

**CBRE**

**CBRE GROUP, INC.**

**Third Quarter 2019: Earnings Conference Call**

**NOVEMBER 6, 2019**

## 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, capital deployment, acquisition integration and financial performance expectations. These statements are estimates only and actual results may ultimately differ from them. Except to the extent required by applicable securities laws, we undertake no obligation to update or publicly revise any of the forward-looking statements that you may hear today. Please refer to our third quarter earnings release, furnished on Form 8-K and our most recent annual report filed on Form 10-K and our most recent quarterly report filed on Form 10-Q, and in particular any discussion of risk factors or forward-looking statements therein, which are available on the SEC’s website ([www.sec.gov](http://www.sec.gov)), for a full discussion of the risks and other factors that may impact any forward-looking statements that you may hear today. We may make certain statements during the course of this presentation, which include references to “non-GAAP financial measures,” as defined by SEC regulations. Where required by these regulations, we have provided reconciliations of these measures to what we believe are the most directly comparable GAAP measures, which are attached hereto within the appendix.

# CONFERENCE CALL PARTICIPANTS



**Bob Sulentic**

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President and Chief Executive Officer



**Leah Stearns**

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Chief Financial Officer



**Brad Burke**

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SVP, Corporate Finance & Investor Relations

# 3Q 2019 FINANCIAL RESULTS

\$ in millions except per share figures

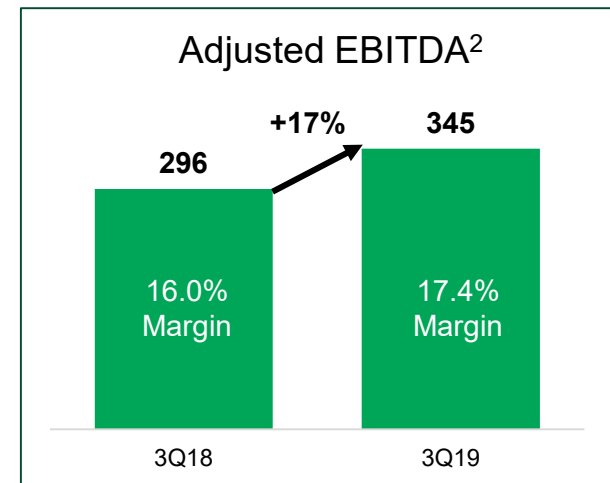
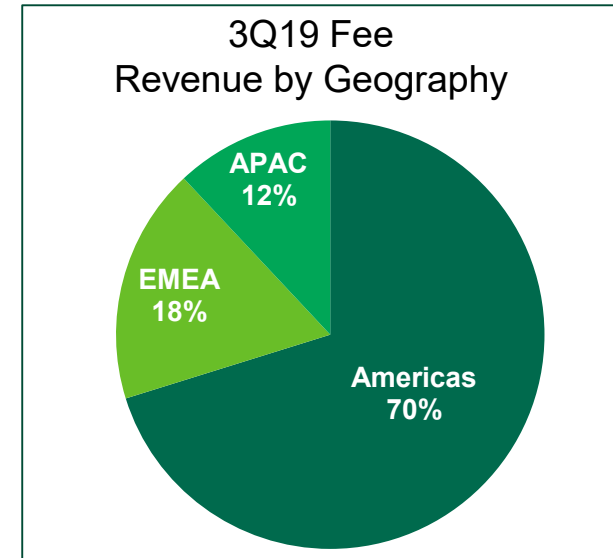
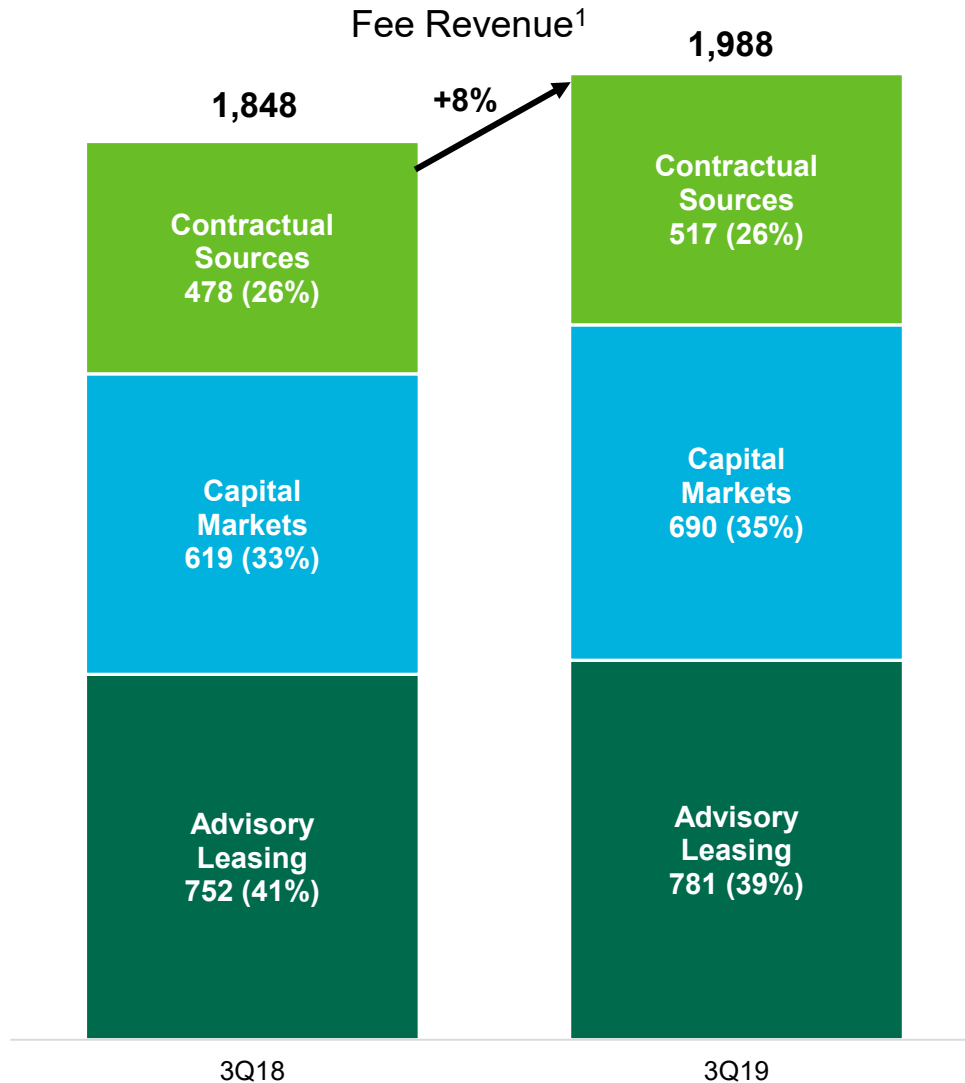
	Revenue	Fee Revenue <sup>1</sup>	Adj. EBITDA <sup>2</sup>	EPS <sup>3</sup>	Adj. EPS <sup>3,4</sup>
<b>3Q19</b>	5,925	2,910	455	\$0.75	\$0.79
<b>3Q18</b>	5,261	2,621	463	\$0.85	\$0.79
<b>USD</b>	▲ 13%	▲ 11%	▼ (2%)	▼ (11%)	▲ 1%
<b>Local Currency</b>	▲ 14%	▲ 13%	▼ (1%)	▼ (10%)	▲ 2%

