be less of an impact.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And when do you think the integration costs wind down? Because I think they were actually higher in the fourth quarter than the third quarter; and just wondering when that starts to wrap up.

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Sure, that's a good question. So there has been -- there is an enormous amount of back-office, in particular, integration costs, and that's what you're starting to see. Initial integration costs are more integration of people and there is some severance costs, etc., in there. What we're seeing in Q4 is where we're getting off of the systems that remained at Johnson Controls where they were providing services to us on their systems.

So in Q4, we got off of most of the major systems. What's left we'll be getting off of by the end of Q2. And irrespective of whether there are continued costs still dribbling in, we will stop adjusting for those costs as of Q2.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And then can you maybe touch on some of the below-the-line items, if you will, on 2017 guidance; like what's -- it looks like the tax rate is going to come down further, so what's driving that? Also, any assumptions around stock buyback or what you do with your capital as it relates to your debt over the course of 2017 and how it all flows in?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Sure. On tax rate, we've assumed that our tax rate will go from 33.4% this year down to 32% next year. That further decrease is driven primarily by projected mix at income at the entity level, and we're able to capture some losses that have been trapped in entities here and there, which is helpful.

Anthony Paolone - *JPMorgan - Analyst*

And then just in terms of capital?

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Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Yes, we're not getting that detailed as far as what we're putting out on the balance sheet on capital items.

Anthony Paolone - *JPMorgan - Analyst*

Okay, thank you.

Operator

David Ridley-Lane, Bank of America Merrill Lynch.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Sure. So maybe a big picture one to start. 10-year treasury rate is up about 100 basis points from the lows in July last year. How have interest rates changed investors' appetite for direct investments into real estate?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes, David, it may have had a slight impact on the appetite and the pricing, but not a material impact. We still see a lot of capital that wants to go into real estate. If you look at last year, there was various press written about lower volumes. But it's worth keeping in mind that that's relative to 2015, which was the strongest year in a decade, and last year was still very, very good by comparison to the previous decade, other than 2015.

We're going into this year with the assumption that interest rates will go up modestly and that capital flows into real estate and trading velocity will be similar to last year.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Got it. And then can you talk about the details on the pace of which you are approaching GWS clients around cross-selling leasing? Are you targeting these pitches around contract renewals? And when would you expect to have made at least an initial presentation to all the GWS clients who are good leasing prospects?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Well, it's important in responding to that question to know how we run that business. We have what we call alliance directors who are account managers responsible for each of those major relationships. They have teams of people that work on the relationships, and their job is to be closely involved with our clients, first to make sure we're delivering great service to them on everything we've hired them for, but also to be aware of everything they might need that we are well-positioned to do for them going forward.

So that work is actively underway now. We just finished a year in which we were very, very focused on completing the integration and very focused on making sure that the work that we had already been given by the clients was being executed well. And our client care program, which measures the results for clients, showed that we had improved our services to clients materially last year, and their satisfaction materially.

We expect as this year unfolds to shift quite a bit of our energy to marketing and expanding that business, which you should see come through in the numbers in the later part of the year. But part of that will be cross-selling and part of that will be selling to new accounts and renewing accounts. So we're expecting to see good activity in that regard as the year unfolds.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

And then can you talk -- a quick numbers question about the incremental cost savings that you will receive in 2017 from the 2016 plan?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Are you talking about GWS or the business as a whole?

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

The business as a whole, sorry.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Okay. Jim, you want to hit that?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Yes, sure. We've not gotten specific through last year as we initiated this cost-cutting program which, as you know, started in Q4 of 2015, ended in Q3 of last year. And you can kind of back into your own estimates based on the charges we've taken. And then we have reinvested some of those savings back into the business so they don't all drop to the bottom line.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Okay, and last question from me. The slowdown in your tuck-in -- your pace of tuck-in acquisitions, I just want to make sure I understand the rationale. Is the slower pace solely the result of the valuations you're seeing in the marketplace, or has your near-term appetite for M&A also ticked down a bit?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

Sure, that's a good question. Our near-term appetite for M&A has not ticked down. And as we commented probably the last, I don't know, five or six quarters, we really felt that M&A in the marketplace had just been getting too aggressive, whether it was pricing or terms or both. And we were walking away from deals where we had the last look on companies that we liked, but we just -- the underwriting just wasn't meeting our requirements.

So that's the primary driver, by far, of the reduction in activities that you've seen from us in in-fill in the last several quarters. But our appetite for M&A is as strong as it has ever been. Our pipeline is as good as it has ever been. So if pricing and structures come back in line, then you'll see us do more.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Understood. Thank you very much.

Operator

Jade Rahmani, KBW.

Jade Rahmani - *KBW - Analyst*

Thanks very much. In terms of large-scale M&A, how do you assess the probability of a transformative type of deal taking place?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Hey, Jade. The thing about the transformative deals is that they don't come on a regular basis. We've done a few of them in the last five years. We did the ING acquisition, the Norland acquisition, the GWS acquisition. But those come up sometimes because of where we're at in the market cycle, sometimes because of the circumstance that the seller has with their business or a portion of their business.

