CB RICHARD ELLIS GROUP INC
Form 424B4
December 08, 2004
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Filed Pursuant to Rule 424(b)(4)

Registration No. 333-120445

15,000,000 Shares

CB Richard Ellis Group, Inc.

Class A Common Stock

The selling stockholders named in this prospectus are selling 15,000,000 shares of Class A common stock. We will not receive any of the proceeds from the shares of Class A common stock sold by the selling stockholders.

Our Class A common stock is listed on the New York Stock Exchange under the trading symbol CBG. On December 7, 2004, the last reported sale price of our Class A common stock on the New York Stock Exchange was $28.06 per share.

The underwriters have an option to purchase a maximum of 2,250,000 additional shares of Class A common stock from some of the selling stockholders to cover over-allotments of shares.

Investing in our Class A common stock involves risks. See **Risk Factors beginning on page 10.**

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per Share	$28.00	$1.12	$26.88
Total	$420,000,000	$16,800,000	$403,200,000

Delivery of the shares of Class A common stock will be made on or about December 13, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston **Citigroup**

Goldman, Sachs & Co. **JPMorgan**

Lehman Brothers **Merrill Lynch & Co.**

Bear, Stearns & Co. Inc.

The date of this prospectus is December 7, 2004.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus.

CB Richard Ellis and the CBRE CB Richard Ellis corporate logo set forth on the cover of this prospectus are the registered trademarks of CB Richard Ellis Group, Inc. and its subsidiaries in the United States. All other trademarks or service marks are trademarks or service marks of the companies that use them.

Industry and market data used in this prospectus were obtained from our own research, publicly available studies conducted by third parties and publicly available industry and general publications published by third parties and, in some cases, are management estimates based on its industry and other knowledge. While we believe our research and management estimates are reliable, they have not been verified by independent sources.

Some figures in this prospectus may not total due to rounding adjustments.

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PROSPECTUS SUMMARY

This summary may not contain all of the information that may be important to you. You should read this summary together with the entire prospectus, including the information presented under the heading Risk Factors and the more detailed information in the financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. Unless the context indicates otherwise, (1) references in this prospectus to common stock mean our Class A common stock and (2) information presented on a pro forma basis gives effect to our acquisition of Insignia Financial Group, Inc, or Insignia, on July 23, 2003 and the related transactions and financings as described in this prospectus under the heading Unaudited Pro Forma Financial Information.

CB Richard Ellis Group, Inc.

We are the largest global commercial real estate services firm, based on 2003 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003, we operated in 220 offices with over 13,500 employees, excluding affiliate and partner offices, providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees.

We have a well-balanced, highly diversified base of clients that includes more than 60% of the *Fortune 100*. Many of our clients are consolidating their commercial real estate-related expenditures with fewer providers and, as a result, awarding their business to those providers that have a strong presence in important markets and the ability to provide a complete range of services worldwide. As a result of this trend and our ability to deliver comprehensive solutions for our clients needs across a wide range of markets, we believe we are well positioned to capture a growing percentage of our clients commercial real estate services expenditures.

Industry Overview

Our business covers all the various segments that compose the commercial real estate services industry, which includes leasing, sales, property management, facilities management, consulting, mortgage origination and servicing, valuation and appraisal services and investment management. Based upon our experience in these various segments and our management s ongoing internally-generated assessment of the size of the addressable market within each such segment, we believe that the U.S. commercial real estate services industry, excluding investment management, generated approximately $22 billion in revenues during 2003.

In addition, we review on a quarterly basis various internally-generated statistics and estimates regarding both office and industrial space within the U.S. commercial real estate services industry, including the total available stock of rentable space and the average rent per square foot of space. Our management believes that changes in the addressable commercial rental market represented by the product of available stock and rent per square foot provide a reliable estimate of changes in the overall commercial real estate services industry because nearly all segments within the industry are affected by changes in those two measurements. We estimate that the product of available stock and rent per square foot grew at a compound annual growth rate of approximately 4.8% from 1993 through 2003.

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During the next few years, we believe the key drivers of revenue growth for the largest commercial real estate services companies will be the following:

Outsourcing. Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including transaction management, facilities management, project management, lease administration, property management and property accounting.

Consolidation. The commercial real estate services industry remains highly fragmented, and we believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis to obtain more consistent execution across markets, to achieve economies of scale and enhanced purchasing power and to benefit from streamlined management oversight and the efficiency of single point of contact service delivery.

Institutional Ownership of Commercial Real Estate. Institutional owners, such as real estate investment trusts, or REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. We believe it is likely that these owners will outsource management of their portfolios and consolidate their use of commercial real estate services vendors.

Our Regions of Operation and Principal Services

We have organized our business into, and report our results of operations through, three geographically organized segments: (1) the Americas, (2) Europe, Middle East and Africa, or EMEA, and (3) Asia Pacific.

The Americas

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. Our Americas segment accounted for 73.5% of our 2003 revenue and 73.3% of our revenue for the nine months ended September 30, 2004.

Within our Americas segment, we organize our services into the following business areas:

Advisory Services. Our advisory services business line accounted for 59.7% of our 2003 revenue and 61.9% of our revenue for the nine months ended September 30, 2004. We believe we are a market leader for the provision of sales and leasing real estate services in many U.S. metropolitan statistical areas (as defined by the U.S. Census Bureau), including New York, Philadelphia, Washington, D.C., Los Angeles, Atlanta, Chicago, Boston and Dallas.

Real Estate Services. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property.

Mortgage Loan Origination and Servicing. Our wholly owned subsidiary, L.J. Melody & Company, originates and services commercial mortgage loans generally without incurring principal risk.

Valuation. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions.

Outsourcing Services. Our outsourcing services business line accounted for 11.2% of our 2003 revenue and 9.5% of our revenue for the nine months ended September 30, 2004. As of December 31, 2003, we managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas.

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Asset Services. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors.

Corporate Services. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global companies and public sector institutions with large, geographically-diverse real estate portfolios.

Investment Management Services. Our investment management services business line accounted for 2.6% of our 2003 revenue and 1.9% of our revenue for the nine months ended September 30, 2004. Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate and sponsors funds and investment programs that span the risk/return spectrum.

Europe, Middle East and Africa

As of December 31, 2003, our EMEA segment had offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, the Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. We hold strong commercial real estate services market positions in a number of European metropolitan areas, including the leading market position in London in terms of 2003 leased square footage. The EMEA segment accounted for 19.2% of our 2003 revenue and 19.8% of our revenue for the nine months ended September 30, 2004.

Asia Pacific

As of December 31, 2003, our Asia Pacific segment had offices in 11 countries, with our principal operations located in China (including Hong Kong), Singapore, South Korea, Japan, Australia and New Zealand. The services we provide in our Asia Pacific segment are generally similar to those provided by our Americas and EMEA segments. We believe we are one of only a few companies that can provide a full range of commercial real estate services to large corporations throughout the Asia Pacific region. The Asia Pacific segment accounted for 7.3% of our 2003 revenue and 6.9% of our revenue for the nine months ended September 30, 2004.

Our Competitive Position

We believe we possess several competitive strengths that position us to capitalize on the positive outsourcing, consolidation and globalization trends in the commercial real estate services industry. Our strengths include the following:

Global Brand and Market Leading Positions. For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2003 revenue.

Full Service Capabilities. We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than nearly all of our competitors.

Strong Client Relationships and Client-tailored Service. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half of these clients purchasing more than one service from us.

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Attractive Business Model. Our business model features a diversified client base, recurring revenue streams, a variable cost structure, low capital requirements and strong cash flow generation.

Strong Management Team and Workforce. We have recruited a talented and motivated workforce of over 13,500 employees worldwide, as of December 31, 2003, excluding partner and affiliate offices, who are supported by a strong and deep senior management team consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry.

Although we believe these strengths will create significant opportunities for our business, you should also be aware of the risks that may impact our competitive position, which include the following:

Significant Leverage. We have significant debt service obligations and the agreements governing our long-term debt impose operating and financial restrictions on the conduct of our business.

Geographic Concentration. A significant portion of our U.S. operations is concentrated in California and in the New York metropolitan area. Adverse effects on these local economies may affect us more than our competitors.

Exposure to Risks of International Operations. Because a significant portion of our revenue is derived from operations outside the United States, we are exposed to exchange rate and other foreign social, political and economic risks.

Smaller Presence in Some Markets than our Local Competitors. Although we have a large global presence, many of our competitors may be larger on a local or regional basis and devote more resources to these markets.

Our Growth Strategy

We believe we have built an integrated, global services platform that is unparalleled in our industry. Our primary business objective is to use this platform to garner a disproportionate share of industry revenues relative to our competitors. We believe this will enable us to maximize and sustain our long-term cash flow and increase long-term stockholder value. Our strategy to achieve these business objectives consists of several elements:

Increase Revenue from Large Clients. We plan to capitalize on our client management strategy for our large clients, by using relationship management teams to provide these clients with a full range of services globally while maximizing our revenue per client.