- Double-digit revenue growth led by our two services segments, Advisory Services and GWS
  - Generated fee revenue and Adjusted EBITDA growth of over 11% and 16%, respectively, on a combined basis
  - Combined Adjusted EBITDA margin expanded over 70 BPS from Q3 2018
- REI segment Adj. EBITDA negatively impacted by delayed development asset sales

See slide 22 for footnotes.

# ADVISORY SERVICES

\$ in millions, totals may not sum due to rounding.

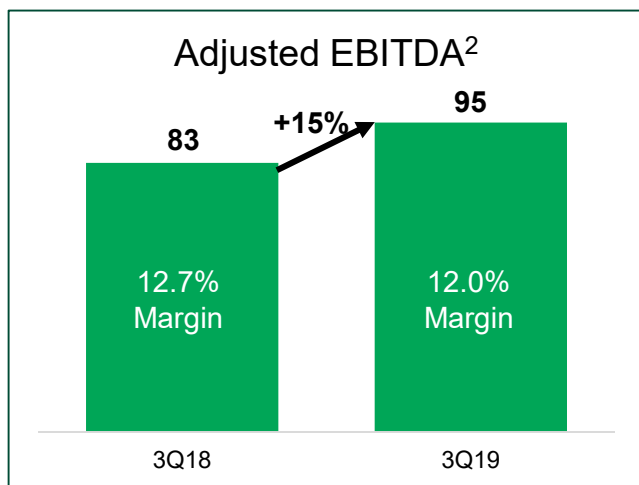
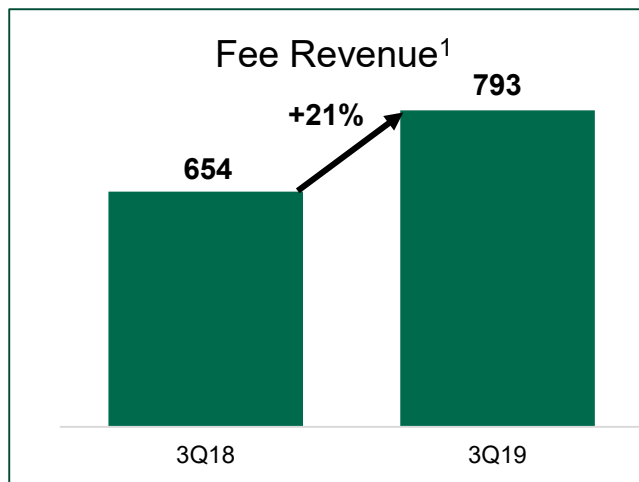


See slide 13 for revenue detailed by line of business.

See slide 22 for footnotes.