And they also have to come up at a time that we feel we're well-positioned to take them on and integrate them. We're confident that there will be more of them. We're not sure where they will come from in our business. We would be interested in doing them in various parts of our line of business lineup and in various regions around the world if the right circumstance arose, but you just can't predict when they're going to come.

We are -- our balance sheet, our operating capability, the ability of our people to integrate these types of deals positions us really well to do them when they happen, but we just don't know when they're going to happen.

Jade Rahmani - *KBW - Analyst*

And are there such properties actively being marketed right now?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

We don't comment on specific deals in the marketplace.

Jade Rahmani - *KBW - Analyst*

Okay. Just switching to your guidance, you talked about the flat adjusted EBITDA for 2017, but the positive adjusted EPS growth. I guess aside from the tax rate and slightly lower interest expense, are there any other main variables to that?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

I think you may be commenting where we commented on -- we mentioned that our two principal businesses, the Development Services and Global Investors business combined would be flat to down slightly next year, but that comment was specifically with regard to those two businesses.

Jade Rahmani - *KBW - Analyst*

So in terms of adjusted EBITDA in dollars, we should expect similar growth rate to the adjusted earnings guidance.

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

We didn't give specific guidance on adjusted EBITDA, but we gave you revenue guidance and EPS guidance.

Jade Rahmani - *KBW - Analyst*

Okay.

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

(multiple speakers) That's how I think you back into it.

Jade Rahmani - *KBW - Analyst*

Okay, on the investor sales side, can you just comment on if the pace of deal flow has been consistent over the last few months, in terms of number and quality of bidders? You had been seeing longer deal timelines to close. Has that timeline stabilized?

And can you comment on maybe what drives the current hesitancy in the market, if it's the political situation or perhaps concerns around US tax reform or rate?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes, Jade, we saw choppiness earlier in the year, but the fourth quarter was strong, and the year as a whole was strong and we expect that to be a similar circumstance in 2017. We expect to see volume similar to what we saw in 2016. We're hoping and expecting to take a little market share as we have over the past few years.

And as I commented earlier with regard to the interest rates, they will probably tick up a bit. That may put a little pressure on sales. But also there is a circumstance out there wherein general institutions are underallocated to commercial real estate by about 100 basis points relative to where they want to be, so that could be a positive impact. So in general, we're expecting a good year and we're expecting to perform well and take some more market share.

Jade Rahmani - *KBW - Analyst*

So like the number and quality of bidders is running at a consistent pace, you would say.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

I would say the number and quality of bidders is running at a consistent pace, not for every deal everywhere in the United States or the world, but broadly speaking, I think that's fair and we expect the market to play out similarly to last year.

Jade Rahmani - *KBW - Analyst*

In terms of the market rate in leasing has been negative in the US, at least in the last quarter. Are you seeing any of that corporate hesitancy flow through to the outsourcing business line?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

The leasing business and the corporate outsourcing business don't necessarily track on that division -- on that dimension. Corporate outsourcing is driven by the desire of corporations to have somebody that does this work as their vocation, let's call it; handle it for them rather than doing it for themselves. They have a bunch of things that they want to accomplish, often focused on their core business, cost savings, ability to have talent assigned to the work that's better than the talent they themselves are able to assign to it.

The leasing market is driven by a separate set of dynamics which are -- the most prominent one would be job growth or expectations about expansion of the business. So that we're not really seeing on the margin the things that might impact leasing volume impact the amount of outsourcing activity we would see.

Jade Rahmani - *KBW - Analyst*

Thanks very much for taking my questions.

Operator

Brandon Dobell, William Blair.

Brandon Dobell - *William Blair - Analyst*

Thanks. Good morning, guys. Either Jim or Bob, based on your comments about the M&A environment and just the valuations and competition for deals, do you guys see any of that spilling over into, I guess, compensation pressure for transaction professionals, in any region, I guess?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

We did, Brandon, see some pressure on recruiting and retention last year that we responded to in exactly the same way we responded to the M&A market. There were some circumstances that we thought were noneconomic, and we didn't participate when we saw that to be the case.

But at the same time, our net headcount recruiting was in the hundreds of millions, probably off about a third from the prior couple of years, but still very, very strong. But we are remaining disciplined in that regard and we think that's the right place for us to be and it's working well.

Brandon Dobell - *William Blair - Analyst*

So should we expect -- I guess how much net headcount growth --?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes. Hey, Brandon, let me -- one of my colleagues here just mentioned (multiple speakers).

Brandon Dobell - *William Blair - Analyst*

Hundreds of millions?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes, hundreds of people, not hundreds of millions; I'm sorry.

Brandon Dobell - *William Blair - Analyst*

There's some very happy transaction professionals -- (laughter).