Capitalize on Cross-selling Opportunities. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business.

Continue to Grow our Investment Management Business. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sale of assets.

Focus on Best Practices to Improve Operating Efficiency. In 2001, we launched a best practices initiative, branded People, Platform & Performance, to achieve operating cost reductions, and we continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

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Recent Developments

For the three months ended September 30, 2004, our revenue increased 35.8% to $575.0 million from $423.4 million for the corresponding period in 2003. In addition, we had net income of $11.9 million for the three months ended September 30, 2004 as compared to a net loss of $28.4 million for the corresponding period in 2003.

The drivers for this increase in revenue and earnings were (1) significant organic revenue growth fueled by generally improved market conditions in the United States, Europe and Asia, as evidenced by a steady recovery of leasing activity and robust investment property sales during the three months ended September 30, 2004, and (2) continued market share gains in these markets. Our results for the three months ended September 30, 2004 were also favorably impacted by the full-quarter contribution from the Insignia acquisition. In addition, the three months ended September 30, 2003 included significantly greater merger-related, integration and revenue backlog amortization expenses related to the Insignia acquisition than the three months ended September 30, 2004.

We were incorporated in Delaware on February 20, 2001. Our principal executive offices are located at 865 South Figueroa Street, Suite 3400, Los Angeles, California 90017 and our telephone number is (213) 438-4880. Our website address is *www.cbre.com*. The information contained on, or accessible through, our website is not part of this prospectus.

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The Offering

Common stock offered by the selling stockholders	15,000,000 shares (or 17,250,000 shares if the underwriters exercise the over-allotment option in full)
Common stock to be outstanding after the offering	70,677,785 shares
New York Stock Exchange symbol	CBG
Use of proceeds	We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.
Dividend Policy	We do not expect to pay any dividends on our common stock for the foreseeable future.
Risk Factors	You should carefully read and consider the information set forth under the heading titled Risk Factors and all other information set forth in this prospectus before deciding to invest in shares of our common stock.

The number of shares shown to be outstanding after the offering is based upon 70,677,785 shares outstanding as of November 30, 2004, and excludes as of such date:

- 5,294,653 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.77 per share, of which options to purchase 1,368,744 shares were then exercisable;
- 1,265,643 shares subject to options issued under our 2004 stock incentive plan at a weighted average exercise price of $22.33 per share, of which options to purchase 1,715 shares were then exercisable;
- 2,552,578 shares underlying outstanding stock fund units under our old deferred compensation plan, which are issuable in connection with future distributions under the plan pursuant to elections made by plan participants and all of which were vested; and
- 5,631,263 additional shares available for future grants under our 2004 stock incentive plan.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to 2,250,000 additional shares from some of the selling stockholders to cover over-allotments of shares.

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Summary Historical and Pro Forma Financial Data

The following table is a summary of our historical consolidated financial data as of and for the periods presented, as well as pro forma financial data giving effect to our acquisition of Insignia and the related transactions and financings for such acquisition for the period presented. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the statement of operations data, statement of cash flow data and other data for the period ended July 20, 2001 are derived from the consolidated financial statements of CB Richard Ellis Services, our predecessor company. You should read this data along with the information included under the headings titled Management s Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Financial Information and the financial statements and related notes included elsewhere in this prospectus. The pro forma financial data do not purport to represent what our results of operations would have been if the Insignia acquisition and the related transactions and financings had occurred as of the date indicated or what our results will be for future periods.

	Pro Forma (1)	CB Richard Ellis Group					Predecessor Company
		Nine Months Ended September 30,		Year Ended December 31,			Period from January 1 to July 20,
	Year Ended December 31, 2003	2004	2003	2003 (2)	2002	Period from February 20 (inception) to December 31, 2001 (3)	2001
	(Dollars in thousands, except share data)						
Statement of Operations Data:							
Revenue	$ 1,948,827	$ 1,566,907	$ 1,008,817	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934
Operating income (loss)	17,871	60,772	6,694	25,830	96,736	61,178	(17,048)
Interest expense, net	78,411	49,835	49,115	67,696	57,229	27,290	18,736
Loss on extinguishment of debt	6,639	21,075	6,840	13,479			
Net (loss) income	(43,923)	(1,708)	(24,620)	(34,704)	18,727	17,426	(34,020)
EPS (4)(5):							
Basic	(0.70)	(0.03)	(0.52)	(0.68)	0.45	0.80	(1.60)
Diluted	(0.70)	(0.03)	(0.52)	(0.68)	0.44	0.79	(1.60)
Weighted average shares (5)(6):							
Basic	62,478,565	66,006,231	46,995,364	50,918,572	41,640,576	21,741,351	21,306,584
Diluted	62,478,565	66,006,231	46,995,364	50,918,572	42,185,989	21,920,915	21,306,584
Statement of Cash Flow Data:							
Net cash provided by (used in) operating activities		$ 38,605	$ (70,714)	$ 63,941	$ 64,882	$ 91,334	$ (120,230)
Net cash provided by (used in) investing activities		8,821	(252,684)	(284,795)	(24,130)	(261,393)	(12,139)
Net cash (used in) provided by financing activities		(61,721)	328,498	303,664	(17,838)	213,831	126,230
Other Data:							
EBITDA (7)	$ 135,621	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482

CB Richard Ellis Group
As of December 31,

	As of September 30, 2004	2003	2002	2001
		(In thousands)		
Balance Sheet Data:				
Cash and cash equivalents	$ 147,925	$ 163,881	$ 79,701	$ 57,450
Total assets	2,007,347	2,213,481	1,324,876	1,354,512
Long-term debt, including current portion	617,070	802,705	509,715	517,423
Total liabilities	1,522,432	1,873,896	1,067,920	1,097,693
Total stockholders equity	478,248	332,929	251,341	252,523

(footnotes on following page)

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(1) The unaudited pro forma financial data does not give effect to the refinancing of all outstanding borrowings under our previous amended and restated credit agreement on October 14, 2003 or any financings or debt repayments or redemptions that we completed during 2004, including:

the refinancing of all outstanding borrowings under our amended and restated credit agreement on June 15, 2004;

the open market purchases by us of $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in May and June 2004, and the payment of $3.1 million in connection with such purchases; and

the issuance and sale by us of 7,726,764 shares of Class A common stock in our initial public offering and the application of the net proceeds we received to (1) the prepayment of $15.0 million in principal amount of the senior secured term loan under our amended and restated credit agreement in June 2004, (2) the redemption of the remaining $38.3 million outstanding principal amount of our 16% senior notes due 2011, including payment of a $3.7 million premium in connection with such redemption, in July 2004, and (3) the redemption of $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, including payment of a $6.8 million premium in connection with such redemption, in July 2004.

(2) The actual results for the year ended December 31, 2003 include the activities of Insignia from July 23, 2003, the date Insignia was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

(3) The results for the period from February 20 (inception) to December 31, 2001 include the activities of CB Richard Ellis Services from July 20, 2001, the date we acquired CB Richard Ellis Services.

(4) EPS represents (loss) earnings per share. See (loss) earnings per share information in note 14 to our unaudited consolidated financial statements and note 16 to our audited consolidated financial statements, both included elsewhere in this prospectus.

(5) EPS and weighted average shares for our predecessor company do not reflect the 3-for-1 stock split of our outstanding Class A common stock and Class B common stock effected on May 4, 2004, or the 1-for-1.0825 reverse stock split of our outstanding Class A common stock and Class B common stock effected on June 7, 2004, because our predecessor was a different legal entity.

(6) For the period from February 20 (inception) to December 31, 2001, the 21,741,351 and the 21,920,915 shares represent the weighted average shares outstanding for basic and diluted earnings per share, respectively. These balances take into consideration the lower number of shares outstanding prior to July 20, 2001, the date we acquired CB Richard Ellis Services.

(7) EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss) and net (loss) income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be

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comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

EBITDA is calculated as follows:

	Pro Forma	CB Richard Ellis Group					Predecessor Company
	Year Ended December 31,	Nine Months Ended September 30,		Year Ended December 31,		Period from February 20 (inception) to December 31,	Period from January 1 to July 20,
	2003	2004	2003	2003	2002	2001	2001
	(In thousands)						
Net (loss) income	$ (43,923)	$ (1,708)	$ (24,620)	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Add:							
Depreciation and amortization	103,385	40,001	53,571	92,622	24,614	12,198	25,656
Interest expense	83,496	52,138	51,739	71,256	60,501	29,717	20,303
Loss on extinguishment of debt	6,639	21,075	6,840	13,479			
(Benefit) provision for income taxes	(8,891)	1,690	(15,459)	(6,276)	30,106	18,016	1,110
Less:							
Interest income	5,085	2,303	2,624	3,560	3,272	2,427	1,567
EBITDA	$ 135,621	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482

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RISK FACTORS

Investing in our common stock involves risks. Before making an investment in our common stock, you should carefully consider the following risks, as well as the other information contained in this prospectus, including our consolidated financial statements and the related notes and the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations. The risks described below are those that we believe are the material risks we face. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Relating to Our Business

The success of our business is significantly related to general economic conditions and, accordingly, our business could be harmed in the event of an economic slowdown or recession.