# GLOBAL WORKPLACE SOLUTIONS

\$ in millions



## 3Q 2019 HIGHLIGHTS

- Geographic and technical expertise driving success and strong growth
- Bundling becoming more important part of the business with more customers contracting for full suite of GWS offerings
- Nearly 40% of newly contracted EBITDA derived from holistic, multi-product service contracts

## 3Q19 REPRESENTATIVE CLIENTS

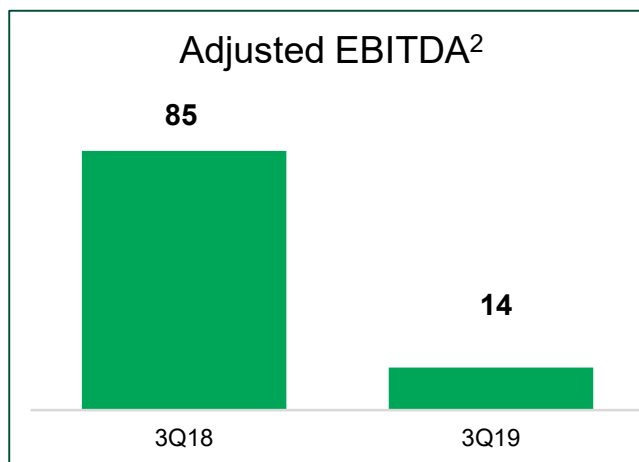
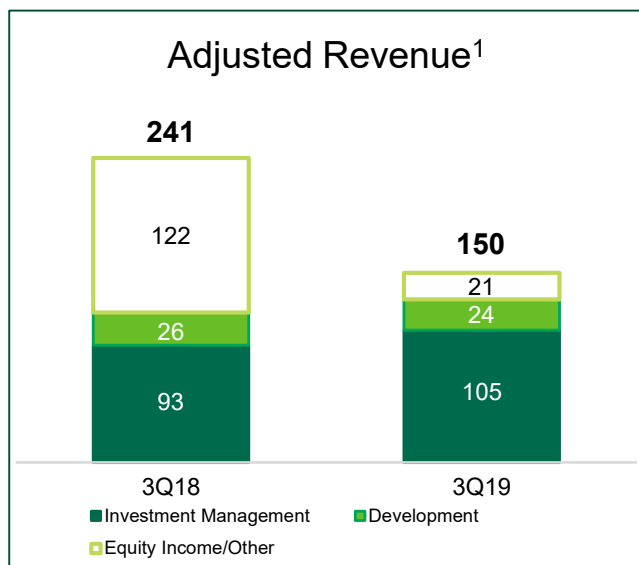
Continued momentum in client wins driving growth



See slide 22 for footnotes.

# REAL ESTATE INVESTMENTS

\$ in millions

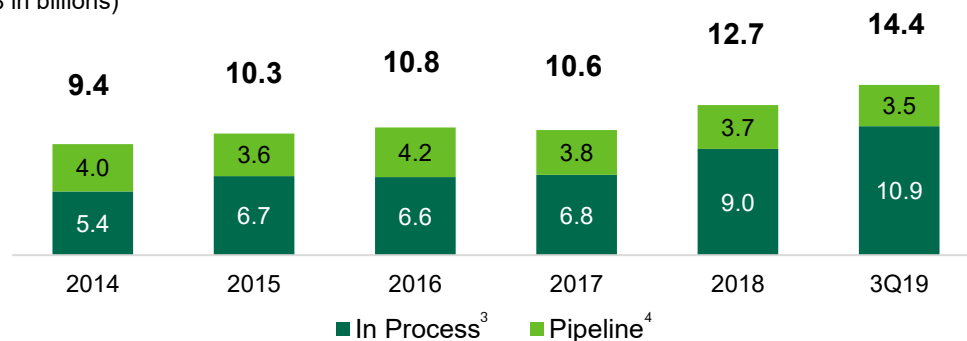


See slide 22 for footnotes.

## DEVELOPMENT

**Strong pipeline, positioned for continued strong results**

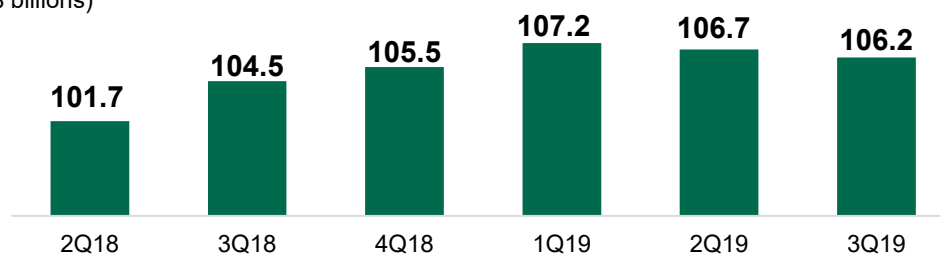
(\$ in billions)



## INVESTMENT MANAGEMENT

**Improved performance with higher AUM vs. last year**

(\$ billions)

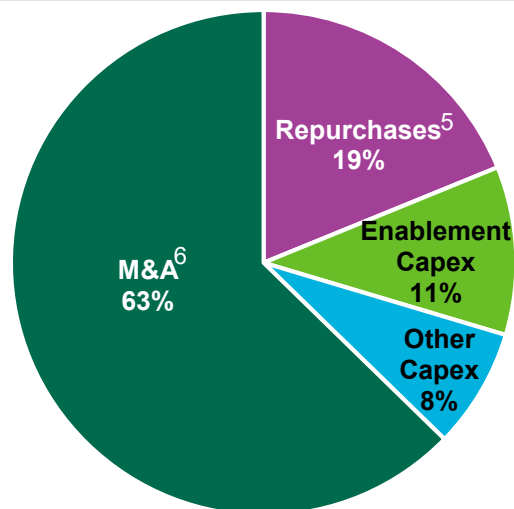


## FLEXIBLE-SPACE SOLUTIONS (HANA)

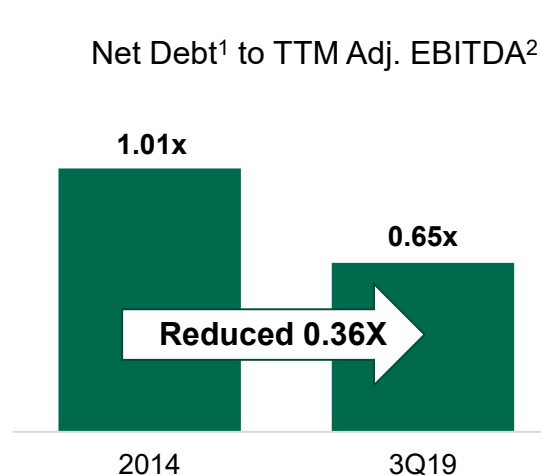
**First location opened in Dallas in 3Q 2019**