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes, exactly. Yes, we're not that large.

Brandon Dobell - *William Blair - Analyst*

Right. So in terms of how we think about 2017, and I guess related in two ways, the pace of headcount growth as a driver for your expectations in leasing and investment sales, should we expect headcount to be a driver? Or is that more just going to be market share driven with not a whole lot of headcount?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Well, we expect to add headcount again in 2017. We'll have to see what the market holds. A reasonable assumption would be that it would play out kind of like last year, but we just don't know yet. And certainly we should get the benefit of prior year's net recruiting gains in our numbers for this year.

Brandon Dobell - *William Blair - Analyst*

Okay, then maybe trying to tie the outsourcing businesses together with the technology investments; how should we think about the connection between the M&A that you've done in, let's call it tech M&A, with the investments in technology? What does that do to the outsourcing business? Does it make it more profitable? Does it allow you to manage more with fewer people, or what's the driver or the connection between those two?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

I would say the technology investments we're making, if you look at them, are very, very focused around investments that leverage our people to do more for our clients. It's not -- and not necessarily geared to be big revenue producers in and of themselves; as a matter of fact, generally not the case. But they are geared to help our people do more for their clients, to help us gain market share, and just to be overall better positioned to create value.

Brandon Dobell - *William Blair - Analyst*

Do you think it's got a bigger impact on owners or occupiers?

Jim Groch - *CBRE Group, Inc. - CFO and Global Director of Corporate Development*

We're focused pretty heavily on both client sets.

Brandon Dobell - *William Blair - Analyst*

Okay. And then I guess final one for me. As you think about the leasing outlook, combination of volume trends versus rent and growth trends and market share, if those are the three big buckets that are underlying global leasing growth for you guys. How do we think about the relative split between those three drivers?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

We should see some rent growth. I think volume will not -- may be slightly down next year. And what was the third one you commented on?

Brandon Dobell - *William Blair - Analyst*

Market share.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Well, we think that will be up. We're counting on that, and that's reflected in the guidance we gave.

Brandon Dobell - *William Blair - Analyst*

Got it. Okay, thanks a lot.

Operator

Mitch Germain, JMP Securities.

Mitch Germain - *JMP Securities - Analyst*

Good morning, guys. So just want to talk about some of the technology and data spend. How much of that is basically modernizing your systems versus creating operating efficiencies and trying to get, as you talked about, getting more for your customers? How do we -- how do you guys think about each dollar allocated toward technology spend?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Yes, Mitch, that's a good question and that's shifted over time. If you were to have gone back three or four years, we were pretty far behind in what we called our infrastructure, the basic systems that run our Company. And we made the investments to catch up; we've largely caught up. We believe we're in very good shape in that regard.

By the way, our people believe we're in very good shape in that regard, and that's really important. And now we've shifted our focus to what we call enablement technology, which is providing tools to our people that they can use to serve our clients. We're well over 50% enablement now, and we expect that to grow over the next -- this year and the next several years.

Mitch Germain - *JMP Securities - Analyst*

Thank you for that. And then just the weighting of the outsourcing to the back half, is that just because we still have the GWS comp, or is there something specific driving that seasonality?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Well, we just came through and largely completed -- there's still some work going on, but we've largely completed what I would consider to be the biggest and most complicated integration in the history of our sector; 16,000 people, clients spread across 100 countries, huge back-office separation and reconnection to our systems.

And a lot of the focus was during that transition and integration was -- in fact, I wouldn't say a lot -- was overwhelmingly toward just serving those clients well during the transition and then getting the transition itself done. We've now shifted much more to being focused on growing the business, but there will be a ramp-up period coming out of that integration focus. And that's why the growth will be weighted toward the back half of 2017.

Mitch Germain - *JMP Securities - Analyst*

And I know the depth of the size of the transaction and how transformative it was. When you're looking at that integration now that we're, -- I don't know, I guess a year and half into it, timing wise is it taking a little bit longer than you expected? Is it in line?

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

It hasn't taken longer than we expected, but it's been harder than we expected. Those things -- you learn a lot when you -- after you do a deal like that and when you get into it. You can only know so much going into it.

I will tell you one thing that's hugely rewarding to us is that we believe that we're the only company in the industry that could have gotten that integration done on that pace and with that kind of outcome. It's had a very, very positive impact on our earnings. It's had a very positive impact on our ability to serve our clients.

It's repositioned us in the marketplace. It's given us some great opportunities for cost synergies. We now have great opportunity for revenue synergies. It was a huge job that took a lot of focus, but it's largely behind us and it's a very positive thing for our Company.

Mitch Germain - *JMP Securities - Analyst*

Thank you.

Operator

Thank you. At this time, I'd like to turn the call back to Bob Sulentic for closing remarks.

Bob Sulentic - *CBRE Group, Inc. - President and CEO*

Okay. Well, thank you, everyone, for joining us today and we'll talk to you again in 90 days.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.