Periods of economic slowdown or recession, significantly rising interest rates, a declining employment level, a declining demand for real estate or the public perception that any of these events may occur, can reduce volumes for many of our business lines. These economic conditions could result in a general decline in rents, which in turn would reduce revenue from property management fees and brokerage commissions derived from property sales and leases. In addition, these conditions could lead to a decline in sales prices as well as a decline in funds invested in commercial real estate and related assets. An economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by our commercial mortgage banking business. If our brokerage and mortgage banking businesses are negatively impacted, it is likely that our other lines of business would also suffer due to the relationship among our various business lines. Further, as a result of our debt level and the terms of our existing debt instruments, our exposure to adverse general economic conditions is heightened.

As an example of this risk, during 2002 and 2001, we were adversely affected by the slowdown in the U.S. economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, our operating results for 2002 and 2001.

If the properties that we manage fail to perform, then our financial condition and results of operations could be harmed.

The revenue we generate from our asset services and facilities management lines of business is generally a percentage of aggregate rent collections from properties, although many management agreements provide for a specified minimum management fee. Accordingly, our success partially depends upon the performance of the properties we manage. The performance of these properties will depend upon the following factors, among others, many of which are partially or completely outside of our control:

- our ability to attract and retain creditworthy tenants;

the magnitude of defaults by tenants under their respective leases;

our ability to control operating expenses;

governmental regulations, local rent control or stabilization ordinances which are in, or may be put into, effect;

various uninsurable risks;

financial conditions prevailing generally and in the areas in which these properties are located;

the nature and extent of competitive properties; and

the real estate market generally.

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We have numerous significant competitors, some of which may have greater financial resources than we do.

We compete across a variety of business disciplines within the commercial real estate industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. In general, with respect to each of our business disciplines, we cannot give assurance that we will be able to continue to compete effectively or maintain our current fee arrangements or margin levels or that we will not encounter increased competition. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are the largest commercial real estate services firm in the world in terms of 2003 revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than us, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms that have similar service competencies to ours.

Our international operations subject us to social, political and economic risks of doing business in foreign countries.

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During 2003 and the nine months ended September 30, 2004, we generated approximately 30.2% of our revenue from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing international operations;
- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws;
- the impact of regional or country-specific business cycles and economic instability;
- the geographic, time zone, language and cultural differences among personnel in different areas of the world;
- greater difficulty in collecting accounts receivable in some geographic regions such as Asia, where many countries have underdeveloped insolvency laws and clients are often slow to pay, and in some European countries, where clients also tend to delay payments;
- political instability; and

foreign ownership restrictions with respect to operations in countries such as China.

We have committed additional resources to expand our worldwide sales and marketing activities, to globalize our service offerings and products in selected markets and to develop local sales and support channels. If we are unable to successfully implement these plans, to maintain adequate long-term strategies that successfully manage the risks associated with our global business or to adequately manage operational fluctuations, our business, financial condition or results of operations could be harmed.

In addition, our international operations and, specifically, the ability of our non-U.S. subsidiaries to dividend or otherwise transfer cash among our subsidiaries, including transfers of cash to pay interest and principal on our debt, may be affected by limitations on imports, currency exchange control regulations, transfer pricing regulations and potentially adverse tax consequences, among other things.

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Our revenue and earnings may be adversely affected by foreign currency fluctuations.

Our revenue from non-U.S. operations is denominated primarily in the local currency where the associated revenue was earned. During 2003 and the nine months ended September 30, 2004, approximately 30.2% of our business was transacted in currencies of foreign countries, the majority of which included the Euro, the British Pound Sterling, the Hong Kong dollar, the Singapore dollar and the Australian dollar. Thus, we may experience fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. For example, during 2003, the U.S. dollar dropped in value against many of the currencies in which we conduct business.

We have made significant acquisitions of non-U.S. companies, and we may acquire additional foreign companies in the future. As we increase our foreign operations, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

From time to time, our management uses currency hedging instruments, including foreign currency forward and option contracts, and borrows in foreign currencies. Economic risks associated with these hedging instruments include unexpected fluctuations in inflation rates, which impact cash flow relative to paying down debt, and unexpected changes in the underlying net asset position. These hedging activities also may not be effective.

Our growth has depended significantly upon acquisitions, which may not be available in the future.

A significant component of our growth has occurred through acquisitions, including our acquisition of Insignia on July 23, 2003. Any future growth through acquisitions will be partially dependent upon the continued availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions. However, future acquisitions may not be available at advantageous prices or upon favorable terms and conditions. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect. Future acquisitions and any necessary related financings also may involve significant transaction-related expenses. For example, through September 30, 2004, we have incurred approximately $200.9 million of transaction-related expenses in connection with our acquisition of Insignia in 2003.

If we acquire companies in the future, we may experience integration costs and the acquired businesses may not perform as we expect.

We have had, and may continue to experience, difficulties in integrating operations and accounting systems acquired from other companies. These difficulties include the diversion of management s attention from other business concerns and the potential loss of our key employees or those of the acquired operations. We believe that most acquisitions will initially have an adverse impact on operating and net income. For example, in 2003 we incurred costs associated with integrating Insignia s business into our existing business lines. Acquisitions also frequently involve significant costs related to integrating information technology, accounting and management services and rationalizing personnel levels. In connection with the Insignia acquisition, we recorded significant charges during 2003 and the first nine months of 2004 relating to integration costs.

In addition, we have several different accounting systems as a result of acquisitions we have made, including the accounting systems of Insignia. If we are unable to fully integrate the accounting and other systems of the businesses we own, we may not be able to effectively manage our acquired businesses. Moreover, the

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integration process itself may be disruptive to our business as it requires coordination of geographically diverse organizations and implementation of new accounting and information technology systems.

A significant portion of our operations are concentrated in California and New York, and our business could be harmed in the event of a future economic downturn in the California or New York real estate markets.

During 2003, approximately 23.8% of our revenue was generated from transactions originating in California and approximately 6.9% was generated from transactions originating in the greater New York metropolitan area. Due to our acquisition of Insignia on July 23, 2003, we expect that the percentage of our revenue generated in the New York metropolitan area in future years will increase. As a result of the geographic concentrations in California and New York, any future economic downturn in the California or New York commercial real estate markets and in the local economies in San Diego, Los Angeles, Orange County or the greater New York metropolitan area could harm our results of operations.

Our results of operations vary significantly among quarters during each calendar year, which makes comparisons of our quarterly results difficult.

A significant portion of our revenue is seasonal. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the third and fourth quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry-wide focus on completing transactions toward the fiscal year-end. This has historically resulted in lower profits or a loss in the first and second quarters, with profits growing (or losses decreasing) in each subsequent quarter. This variance among quarters during each calendar year makes comparison between such quarters difficult, but does not generally affect the comparison of the same quarters during different calendar years.

Our substantial leverage and debt service obligations could harm our ability to operate our business, remain in compliance with debt covenants and make payments on our debt.

We are highly leveraged and have significant debt service obligations. For 2003, on a pro forma basis, our interest expense was $83.5 million. Our interest expense for the nine months ended September 30, 2004 was $52.1 million. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

Our substantial debt could have other important consequences, which include, but are not limited to, the following:

- we could be required to use a substantial portion, if not all, of our cash flow from operations to pay principal and interest on our debt;
- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements;

our interest expense could increase if interest rates increase because the loans under our amended and restated credit agreement governing our senior secured credit facilities bear interest at floating rates;

our substantial leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged;

our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry;

our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness, which, among others, require us to maintain specified financial ratios and limit our ability to incur additional debt and sell assets, could result in an event of default that, if not cured or waived, could harm our business or prospects and could result in our filing for bankruptcy; and

from time to time, Moody s Investors Service and Standard & Poor s Ratings Service rate our outstanding senior secured term loan, our 9 3/4% senior notes and our 11 1/4% senior subordinated notes. These ratings may impact our ability to borrow under any new agreements in the future, as well as the interest rates and other terms of any such future borrowings and could also cause a decline in the market price of our common stock.

We cannot be certain that our earnings will be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, none of which we can guarantee we will be able to do.

We are able to incur more indebtedness, which may intensify the risks associated with our substantial leverage, including our ability to service our indebtedness.