# FINANCIAL SUMMARY

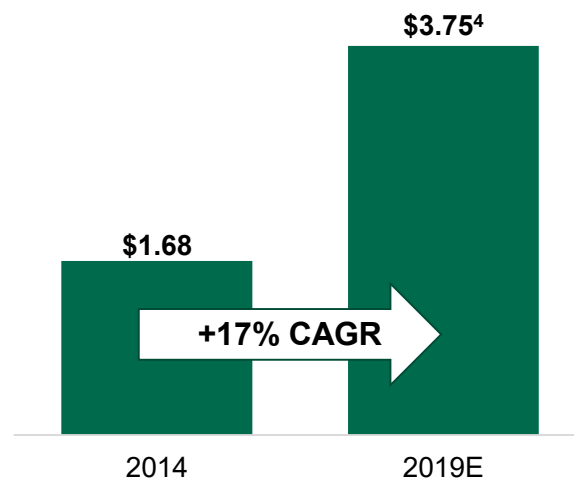
## YTD Capital Allocation



## LEVERAGE SUMMARY



## ADJUSTED EPS<sup>3</sup>



- Deployed approximately \$770 million<sup>5,6</sup> of capital year to date, including our recent Telford acquisition, and retain ample discretionary capital allocation capacity
- Maintaining 2019 Adjusted EPS outlook range of \$3.70 to \$3.80
  - Healthy demand backdrop consistent with previous expectations
  - Expect strength in services segments to offset impact of delayed asset dispositions impacting Real Estate Investments

See slide 23 for footnotes.



## SUMMARY

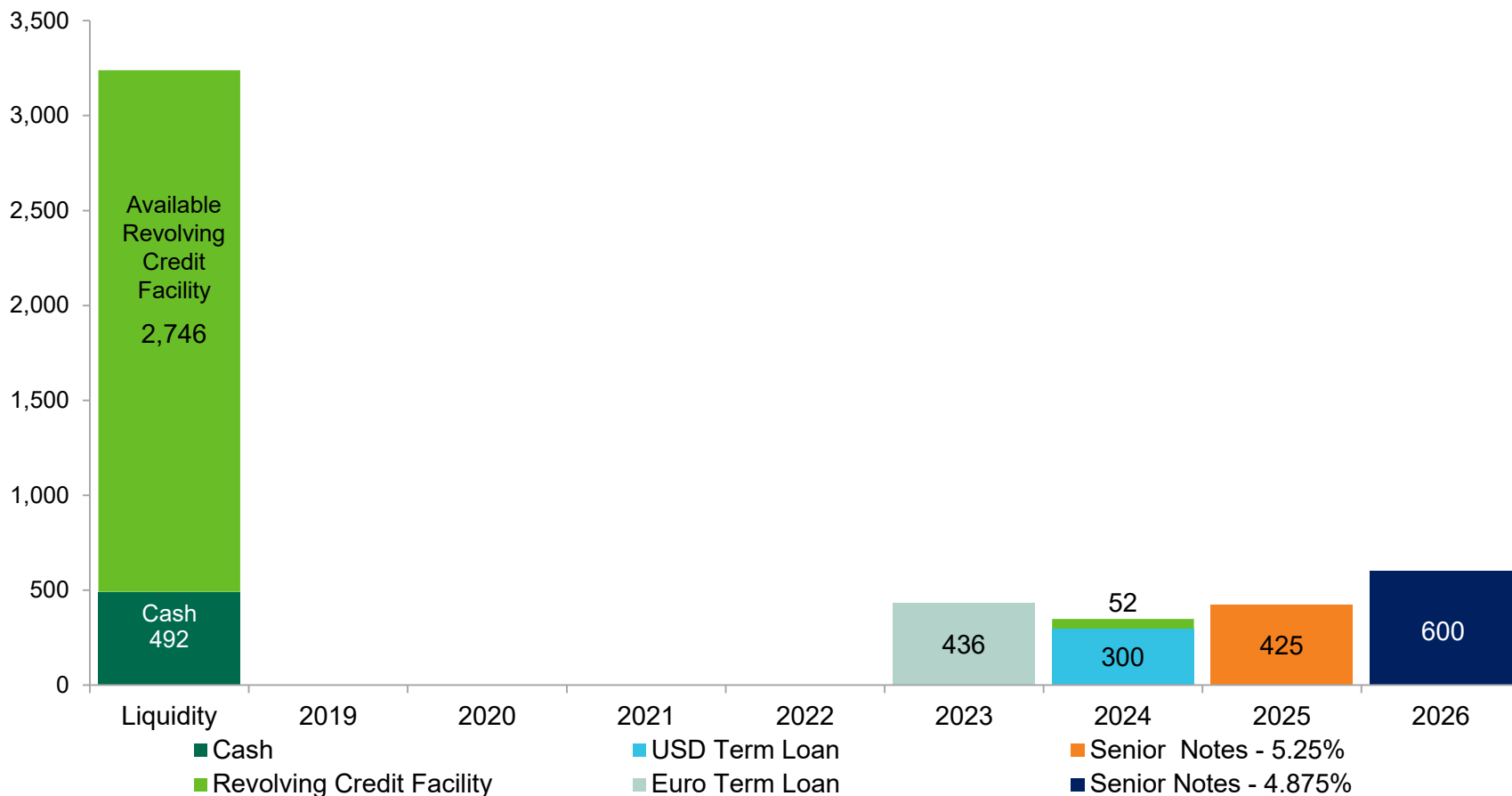
- Solid performance reflects benefits of business and geographic diversification
- Macroeconomic fundamentals remain supportive of growth, particularly in the Americas, our largest region
- Expect to continue disciplined capital allocation strategy to maximize shareholder returns over the long-run
  - Telford acquisition expands our capabilities while enhancing the future growth and cash flow generation of our business
- Industry-leading scale, market leadership and prudent balance sheet leave us well positioned to optimize the value of our business