Our amended and restated credit agreement governing our senior secured credit facilities and the indentures relating to our 9 3/4% senior notes due 2010 and our 11 1/4% senior subordinated notes due 2011 permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including up to $150.0 million of additional indebtedness under our revolving credit facility. Our amended and restated credit agreement also permits us to borrow up to $25.0 million of additional term loans under our term loan facility, subject to the satisfaction of customary conditions. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

Our debt instruments impose operating and financial restrictions on us, and in the event of a default, all of our borrowings would become immediately due and payable.

The indentures governing our 9 3/4% senior notes due 2010 and our 11 1/4% senior subordinated notes due 2011 impose, and the terms of any future debt may impose, operating and other restrictions on us and many of our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit, our ability and our restricted subsidiaries abilities to:

incur or guarantee additional indebtedness;

pay dividends or make distributions on capital stock or redeem or repurchase capital stock;

repurchase equity interests;

make investments;

create restrictions on the payment of dividends or other amounts to us;

sell stock of subsidiaries;

transfer or sell assets;

create liens;

enter into transactions with affiliates;

enter into sale/leaseback transactions; and

enter into mergers or consolidations.

In addition, the amended and restated credit agreement governing our senior secured credit facilities includes other and more restrictive covenants and prohibits us from prepaying most of our other debt while debt under our senior secured credit facilities is outstanding. The amended and restated credit agreement also requires us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control.

The restrictions contained in our debt instruments could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance ongoing operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or the inability to comply with the required financial ratios could result in a default under our debt instruments. If any such default occurs, the lenders under the senior secured credit facilities and the holders of our 9 $^{3}/4$% senior notes due 2010 and our 11 $^{1}/4$% senior subordinated notes due 2011, pursuant to the respective indentures, may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. The lenders under our senior secured credit facilities also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under the senior secured credit facilities will have the right to proceed against the collateral granted to them to secure the debt, which collateral is described in the immediately following risk factor. If the debt under the senior secured credit facilities, our 9 $^{3}/4$% senior notes due 2010 or our 11 $^{1}/4$% senior subordinated notes due 2011 were to be accelerated, we cannot give assurance that these assets would be sufficient to repay our debt.

If we fail to meet our payment or other obligations under the senior secured credit facilities, the lenders under the senior secured credit facilities could foreclose on, and acquire control of, substantially all of our assets.

In connection with the incurrence of indebtedness under our senior secured credit facilities and the completion of our acquisition of Insignia, the lenders under our senior secured credit facilities received a pledge of all of our equity interests in our significant domestic subsidiaries, including CB Richard Ellis Services, Inc., CB Richard Ellis Investors, L.L.C., L.J. Melody & Company, Insignia and Insignia/ESG, Inc., which was subsequently renamed CB Richard Ellis Real Estate Services, Inc., and 65% of the voting stock of our foreign subsidiaries that is held directly by us or our domestic subsidiaries. Additionally, these lenders generally have a lien on substantially all of our accounts receivable, cash, general intangibles, investment property and future acquired material property. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the senior secured credit facilities, the lenders under the senior secured credit facilities will be entitled to foreclose on substantially all of our assets and liquidate these assets.

Our co-investment activities subject us to real estate investment risks which could cause fluctuations in earnings and cash flow.

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of September 30, 2004, we had committed $41.7 million to fund future co-investments and we expect approximately $11.0 million of these commitments will be funded during the fourth quarter of 2004. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments. These adverse consequences could include damage to our reputation with our co-investment partners and clients, as well as the necessity of obtaining alternative funding from other sources that may

be on disadvantageous terms for us and the other co-investors. Providing co-investment financing is also a very important part of CBRE

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Investor s investment management business, which would suffer if we were unable to make these investments. Although our debt instruments contain restrictions that will limit our ability to provide capital to the entities holding direct or indirect interests in co-investments, we may provide this capital in many instances.

Participation in real estate transactions through co-investment activity could increase fluctuations in earnings and cash flow. Other risks associated with these activities include, but are not limited to, the following:

- losses from investments;
- difficulties associated with international co-investments described in Our international operations subject us to social, political and economic risks of doing business in foreign countries and Our revenue and earnings may be adversely affected by foreign currency fluctuations; and
- potential lack of control over the disposition of any co-investments and the timing of the recognition of gains, losses or potential incentive participation fees.

Our joint venture activities involve unique risks that are often outside of our control which, if realized, could harm our business.

We have utilized joint ventures for commercial investments and local brokerage and other partnerships both in the United States and internationally, and although we currently have no specific plans to do so, we may acquire minority interests in other joint ventures in the future. In many of these joint ventures, we may not have the right or power to direct the management and policies of the joint ventures and other participants may take action contrary to our instructions or requests and against our policies and objectives. In addition, the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with ours. If a joint venture participant acts contrary to our interest, it could harm our business, results of operations and financial condition.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees.

Our continued success is highly dependent upon the efforts of our executive officers and other key employees, including Ray Wirta, our Chief Executive Officer; Brett White, our President; Kenneth J. Kay, our Chief Financial Officer; Alan C. Froggatt, our President, EMEA; and Robert Blain, our President, Asia Pacific. In addition, Messrs. Wirta, White and Kay currently are not parties to employment agreements with us. If any of our key employees leave and we are unable to quickly hire and integrate a qualified replacement, our business, financial condition and results of operations may suffer. In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified personnel in all areas of our business, including brokerage and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

If we fail to comply with laws and regulations applicable to real estate brokerage and mortgage transactions and other business lines, we may incur significant financial penalties.

Due to the broad geographic scope of our operations and the numerous forms of real estate services performed, we are subject to numerous federal, state and local laws and regulations specific to the services performed. For example, the brokerage of real estate sales and leasing transactions requires us to maintain brokerage licenses in each state in which we operate. If we fail to maintain our licenses or conduct brokerage activities without a license, we may be required to pay fines or return commissions received or have licenses suspended. In addition, because the size and scope of real estate sales transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with the numerous state licensing regimes and the possible loss resulting from non-compliance have increased. Furthermore, the laws and regulations applicable to our business, both in the United States and in foreign countries, also may change in ways that materially increase the costs of compliance.

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We may have liabilities in connection with real estate brokerage and property management activities.

As a licensed real estate broker, we and our licensed employees are subject to statutory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject us or our employees to litigation from parties who purchased, sold or leased properties that we or they brokered or managed. We could become subject to claims by participants in real estate sales claiming that we did not fulfill our statutory obligations as a broker.

In addition, in our property management business, we hire and supervise third-party contractors to provide construction and engineering services for our managed properties. While our role is limited to that of a supervisor, we may be subjected to claims for construction defects or other similar actions. Adverse outcomes of property management litigation could negatively impact our business, financial condition or results of operations.

We agreed to retain contingent liabilities in connection with Insignia s sale of substantially all of its real estate investment assets in 2003.

Immediately prior to the completion of our acquisition of Insignia on July 23, 2003, Insignia completed the sale of substantially all of its real estate investment assets to Island Fund. Under the terms of the purchase agreement, we agreed to retain some contingent liabilities related to these real estate investment assets, including, as of September 30, 2004, approximately $5.2 million of letters of credit support and a guarantee of an approximately $1.3 million repayment obligation. Island Fund is obligated to reimburse us for only 50% of any future draws against these letters of credit or the repayment guarantee, and there can be no assurance that Island Fund will be able to satisfy any future requests for reimbursement.

Also in connection with the sale to Island Fund, we agreed to indemnify Island Fund against any losses resulting from the ownership, use or operation of the real estate investment assets prior to the closing of the sale. Although this indemnification obligation to Island Fund is subject to a number of exceptions and limitations, future claims against us pursuant to this indemnification obligation may be material.

In addition, a number of the real estate investment assets that we agreed to sell to Island Fund required the consent of one or more third parties in order to transfer such assets to Island Fund, and some of these third party consents were not obtained prior to the closing and have not been obtained since then. As a result, we continue to hold these real estate investment assets pending the receipt of these third party consents. While we continue to hold these assets, we generally have agreed to provide Island Fund with the economic benefits from these assets, and Island Fund generally has agreed to indemnify us with respect to any losses incurred in connection with our continuing to hold these assets. There can be no assurance, however, that Island Fund actually will be able to provide such indemnification if required to do so at any future date.

Risks Relating to the Offering and Ownership of Our Common Stock

The future price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

The future market price of our common stock could fluctuate significantly, in which case you may not be able to resell your shares at or above the offering price. Fluctuations may occur in response to the risk factors listed in this prospectus and for many other reasons, including:

- our financial performance or the performance of our competitors and similar companies;
- changes in estimates of our performance or recommendations by securities analysts;
- failure to meet financial projections for each fiscal quarter;
- technological innovations or other trends in our industry;

the introduction of new services by us or our competitors;

the arrival or departure of key personnel;

acquisitions, strategic alliances or joint ventures involving us or our competitors; and

market conditions in our industry, the financial markets and the economy as a whole.

In addition, the stock market, in general, has historically experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. When the market price of a company s common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources from our business.