**SUPPLEMENTAL SLIDES, GAAP  
RECONCILIATION TABLES AND FOOTNOTES**

# MANDATORY AMORTIZATION AND MATURITY SCHEDULE

AS OF SEPTEMBER 30, 2019<sup>1</sup>

(\$ in millions)



1. \$2,800 million revolving credit facility matures in March 2024. As of September 30, 2019, the revolving credit facility balance was \$52 million.

# DEBT & LEVERAGE

TOTALS MAY NOT ADD DUE TO ROUNDING

(\$ in millions)

(\$ in millions)	September 30		December 31
	2019	2018	2014
Cash <sup>1</sup>	\$ 492	\$ 450	\$ 683
Revolving credit facility	52	141	5
Senior term loans <sup>2</sup>	732	744	638
Senior notes <sup>2</sup>	1,016	1,015	1,210
Other debt <sup>3,4</sup>	6	5	3
<b>Total debt</b>	<b>\$ 1,806</b>	<b>\$ 1,905</b>	<b>\$ 1,856</b>
<b>Total net debt<sup>5</sup></b>	<b>\$ 1,315</b>	<b>\$ 1,455</b>	<b>\$ 1,173</b>
TTM Adjusted EBITDA <sup>6</sup>	\$ 2,028	\$ 1,820	\$ 1,166
<b>Net debt to TTM Adjusted EBITDA</b>	<b>0.65x</b>	<b>0.80x</b>	<b>1.01x</b>

1. Excludes \$85.9 million, \$100.0 million and \$58.0 of cash in consolidated funds and other entities not available for company use at September 30, 2019 and 2018, and December 31, 2014, respectively.
2. Outstanding amount is reflected net of unamortized debt issuance costs.
3. Excludes \$1,348.6 million, \$1,579.6 million and \$501.2 million of warehouse facilities for loans originated on behalf of the FHA and other government sponsored enterprises outstanding at September 30, 2019 and 2018, and December 31, 2014, respectively, which are non-recourse to CBRE Group, Inc.
4. Excludes non-recourse notes payable on real estate, net of unamortized debt issuance costs, of \$11.1 million, \$5.2 million and \$42.8 million at September 30, 2019 and 2018, and December 31, 2014, respectively.
5. Total net debt is calculated as total debt (excluding non-recourse debt) less cash available for company use, as disclosed above.
6. Adjusted EBITDA excludes (from EBITDA) the impact of a one-time non-cash gain associated with remeasuring CBRE's investment in an unconsolidated subsidiary in New England to fair value as of the date it acquired the remaining controlling interest, costs associated with our reorganization, including cost-savings initiatives, costs incurred in connection with a litigation settlement, integration and other costs related to acquisitions, and certain carried interest incentive compensation expense (reversal) to align with the timing of associated revenue.

# Q3 2019 BUSINESS LINE REVENUE

TOTALS MAY NOT ADD DUE TO ROUNDING

(\$ in millions)

**CONTRACTUAL REVENUE AND LEASING, WHICH IS LARGELY RECURRING OVER TIME<sup>1</sup>, IS 75% OF FEE REVENUE**

	Contractual Revenue & Leasing										
	Global Workplace Solutions	Property & Advisory Project Management	Investment Management (excl. Carried Interest)	Valuation	Loan Servicing	Advisory Leasing	Advisory Sales	Commercial Mortgage Origination	Development Services	Carried Interest	Total
<b>Revenue</b>											
Q3 2019	\$ 3,555	\$ 558	\$ 95	\$ 155	\$ 57	\$ 781	\$ 526	\$ 164	\$ 24	\$ 10	\$ 5,925
<b>Fee Revenue<sup>2</sup></b>											
Q3 2019	\$ 793	\$ 305	\$ 95	\$ 155	\$ 57	\$ 781	\$ 526	\$ 164	\$ 24	\$ 10	\$ 2,910
% of Q3 2019 Total Fee Revenue	27%	10%	3%	5%	2%	27%	18%	6%	1%	<1%	100%
	75% of total fee revenue										
<b>Fee Revenue Growth Rate (Change Q3 2019-over-Q3 2018)</b>											
USD	▲ 21%	▲ 6%	▲ 3%	▲ 8%	▲ 22%	▲ 4%	▲ 8%	▲ 24%	▼ (6%)	n/m	▲ 11%
Local Currency	▲ 24%	▲ 8%	▲ 6%	▲ 10%	▲ 22%	▲ 5%	▲ 9%	▲ 24%	▼ (6%)	n/m	▲ 13%

See slide 23 for footnotes.

# SUMMARIZED CASH FLOW ACTIVITY

(\$ in millions)	Nine Months Ended September 30	
	2019	2018
Net cash flows from operating activities	\$ 139	\$ 502
Net cash flows used in investing activities	(236)	(454)
Net cash flows used in financing activities	(52)	(213)
Effect of FX rate changes on cash and cash equivalents and restricted cash	(13)	(32)
<b>Net decrease in cash and cash equivalents and restricted cash</b>	<b>(\$162)</b>	<b>(\$197)</b>

## OTHER FINANCIAL METRICS

(\$ in thousands)	Three Months Ended					
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
OMSR Gains	59,562	44,309	38,270	56,760	45,623	39,237
Amortization	(32,784)	(29,282)	(27,698)	(31,949)	(30,280)	(26,623)

(\$ in thousands)	Q3 2019 over	Q2 2019 over	Q1 2019 over	Q4 2018 over	Q3 2018 over	Q2 2018 over
	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
OMSR Gains	13,939	5,072	6,153	7,674	10,175	6,645
Amortization	(2,504)	(2,658)	(805)	(5,898)	(4,522)	(2,211)

(\$ in billions)	As of					
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Loan Servicing Balance	223.0	210.3	201.6	192.8	186.9	179.6

# NON-GAAP FINANCIAL MEASURES

The following measures are considered “non-GAAP financial measures” under SEC guidelines:

- i. fee revenue
- ii. contractual fee revenue
- iii. adjusted revenue for the Real Estate Investments segment
- iv. net income attributable to CBRE Group, Inc., as adjusted (which we also refer to as “adjusted net income”)
- v. diluted income per share attributable to CBRE Group, Inc. shareholders, as adjusted (which we also refer to as “adjusted earnings per share” or “adjusted EPS”)
- vi. Adjusted EBITDA and adjusted EBITDA on fee revenue margin

These measures are not recognized measurements under United States generally accepted accounting principles, or “GAAP.” When analyzing our operating performance, investors should use them in addition to, and not as an alternative for, their most directly comparable financial measure calculated and presented in accordance with GAAP. Because not all companies use identical calculations, our presentation of these measures may not be comparable to similarly titled measures of other companies.

Our management generally uses these non-GAAP financial measures to evaluate operating performance and for other discretionary purposes. The company believes that these measures provide a more complete understanding of ongoing operations, enhance comparability of current results to prior periods and may be useful for investors to analyze our financial performance because they eliminate the impact of selected charges that may obscure trends in the underlying performance of our business. The company further uses certain of these measures, and believes that they are useful to investors, for purposes described below.

With respect to fee revenue: the company believes that investors may find these measures useful to analyze the financial performance of our Global Workplace Solutions segment and Property & Advisory Project Management business line and our business generally. Fee revenue excludes costs reimbursable by clients, and as such provides greater visibility into the underlying performance of our business.

With respect to adjusted revenue: the company believes that investors may find this measure useful to analyze the financial performance of our Real Estate Investments segment because it is more reflective of this segment’s total operations.

With respect to contractual fee revenue: the company believes that investors may find this measure useful to analyze our overall financial performance because it identifies revenue streams that are typically more stable over time.

With respect to adjusted net income, adjusted EPS, adjusted EBITDA and adjusted EBITDA on fee revenue margin: the company believes that investors may find these measures useful in evaluating our operating performance compared to that of other companies in our industry because their calculations generally eliminate the accounting effects of acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions—and in the case of adjusted EBITDA and adjusted EBITDA fee revenue margin—the effects of financings and income tax and the accounting effects of capital spending. All of these measures and adjusted revenue may vary for different companies for reasons unrelated to overall operating performance. In the case of adjusted EBITDA, this measure is not intended to be a measure of free cash flow for our management’s discretionary use because they do not consider cash requirements such as tax and debt service payments. The EBITDA and adjusted EBITDA measures calculated herein may also differ from the amounts calculated under similarly titled definitions in our credit facilities and debt instruments, which amounts are further adjusted to reflect certain other cash and non-cash charges and are used by us to determine compliance with financial covenants therein and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments. The company also uses adjusted EBITDA and adjusted EPS as significant components when measuring our operating performance under our employee incentive compensation programs.



# RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

(\$ in millions)	Three Months Ended September 30,		Twelve Months Ended		
			September 30,		December 31,
	2019	2018	2019	2018	2014
Net income attributable to CBRE Group, Inc.	\$ 256.6	\$ 290.4	\$ 1,038.5	\$ 828.6	\$ 484.5
Add:					
Depreciation and amortization	111.6	113.5	440.8	444.2	265.1
Intangible asset impairment	-	-	89.0	-	-
Interest expense, net of interest income	21.8	25.5	90.3	106.1	105.8
Write-off of financing costs on extinguished debt	-	-	2.6	28.0	23.1
Provision for income taxes	63.5	94.9	271.5	478.4	263.8
EBITDA	\$ 453.5	\$ 524.3	\$ 1,932.7	\$ 1,885.3	\$ 1,142.3
Adjustments:					
Costs associated with our reorganization, including cost-savings initiatives	-	12.7	74.7	12.7	-
Integration and other costs related to acquisitions	4.5	6.1	16.6	6.1	-
Carried interest incentive compensation (reversal) expense to align with the timing of associated revenue	(3.4)	4.0	11.6	(0.1)	23.8
One-time gain associated with remeasuring an investment in an unconsolidated subsidiary to fair value as of the date the remaining controlling interest was acquired	-	(92.6)	(7.8)	(92.6)	-
Costs incurred in connection with litigation settlement	-	8.8	-	8.8	-
Adjusted EBITDA	\$ 454.6	\$ 463.3	\$ 2,027.8	\$ 1,820.2	\$ 1,166.1

Note: The Company adopted new revenue recognition guidance (ASC 606) in 2018. 2017 and 2016 figures were restated for this change. However, prior years were not. Accordingly, 2014 figures presented above reflect the revenue recognition standards in the effect for 2014.

# RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

	Three Months Ended September 30,	
	2019	2018
(\$ in millions, except share and per share amounts)		
Net income attributable to CBRE Group, Inc.	\$ 256.6	\$ 290.4
Non-cash depreciation and amortization expense related to certain assets attributable to acquisitions	19.3	28.2
Costs associated with our reorganization, including cost-savings initiatives	-	12.7
Carried-interest incentive compensation (reversal) expense to align with the timing of associated revenue	(3.4)	4.0
Integration and other costs related to acquisitions	4.5	6.1
One-time gain associated with remeasuring an investment in an unconsolidated subsidiary to fair value as of the date the remaining controlling interest was acquired	-	(92.6)
Costs incurred in connection with litigation settlement	-	8.8
Tax impact of adjusted items	(7.2)	12.3
Adjusted net income	\$ 269.8	\$ 269.9
Adjusted diluted earnings per share	\$ 0.79	\$ 0.79
Weighted average shares outstanding for diluted income per share	341,100,182	343,733,947

# RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

	Twelve Months Ended December 31, <u>2014</u>
(\$ in millions, except per share amounts)	
Net income attributable to CBRE Group, Inc.	\$ 484.5
One-time gain associated with remeasuring an investment in an unconsolidated subsidiary to fair value as of the date the remaining controlling interest was acquired	-
Non-cash depreciation and amortization expense related to certain assets attributable to acquisitions	66.1
Write-off of financing costs on extinguished debt	23.1
Costs associated with our reorganization, including cost-savings initiatives	-
Costs incurred in connection with litigation settlement	-
Carried-interest incentive compensation (reversal) expense to align with the timing of associated revenue	23.8
Integration and other costs related to acquisitions	-
Cost-elimination expenses	-
Intangible Asset Impairment	-
Tax impact of adjusted items	(36.4)
Impact of U.S. tax reform	-
Adjusted net income	<u>\$ 561.1</u>
Adjusted diluted earnings per share	\$ 1.68
Weighted average shares outstanding for diluted income per share	334.2

Note: The Company adopted new revenue recognition guidance (ASC 606) in 2018. 2017 and 2016 figures were restated for this change. However, prior years were not. Accordingly, 2014 figures presented above reflect the revenue recognition standards in the effect for 2014.

# RECONCILIATION OF REVENUE TO FEE REVENUE AND CONTRACTUAL FEE REVENUE

(\$ in millions)	Three Months Ended September 30	
	2019	2018
Consolidated revenue	\$ 5,925.1	\$ 5,260.9
Less:		
Client reimbursed costs largely associated with employees dedicated to client facilities and subcontracted vendor work performed for clients	3,014.6	2,639.9
Consolidated fee revenue	\$ 2,910.5	\$ 2,621.0
Less:		
Non-contractual fee revenue	1,505.3	1,396.7
Contractual fee revenue	\$ 1,405.2	\$ 1,224.3
Global Workplace Solutions revenue	\$ 3,555.1	\$ 3,082.8
Less:		
Client reimbursed costs largely associated with employees dedicated to client facilities and subcontracted vendor work performed for clients	2,761.9	2,429.0
Global Workplace Solutions fee revenue	\$ 793.2	\$ 653.8
Property & Advisory Project Management revenue	\$ 558.0	\$ 287.5
Less:		
Client reimbursed costs largely associated with employees dedicated to client facilities and subcontracted vendor work performed for clients	252.7	210.9
Property & Advisory Project Management fee revenue	\$ 305.3	\$ 498.4

# RECONCILIATION OF ADJUSTED EBITDA ON FEE REVENUE MARGIN AND REAL ESTATE INVESTMENTS REVENUE TO ADJUSTED REVENUE

(\$ in millions)

Combined Advisory Services & GWS Adjusted EBITDA  
 Combined Advisory Services & GWS Fee Revenue  
 Adjusted EBITDA on fee revenue margin

Three Months Ended September 30,		
	2019	2018
Combined Advisory Services & GWS Adjusted EBITDA	\$ 440.7	\$ 378.7
Combined Advisory Services & GWS Fee Revenue	2,781.2	2,502.2
Adjusted EBITDA on fee revenue margin	15.8%	15.1%

(\$ in millions)

Real Estate Investments Revenue  
 Add:  
     Equity income from unconsolidated subsidiaries  
     Gain on disposition of real estate  
 Less:  
 Non-controlling interest  
 Net adjustments  
 Real Estate Investments Adjusted Revenue

Three Months Ended September 30,		
	2019	2018
Real Estate Investments Revenue	\$ 129.2	\$ 118.8
Equity income from unconsolidated subsidiaries	21.9	123.3
Gain on disposition of real estate	-	0.2
Non-controlling interest	(1.0)	(1.2)
Net adjustments	20.9	122.3
Real Estate Investments Adjusted Revenue	\$ 150.1	\$ 241.1

# FOOTNOTES

Notes – Local currency percent changes versus prior year is a non-GAAP measure noted on slides 4 and 13. These percent changes are calculated by comparing current year results at prior year exchange rates versus prior year results.