Future sales of common stock by some of our existing stockholders could cause our stock price to decline.

Affiliates of Blum Capital Partners, L.P., together with some of the other selling stockholders and our employees, will continue to hold a significant portion of our outstanding common stock after the offering. Sales of the shares in the public market, as well as shares we may issue upon the exercise of outstanding options and in connection with future distributions pursuant to stock fund units under our old deferred compensation plan, could cause the market price of our common stock to decline significantly. The perception among investors that these sales may occur could produce the same effect.

Of the outstanding shares after completion of the offering, all of the 15,000,000 shares sold in the offering, all of the 24,229,300 shares issued and sold in our initial public offering and substantially all of our other currently outstanding shares held by our current and former employees and consultants will be freely tradable immediately without further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations under Rule 144. In addition, 25,857,558 shares, which are subject to lock-up agreements with the underwriters, will be eligible for sale at various times beginning 90 days after the date of this prospectus pursuant to Rule 144, including 144(k). The underwriters may release all or a portion of these shares subject to lock-up agreements at any time without notice.

After the offering, stockholders beneficially owning approximately 28.4 million shares of our common stock, will have rights, subject to conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file. By exercising these registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline. Furthermore, if we were to include their shares in a registration statement, those sales could impair our ability to raise needed capital by depressing the price at which we could sell our common stock.

See the information under the heading titled Shares Eligible for Future Sale for a more detailed description of the shares that will be available for future sales upon completion of the offering.

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For so long as affiliates of Blum Capital Partners, L.P. continue to own a significant percentage of our common stock they will have significant influence over our affairs and policies, and their interests may be different from yours.

After the completion of the offering, affiliates of Blum Capital Partners will beneficially own approximately 27.0% of our outstanding common stock. In addition, pursuant to a securityholders agreement, these affiliates of Blum Capital Partners, subject to the applicable listing rules of the New York Stock Exchange, are entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Also pursuant to this agreement, some of our other stockholders will be obligated to vote their shares in favor of the directors nominated by these affiliates of Blum Capital Partners. These other stockholders, collectively, will beneficially own approximately 9.4% of our outstanding common stock after completion of the offering. There are no restrictions in the securityholders agreement on the ability of these affiliates of Blum Capital Partners to sell their shares to any third party or to assign their rights under the securityholders agreement in connection with a sale of a majority of their shares to a third party.

For so long as these affiliates of Blum Capital Partners continue to beneficially own a significant portion of our outstanding common stock, they will continue to have significant influence over matters submitted to our stockholders for approval and to exercise significant control over our business policies and affairs, including the following:

- the composition of our board of directors and, as a result, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- determinations with respect to mergers and other business combinations, including those that may result in a change of control;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

The significant ownership position of the affiliates of Blum Capital Partners could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our other stockholders. In addition, we cannot assure you that the interests of the affiliates of Blum Capital Partners will not conflict with yours. For additional information regarding the share ownership of, and our relationships with, these affiliates of Blum Capital Partners, you should read the information under the headings titled Principal and Selling Stockholders and Related Party Transactions.

Delaware law and provisions of our restated certificate of incorporation and restated by-laws contain provisions that could delay, deter or prevent a change of control.

The anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. We are currently subject to these Delaware anti-takeover provisions. Additionally, our restated certificate of incorporation and our restated by-laws contain provisions that might enable our management to resist a proposed takeover of our company. These provisions could discourage, delay or prevent a change of control of our company or an acquisition of our company at a price that our stockholders may find attractive. These provisions also may discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. The provisions include:

advance notice requirements for stockholder proposals and nominations; and

the authority of our board to issue, without stockholder approval, preferred stock with such terms as our board may determine.

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For additional information regarding these provisions, you should read the information under the headings titled Description of Capital Stock Anti-Takeover Effects of Certain Provisions of our Restated Certificate of Incorporation and Restated By-Laws and Delaware Anti-Takeover Statute.

A portion of the net proceeds of this offering will be received by affiliates of, and some of the selling stockholders are affiliates of, one of our underwriters. This may present a conflict of interest.

Affiliates of Credit Suisse First Boston LLC, one of the representatives of the underwriters for the offering, are selling stockholders in the offering. As of November 30, 2004, these affiliates of Credit Suisse First Boston LLC were the beneficial owners of 1,420,656 shares, or approximately 2.0% of our outstanding common stock. These affiliates of Credit Suisse First Boston LLC are selling 640,999 shares (or 1,420,656 shares if the underwriters exercise their over-allotment option in full) in the offering, and will receive net proceeds of approximately $17.2 million (or approximately $38.2 million if the underwriters exercise their over-allotment option in full). After the offering, these affiliates of Credit Suisse First Boston LLC will beneficially own 1.1% of our common stock (or no shares of our common stock if the underwriters exercise their over-allotment option in full). See the information under the heading titled Principal and Selling Stockholders for a more complete description of these affiliates ownership of our common stock. These affiliations may present a conflict of interest since Credit Suisse First Boston LLC may have an interest in the successful completion of the offering in addition to the underwriting discounts and commissions it expects to receive.

Your ability to recover from our former auditors, Arthur Andersen LLP, for any potential financial misstatements is limited.

On April 23, 2002, at the recommendation of our audit committee, we dismissed Arthur Andersen LLP as our independent public accountants and engaged Deloitte & Touche LLP to serve as our independent public accountants for fiscal year 2002. Our audited consolidated financial statements for the period from February 20 (inception) to December 31, 2001 and the audited consolidated financial statements of CB Richard Ellis Services for the period from January 1, 2001 through July 20, 2001, which are included in this prospectus, have been audited by Arthur Andersen, our former independent public accountants, as set forth in their report, but Arthur Andersen has not consented to our use of their report in this prospectus.

Arthur Andersen completed its audit of our consolidated financial statements for the year ended December 31, 2001 and issued its report relating to these consolidated financial statements on February 26, 2002. Subsequently, Arthur Andersen was convicted of obstruction of justice for the activities relating to its previous work for another of its audit clients and has ceased to audit publicly-held companies. We are unable to predict the impact of this conviction or whether other adverse actions may be taken by governmental or private entities against Arthur Andersen. If Arthur Andersen has no assets available for creditors, you may not be able to recover against Arthur Andersen for any claims you may have under securities or other laws as a result of Arthur Andersen s previous role as our independent public accountants and as author of the audit report for some of the audited financial statements included in this prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. The words anticipate, believe, could, should, propose, continue, estimate, expect, intend, may, plan, predict, project, will and similar terms prospectus to identify forward-looking statements. The forward-looking statements in this prospectus include, but are not limited to, statements under the captions Prospectus Summary, Risk Factors, Unaudited Pro Forma Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business regarding our future financial condition, prospects, developments and business strategies. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are made based on our management s expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and factors could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

The following factors are among those that may cause actual results to differ materially from the forward-looking statements:

changes in general economic and business conditions;

the failure of properties managed by us to perform as anticipated;

competition;

changes in social, political and economic conditions in the foreign countries in which we operate;

foreign currency fluctuations;

future acquisitions;

integration issues relating to acquired businesses;

an economic downturn in the California and New York real estate markets;

significant variability in our results of operations among quarters;

our substantial leverage and debt service obligations;

our ability to incur additional indebtedness;

- our ability to generate a sufficient amount of cash to service our existing and future indebtedness;
- the success of our co-investment and joint venture activities;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- our ability to comply with the laws and regulations applicable to real estate brokerage and mortgage transactions;
- our exposure to liabilities in connection with real estate brokerage and property management activities;
- the significant influence of our largest stockholders; and
- the other factors described under the heading titled Risk Factors.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock in the offering. The selling stockholders will receive all of the net proceeds from the offering.

PRICE RANGE OF COMMON STOCK

Our Class A common stock has traded on the New York Stock Exchange under the symbol CBG since June 10, 2004. The high and low closing prices of our Class A common stock, as reported by the New York Stock Exchange, are set forth below for the periods indicated.

	Price Range	
Fiscal Year 2004	**High**	**Low**
Quarter ending June 30, 2004 (commencing June 10, 2004)	$ 19.10	$ 18.20
Quarter ending September 30, 2004	$ 23.64	$ 18.78
Quarter ending December 31, 2004 (through December 7, 2004)	$ 30.80	$ 23.51

The closing sale price of our Class A common stock, as reported by the New York Stock Exchange on December 7, 2004, was $28.06. As of November 30, 2004, there were 89 holders of record of our common stock.

DIVIDEND POLICY

We have not declared or paid any cash dividends on any class of our common stock since our inception on February 20, 2001, and we do not anticipate declaring or paying any cash dividends on our common stock for the foreseeable future. We currently intend to retain any future earnings to finance future growth. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors the board of directors deems relevant. In addition, our ability to declare and pay cash dividends after the offering will be restricted by the amended and restated credit agreement governing our senior secured credit facilities and the indentures relating to our 9 $^{3}/4$% senior notes due 2010 and our 11 $^{1}/4$% senior subordinated notes due 2011. As a result, you will need to sell your shares of common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2004.

	As of September 30, 2004
	(In thousands)
Cash and cash equivalents	$ 147,925
Long-term debt, including current portion:	
Revolving credit facility (1)	$
Senior secured term loan (2)	280,000
9 3/4% senior notes due 2010	130,000
11 1/4% senior subordinated notes due 2011 (3)	204,972
Other long-term debt	2,098
Total long-term debt, including current portion	617,070
Stockholders equity:	
Class A common stock, $0.01 par value per share; 325,000,000 shares authorized, 70,195,909 shares issued and outstanding; preferred stock, 25,000,000 shares authorized, no shares issued or outstanding (4)	702
Additional paid-in capital	509,288
Notes receivable from sale of stock	(5,058)
Accumulated deficit	(259)
Accumulated other comprehensive loss	(26,425)
Total stockholders equity	478,248
Total capitalization	$ 1,095,318

(1) As of September 30, 2004, no revolving credit facility borrowings were outstanding but an aggregate of $24.3 million of letters of credit were outstanding that reduce the amount we may borrow under our revolving credit facility. Borrowings of up to $150.0 million are available at any one time for general corporate purposes under our revolving credit facility.

(2) Includes current portion of $11.8 million due and payable on or prior to September 30, 2005. Our amended and restated credit agreement permits us to borrow up to $25.0 million of additional term loans under our term loan facility, subject to the satisfaction of customary conditions.

(3) The amount shown is net of unamortized discount of $2.4 million associated with the issuance of our 11 1/4% senior subordinated notes due 2011.

(4) The number of shares of Class A common stock excludes as of September 30, 2004:

5,463,525 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.77 per share, of which options to purchase 1,492,219 shares were then exercisable;

1,265,643 shares subject to options issued under our 2004 stock incentive plan at a weighted average exercise price of $22.33 per share, of which options to purchase 1,715 shares were then exercisable;

2,911,915 shares underlying outstanding stock fund units under our deferred compensation plan, which are issuable in connection with future distributions under the plan pursuant to elections made by plan participants and of which 1,752,931 were then vested; and

5,631,263 additional shares available for future grants under our 2004 stock incentive plan.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the historical financial statements of CB Richard Ellis Group and Insignia included elsewhere in this prospectus. The unaudited pro forma statement of operations for the year ended December 31, 2003 gives effect to the following transactions as if they had occurred on January 1, 2003:

Disposition of Real Estate Investment Assets by Insignia

- the disposition by Insignia Financial Group, Inc. to Island Fund I LLC, immediately prior to the completion of the merger described below on July 23, 2003 and for aggregate cash consideration of $36.9 million, of Insignia s real estate investment assets, which consisted of Insignia subsidiaries and joint ventures that held (1) minority investments in office, retail, industrial, apartment and hotel properties, (2) minority investments in office development projects and a related undeveloped parcel of land, (3) wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands and (4) investments in private equity funds that invest in mortgage-backed debt securities and other real estate-related assets; and

Insignia Acquisition and Related Transactions

- the acquisition of Insignia by our wholly owned subsidiary, CB Richard Ellis Services, Inc., which occurred pursuant to the merger of Apple Acquisition Corp., a wholly owned subsidiary of CB Richard Ellis Services, with and into Insignia on July 23, 2003;

- the issuance on May 22, 2003 by CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, of $200.0 million aggregate principal amount of 9 3/4% senior notes due 2010, which notes were assumed by CB Richard Ellis Services on July 23, 2003 in connection with the merger of CBRE Escrow with and into CB Richard Ellis Services on the same day;

- the term loan borrowing by CB Richard Ellis Services of $75.0 million on July 23, 2003 pursuant to our amended and restated credit agreement dated May 22, 2003; and

- fees and expenses related to each of the transactions and financings described in the Insignia Acquisition and Related Transactions bullet points above.

The unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been had the disposition of real estate investment assets by Insignia and the Insignia acquisition and related transactions in fact occurred on the date specified, nor does the information purport to project our results of operations for any future period or at any future date.

The unaudited pro forma financial information does not give effect to the refinancing of all outstanding borrowings under our previous amended and restated credit agreement on October 14, 2003 or any financings or debt repayments or redemptions that we completed during 2004, including:

- the refinancing of all outstanding borrowings under our amended and restated credit agreement on June 15, 2004;

the open market purchases by us of $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in May and June 2004, and the payment of $3.1 million in connection with such purchases; and

the issuance and sale by us of 7,726,764 shares of Class A common stock in our initial public offering and the application of the net proceeds we received to (1) the prepayment of $15.0 million in principal amount of the senior secured term loan under our amended and restated credit agreement in June 2004, (2) the redemption of the remaining $38.3 million outstanding principal amount of our 16% senior notes due 2011, including payment of a $3.7 million premium in connection with such redemption, in July 2004, and (3) the redemption of $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, including payment of a $6.8 million premium in connection with such redemption, in July 2004.

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The unaudited pro forma financial information should be read in conjunction with the other information contained in this prospectus under the headings titled Prospectus Summary Summary Historical and Pro Forma Financial Data, Capitalization, Selected Historical Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the respective financial statements of CB Richard Ellis Group and Insignia and the related notes included elsewhere in this prospectus.

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CB RICHARD ELLIS GROUP, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003

(In thousands, except share data)

	Historical		Pro Forma Adjustments		
	CB Richard Ellis Group for the Year Ended December 31, 2003	Insignia from January 1, 2003 to July 23, 2003	Disposition of Real Estate Investment Assets by Insignia (a)	Insignia Acquisition and Related Transactions	Pro Forma As Adjusted
Revenue	$ 1,630,074	$ 325,600	$ (6,847)	$	$ 1,948,827
Costs and expenses:					
Cost of services	796,408				796,408
Operating, administrative and other	678,397				678,397
Cost and expenses Insignia		320,319	(8,039)	3,669 (b)	315,949
Depreciation and amortization	92,622	10,148	(792)	(2,134)(c)	103,385
				3,541 (d)	
Merger-related charges	36,817	21,627	(12,832)	(8,795)(e)	36,817
	1,604,244	352,094	(21,663)	(3,719)	1,930,956
Operating income (loss)	25,830	(26,494)	14,816	3,719	17,871
Equity income (loss) from unconsolidated subsidiaries	14,365	(4,439)	4,439		14,365
Interest income	3,560	1,924		(399)(f)	5,085
Interest expense	71,256	6,045	(841)	7,036 (g)	83,496
Loss on extinguishment of debt	13,479			(6,840)(h)	6,639
(Loss) income from continuing operations before (benefit) provision for income taxes	(40,980)	(35,054)	20,096	3,124	(52,814)
(Benefit) provision for income taxes	(6,276)	(12,104)	8,239	1,250 (i)	(8,891)
(Loss) income from continuing operations	$ (34,704)	$ (22,950)	$ 11,857	$ 1,874	$ (43,923)
Basic and diluted loss per share from continuing operations	$ (0.68)				$ (0.70)
Weighted average shares outstanding for basic and diluted loss per share	50,918,572				62,478,565 (j)

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

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Notes to Unaudited Pro Forma Statement of Operations

For the Year Ended December 31, 2003

(a) Reflects the elimination of the historical results of the real estate investment assets that were sold by Insignia to Island Fund immediately prior to the closing of the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, these dispositions were assumed to have occurred prior to January 1, 2003.

(b) This adjustment mainly relates to the $6.6 million estimated fair value of the broker draw asset acquired in the Insignia acquisition. Based on our management s estimates, we generally derive benefit from brokers participating in our draw program over two years. Accordingly, we estimated that we will derive benefit from the broker draw asset related to Insignia s brokers over two years from the date of the Insignia acquisition and, accordingly, we are amortizing it on a straight-line basis, which reflects the pattern in which the economic benefits of the broker draw asset are consumed, during that period. For purposes of the unaudited pro forma combined statement of operations, the Insignia acquisition is assumed to have occurred on January 1, 2003. Accordingly, the adjustment for pro forma broker draw expense represents twelve months of amortization expense of the broker draw asset acquired. Additionally, the adjustment includes incremental pro forma deferred rent expense resulting from the recalculation of deferred rent expense from the Insignia acquisition, assumed to have closed on January 1, 2003 for purposes of the unaudited pro forma combined statement of operations.

(c) Represents a reduction to depreciation expense as a result of fair value adjustments to property and equipment.