We have not reconciled the (non-GAAP) adjusted earnings per share guidance referenced in this presentation to the most directly comparable GAAP measure because this cannot be done without unreasonable effort due to the variability and low visibility with respect to costs related to acquisitions, carried interest incentive compensation and financing costs, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable, and a potentially significant, impact on our future GAAP financial results.

## Slide 4

1. Fee revenue is gross revenue less both client reimbursed costs largely associated with employees that are dedicated to client facilities and subcontracted vendor work performed for clients.
2. EBITDA represents earnings before net interest expense, write-off of financing costs on extinguished debt, income taxes, depreciation, amortization and intangible asset impairments. Amounts shown for adjusted EBITDA further remove (from EBITDA) costs associated with our reorganization, including cost-savings initiatives, integration and other costs related to acquisitions, certain carried interest incentive compensation (reversal) expense to align with the timing of associated revenue, the impact of a one-time non-cash gain associated with remeasuring CBRE's investment in an unconsolidated subsidiary in New England to fair value as of the date it acquired the remaining controlling interest and costs incurred in connection with a litigation settlement.
3. All EPS information is based on diluted shares.
4. Adjusted EPS excludes depreciation and amortization expense related to certain assets attributable to acquisitions, costs associated with our reorganization, including cost-savings initiatives, integration and other costs related to acquisitions and certain carried interest incentive compensation (reversal) expense to align with the timing of associated revenue, the impact of a one-time non-cash gain associated with remeasuring CBRE's investment in an unconsolidated subsidiary in New England to fair value as of the date it acquired the remaining controlling interest and costs incurred in connection with a litigation settlement, as well as adjusts the provision for income taxes for such charges.

## Slide 5, 6

1. Fee revenue is gross revenue less both client reimbursed costs largely associated with employees that are dedicated to client facilities and subcontracted vendor work performed for clients.
2. Adjusted EBITDA excludes costs associated with our reorganization, including cost-savings initiatives, and integration and other costs related to acquisitions.

## Slide 7

1. Adjusted revenue is revenue plus equity income from unconsolidated subsidiaries and gain on disposition of real estate, net of non-controlling interests. See slide 21 for computation.
2. Adjusted EBITDA excludes integration and other costs related to acquisitions and certain carried interest incentive compensation expense to align with the timing of associated revenue.
3. In-Process figures include Long-Term Operating Assets (LTOA) of \$0.03 billion for 2Q 19 and \$0.1 billion for 2Q 18. LTOA are projects that have achieved a stabilized level of occupancy or have been held 18-24 months following shell completion or acquisition.
4. Pipeline deals are projects we are pursuing which we believe have a greater than 50% chance of closing or where land has been acquired and the projected construction start is more than 12 months out.

# FOOTNOTES

## Slide 8

1. Net debt is calculated as total debt (excluding non-recourse debt) less cash available for company use. See slide 12.
2. Adjusted EBITDA excludes costs associated with our reorganization, including cost-savings initiatives, a one-time gain associated with remeasuring CBRE's investment in an unconsolidated subsidiary in New England to fair value as of the date it acquired the remaining controlling interest, integration and other costs related to acquisitions and certain carried interest incentive compensation expense to align with the timing of associated revenue.
3. Adjusted EPS excludes intangible asset impairments, depreciation and amortization expense related to certain assets attributable to acquisitions, costs associated with our reorganization, including cost-savings initiatives, integration and other costs related to acquisitions, write-off of financing costs on extinguished debt and certain carried interest incentive compensation expense (reversal) to align with the timing of associated revenue as well as adjusts the provision for income taxes for such charges.
4. Represents mid-point of 2019 earnings guidance range of \$3.70 - \$3.80
5. Includes \$51.0 million to repurchase an additional 1.0 million shares of common stock during the month of October 2019 at an average price of \$50.85.
6. Includes \$329.0 million payment for Telford Homes Plc acquisition which closed on October 1, 2019 as well as \$103.0 million of net debt assumed through the acquisition and subsequently repaid.

## Slide 13

1. Contractual revenue refers to revenue derived from our Global Workplace Solutions, Property & Advisory Project Management, Investment Management (excl. carried interest), Valuation and Loan Servicing businesses. We regard advisory leasing revenue as largely recurring over time because unlike most other transaction businesses, leasing activity normally takes place when leases expire. The average lease expires in five to six years. This means that, on average, in a typical year approximately 17% to 20% of leases roll over and a new leasing decision must be made. When a lease expires in the ordinary course, we expect it to be renewed, extended or the tenant to vacate the space to lease another space in the market. In each instance, a transaction is completed. If there is a downturn in economic activity, some tenants may seek a short term lease extension, often a year, before making a longer term commitment. In this scenario, that delayed leasing activity tends to be stacked on top of the normal activity in the following year. Thus, we characterize advisory leasing as largely recurring over time because we expect an expiration of a lease, in the ordinary course, to lead to an opportunity for a leasing commission from such completed transaction even if delayed by a year or two during an economic downturn.
2. Fee revenue is gross revenue less both client reimbursed costs largely associated with employees that are dedicated to client facilities and subcontracted vendor work performed for clients.