(d) Represents an adjustment to amortization expense resulting from the recalculation of amortization expense relating to intangible assets acquired in the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, the Insignia acquisition is assumed to have occurred on January 1, 2003. The largest intangible asset acquired in the Insignia acquisition relates to net revenue backlog. The net revenue backlog consists of net commissions receivable on Insignia s revenue producing transactions, which were at various stages of completion prior to the Insignia acquisition, for which Insignia recognized no revenue. The net revenue backlog is amortized as cash is received or upon final closing of these pending transactions, a large portion of which is expected to occur within twelve months after the date of the Insignia acquisition. The pro forma amortization adjustment can be summarized as follows (in thousands):

Insignia historical intangible amortization January 1 to July 23, 2003	$ (1,447)

Adjustment to CB Richard Ellis Group amortization of intangibles acquired

in the Insignia acquisition:

	Amortization Period	Cost	Pro forma 2003 Amortization (Assumes 1/1/03 Acquisition Date)	Historical CB Richard Ellis Group Amortization 7/23-12/31/03	Pro forma Amortization Adjustment Required
Backlog	Various	$ 72,149	$ 62,431	$ 59,108	$ 3,323
Management contracts	Various	4,611	1,115	490	625
Other	Various	5,808	1,861	821	1,040

Total	82,568	65,407	60,419	4,988	4,988
Pro forma adjustment to amortization expense					$ 3,541

(e) Per Rule 11-02 of Regulation S-X, pro forma combined statements of operations are required to disclose income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. Accordingly, this adjustment removes such charges from the pro forma statement of operations.

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Insignia s historical merger costs primarily include the loss on the sale of the real estate investment assets to Island Fund prior to the closing of the Insignia acquisition and legal fees incurred related to the Insignia acquisition.

(f) Represents the reversal of historical interest income earned by us on the net proceeds from the $200.0 million in aggregate principal amount of our 9 3/4% senior notes held in escrow from May 22, 2003 through July 23, 2003, the date of the closing of the Insignia acquisition. The net proceeds held in escrow were released to us upon consummation of the Insignia acquisition.

(g) The increase in pro forma interest expense as a result of the Insignia acquisition is summarized as follows:

	(In thousands)
Interest on $200.0 million in aggregate principal amount senior notes at 9 3/4% per annum	$ 19,500
Incremental interest on $75.0 million in additional tranche B term loan borrowings at LIBOR plus 4.25% (1)	2,355
Additional 0.50% interest rate margin on existing senior secured term loan facilities	649
Incremental amortization of deferred financing costs over the term of each respective debt instrument	1,688
Incremental commitment and administration fees	196
Subtotal	24,388
Less: historical interest expense of CB Richard Ellis Group for $200.0 million in aggregate principal amount of 9 3/4% senior notes	(11,918)
Less: historical interest expense of Insignia	(1,978)
Less: historical amortization of deferred financing costs of CB Richard Ellis Group (primarily the credit facility in effect prior to Insignia acquisition)	(1,110)
Less: historical amortization of deferred financing costs of Insignia	(2,346)
Subtotal	(17,352)
Net increase in interest expense	$ 7,036

(1) For purposes of the calculations above, LIBOR is based on the average three-month LIBOR for fiscal year 2003.

(h) Represents the reversal of the write-off of unamortized deferred financing costs associated with our prior credit agreement, which was replaced in connection with the Insignia acquisition.

(i) Represents the tax effect of the pro forma adjustments included in notes (b) through (h) above at the respective statutory rates.

(j) The pro forma weighted average shares number gives effect to the 2,363,598 shares of Class A common stock of CB Richard Ellis Group and the 18,421,621 shares of Class B common stock of CB Richard Ellis Group issued in connection with the Insignia acquisition, as though such shares were issued on January 1, 2003.

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SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical consolidated financial information for each of the five years in the period ended December 31, 2003 and for the nine months ended September 30, 2004 and 2003. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the selected historical financial data for the dates and periods ended prior to July 20, 2001 are derived from the consolidated financial statements of CB Richard Ellis Services, our predecessor company. The statement of operations data, statement of cash flow data and other data for the nine months ended September 30, 2004 and 2003 and the balance sheet data as of September 30, 2004 were derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The statement of operations data, statement of cash flow data and other data for the year ended December 31, 2003 and 2002, for the period from February 20 (inception) to December 31, 2001 and for the period from January 1 to July 20, 2001 and the balance sheet data as of December 31, 2003 and 2002 were derived from our or our predecessor s audited consolidated financial statements included elsewhere in this prospectus. The statement of operations data, statement of cash flow data and other data for the year ended December 31, 2000 and 1999 and the balance sheet data as of December 31, 2001, 2000 and 1999 were derived from our predecessor s audited consolidated financial statements that are not included in this prospectus.

The selected financial data presented below are not necessarily indicative of results of future operations and should be read in conjunction with our consolidated financial statements and the information included under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Financial Information included elsewhere in this prospectus.

	CB Richard Ellis Group					Predecessor Company		
	Nine Months Ended September 30,		Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2004	2003	2003(1)	2002	2001(2)	2001	2000	1999
	(Dollars in thousands, except share data)							
Statement of Operations Data:								
Revenue	$ 1,566,907	$ 1,008,817	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934	$ 1,323,604	$ 1,213,039
Operating income (loss)	60,772	6,694	25,830	96,736	61,178	(17,048)	100,780	71,387
Interest expense, net	49,835	49,115	67,696	57,229	27,290	18,736	39,146	37,438
Loss on extinguishment of debt	21,075	6,840	13,479					
Net (loss) income	(1,708)	(24,620)	(34,704)	18,727	17,426	(34,020)	33,388	23,282
EPS (3)(4):								
Basic	(0.03)	(0.52)	(0.68)	0.45	0.80	(1.60)	1.60	1.11
Diluted	(0.03)	(0.52)	(0.68)	0.44	0.79	(1.60)	1.60	1.10
Weighted average shares (4)(5):								
Basic	66,006,231	46,995,364	50,918,572	41,640,576	21,741,351	21,306,584	20,931,111	20,998,097
Diluted	66,006,231	46,995,364	50,918,572	42,185,989	21,920,915	21,306,584	21,097,240	21,072,436
Statement of Cash Flow Data:								
Net cash provided by (used in) operating activities	$ 38,605	$ (70,714)	$ 63,941	$ 64,882	$ 91,334	$ (120,230)	$ 80,859	$ 70,340
Net cash provided by (used in) investing activities	8,821	(252,684)	(284,795)	(24,130)	(261,393)	(12,139)	(32,469)	(23,096)

Net cash (used in) provided by financing activities	(61,721)	328,498	303,664	(17,838)	213,831	126,230	(53,523)	(37,721)
Other Data:								
EBITDA (6)	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

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	CB Richard Ellis Group				Predecessor Company	
	As of September 30,	As of December 31,			As of December 31,	
	2004	2003	2002	2001	2000	1999
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 147,925	$ 163,881	$ 79,701	$ 57,450	$ 20,854	$ 27,844
Total assets	2,007,347	2,213,481	1,324,876	1,354,512	963,105	929,483
Long-term debt, including current portion	617,070	802,705	509,715	517,423	289,447	348,135
Total liabilities	1,522,432	1,873,896	1,067,920	1,097,693	724,018	715,874
Total stockholders equity	478,248	332,929	251,341	252,523	235,339	209,737

Note: We and our predecessor have not declared any cash dividends for the periods shown.

(1) The actual results for the year ended December 31, 2003 include the activities of Insignia from July 23, 2003, the date Insignia was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

(2) The results for the period from February 20 (inception) to December 31, 2001 include the activities of CB Richard Ellis Services from July 20, 2001, the date we acquired CB Richard Ellis Services.

(3) EPS represents (loss) earnings per share. See (loss) earnings per share information in note 14 to our unaudited consolidated financial statements and note 16 to our audited consolidated financial statements, both included elsewhere in this prospectus.

(4) EPS and weighted average shares for our predecessor company do not reflect the 3-for-1 stock split of our outstanding Class A common stock and Class B common stock effected on May 4, 2004, or the 1-for-1.0825 reverse stock split of our outstanding Class A common stock and Class B common stock effected on June 7, 2004 because our predecessor was a different legal entity.

(5) For the period from February 20 (inception) to December 31, 2001, the 21,741,351 and the 21,920,915 shares represent the weighted average shares outstanding for basic and diluted earnings per share, respectively. These balances take into consideration the lower number of shares outstanding prior to July 20, 2001, the date we acquired CB Richard Ellis Services.

(6) EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss) and net (loss) income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service

payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

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EBITDA is calculated as follows:

	CB Richard Ellis Group					Predecessor Company		
	Nine Months Ended September 30,		Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2004	2003	2003	2002	2001	2001	2000	1999
	(In thousands)							
Net (loss) income	$ (1,708)	$ (24,620)	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)	$ 33,388	$ 23,282
Add:								
Depreciation and amortization	40,001	53,571	92,622	24,614	12,198	25,656	43,199	40,470
Interest expense	52,138	51,739	71,256	60,501	29,717	20,303	41,700	39,368
Loss on extinguishment of debt	21,075	6,840	13,479					
(Benefit) provision for income taxes	1,690	(15,459)	(6,276)	30,106	18,016	1,110	34,751	16,179
Less:								
Interest income	2,303	2,624	3,560	3,272	2,427	1,567	2,554	1,930
EBITDA	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described under the heading Risk Factors and elsewhere in this prospectus. You should read the following discussion in conjunction with the information included under the headings titled Unaudited Pro Forma Financial Information and Selected Historical Financial Data and the financial statements and related notes included elsewhere in this prospectus.

Overview

We are the largest global commercial real estate services firm, based on 2003 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003 we operated in 220 offices worldwide with over 13,500 employees, excluding affiliate and partner offices, providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees.

When you read our financial statements and the information included in this section, you should consider that we have experienced, and continue to experience, several material trends and uncertainties that have affected our financial condition and results of operations and make it challenging to predict our future performance based on our historical results. We believe that the following material trends and uncertainties are most crucial to an understanding of the variability in our historical earnings and cash flows and the potential for such variances in the future:

Macroeconomic Conditions

Economic trends and government policies directly affect our operations as well as global and regional commercial real estate markets generally. These include overall economic activity and employment growth, interest rate levels, the availability of credit to finance transactions and the impact of tax and regulatory policies. Periods of economic slowdown or recession, significantly rising interest rates, a declining employment level, a declining demand for real estate or the public perception that any of these events may occur, can reduce volumes for many of our business lines. Weak economic conditions could result in a general decline in rents, which, in turn, would reduce revenue from property management fees and brokerage commissions derived from property sales and leases. In addition, these conditions could lead to a decline in sales prices as well as a decline in funds invested in commercial real estate and related assets. An economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by our commercial mortgage banking business. If our brokerage and mortgage banking businesses are negatively impacted, it is likely that our other lines of business would also suffer due to the relationship among our various business lines.

During 2002 and 2001, we were adversely affected by the slowdown in the United States economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States. Moreover, in part because of the terrorist attacks on September 11, 2001 and the run-up to the conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, our operating results for 2002 and 2001. During 2003 and the first three-quarters of 2004, economic conditions in the United States improved, which positively impacted the commercial real estate market

generally. This caused an improvement in our Americas segment s revenue, particularly in sales and leasing activities. We expect this trend to continue in the near term.

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Our management team primarily addresses adverse changes in economic conditions through our compensation structure. Compensation is our largest expense, and the sales and leasing professionals in our largest line of business, advisory services, generally are paid on a commission and bonus basis that correlates with our revenue performance. As a result, the negative effect on our operating margins during difficult market conditions is partially mitigated. In addition, in circumstances when economic conditions are particularly severe, our management also has sought to improve operational performance through cost reduction programs. For example, as economic conditions worsened in 2001, our management team made targeted reductions in our workforce, reduced senior management bonuses, streamlined general and administrative operations and cut capital expenditures and other discretionary operating expenses. After our acquisition of CB Richard Ellis Services in 2001, our management also instituted a best practices program branded People, Platform & Performance in order to implement and encourage new business practices that would result in lower operating expenses and enhance revenue and margin growth. We believe this program significantly contributed to the $18.7 million reduction in our operating expenses during 2002 as compared to 2001. Notwithstanding these approaches, adverse global and regional economic changes remain one of the most significant risks to our future financial condition and results of operations.

Effects of Prior Acquisitions

Our management historically has made significant use of strategic acquisitions to add new service competencies, to increase our scale within existing competencies and to expand our presence in various geographic regions around the world. For example, we enhanced our mortgage banking services through our 1996 acquisition of L.J. Melody & Company and we significantly increased the scale of our investment management business through our 1995 acquisition of Westmark Realty Advisors and our 1997 acquisition of Koll Real Estate Services. An example of a strategic acquisition that increased our geographic coverage was our 1998 acquisition of Hillier Parker May & Rowden in the United Kingdom. Our largest acquisition to date was our July 23, 2003 acquisition of Insignia Financial Group, which not only significantly increased the scale of our real estate services and outsourcing services business lines in the Americas segment but also significantly increased our presence in the New York, London and Paris metropolitan areas.

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenditures and charges and the costs of integrating the acquired business and its financial and accounting systems into our own. For example, through September 30, 2004, we have incurred $200.9 million of transaction-related expenses in connection with our acquisition of Insignia in 2003 and $87.6 million of transaction-related expenses in connection with our acquisition of CB Richard Ellis Services in 2001. Transaction-related expenses include severance costs, lease termination costs, transaction costs, deferred financing costs and merger-related costs, among others. We do not expect to incur any additional transaction-related expenditures after September 30, 2004 with respect to the Insignia Acquisition. In addition, through September 30, 2004, we have incurred approximately $25.4 million of expenses in connection with the integration of Insignia s business lines, as well as accounting and other systems, into our own. We expect to incur additional integration expenses in connection with the Insignia integration of approximately $2.5 million during the fourth quarter of 2004, approximately $6.5 million during 2005 and approximately $4.0 million during 2006.

International Operations

We have made significant acquisitions of non-U.S. companies, and we may acquire additional foreign companies in the future. As we increase our foreign operations through either acquisitions or organic growth, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Our management team generally

seeks to mitigate our exposure by balancing assets and liabilities that are denominated in the same currency and by maintaining cash positions outside the United States only at levels necessary for operating purposes. In addition, from time to time we enter into foreign currency forward exchange contracts to mitigate our exposure to exchange rate changes related to particular transactions. Prior to 2004, our management historically had not entered into agreements to hedge the risks associated with the translation of foreign currencies into U.S. dollars. On April 6, 2004, we entered into an option agreement to purchase an aggregate notional amount of 8.7 million British pounds sterling for a cost of $0.6 million, which would have expired on December 29, 2004. On July 2, 2004, we entered into an option agreement to purchase an aggregate notional amount of 18.8 million euros for a cost of $0.07 million, which also would have expired on December 29, 2004. During October 2004, we sold both of these option agreements and entered into two new option agreements to purchase an aggregate notional amount of 10.2 million British pounds sterling for a cost of $0.3 million and 20.0 million euros for a cost of $0.4 million, both of which expire on December 29, 2004. The net impact on our earnings resulting from gains and/or losses on these option agreements has not been, and is not expected to be, material. Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, our management cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

Our international operations also are subject to, among other things, political instability and changing regulatory environments, which may adversely affect our future financial condition and results of operations. Our management routinely monitors these risks and costs and evaluates the appropriate amount of resources to allocate towards business activities in foreign countries where such risks and costs are particularly significant.

Leverage

We are highly leveraged and have significant debt service obligations. Although our management believes that the incurrence of this long-term indebtedness has been important in funding the growth of our business, including facilitating our acquisition of Insignia Financial Group in 2003, the cash flow necessary to service this debt is not available for other general corporate purposes, which may limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry.

Our management seeks to mitigate this exposure both through the refinancing of debt when available on attractive terms and through selective repayment and retirement of indebtedness. For example, we refinanced our senior secured credit facilities in October 2003 and June 2004 to obtain more attractive interest rates and other terms, redeemed $30.0 million in aggregate principal amount of our 16% senior notes in late 2003 and repurchased $21.6 million in aggregate principal amount of our 11 $^{1}/4$% senior subordinated notes in the open market during May and June 2004.

In addition, on June 15, 2004 we received aggregate net proceeds of approximately $135.0 million, after deducting underwriting discounts and commissions and offering expenses payable by us, in connection with the sale of 7,726,764 shares of our Class A common stock pursuant to the completion of our initial public offering. During June 2004, we used a portion of the net proceeds received from our initial public offering to prepay $15.0 million in principal amount of the term loan under our amended and restated credit agreement, and during July 2004 we used the remaining net proceeds we received from our initial public offering to redeem all $38.3 million in aggregate principal amount of our remaining outstanding 16% senior notes and $70.0 million in aggregate principal amount of our 9 $^{3}/4$% senior notes. In addition, we amended our amended and restated credit agreement, effective November 16, 2004, to reduce the interest rates applicable to the term loan facility and to modify some of the restrictive covenants in the agreement. Our management expects to continue to look for opportunities to reduce, and improve the terms of, our debt in the future.

Notwithstanding the actions described above, however, our level of indebtedness and the operating and financial restrictions in our debt agreements both place constraints on the operation of our business.

Basis of Presentation

Recent Significant Acquisitions and Dispositions

On July 20, 2001, we acquired CB Richard Ellis Services, Inc. pursuant to an amended and restated agreement and plan of merger, dated as of May 31, 2001, among CB Richard Ellis Group (formerly known as CBRE Holding, Inc.), CB Richard Ellis Services and Blum CB Corp., a wholly owned subsidiary of CB Richard Ellis Group. Blum CB was merged with and into CB Richard Ellis Services, with CB Richard Ellis Services being the surviving corporation. At the effective time of such merger, CB Richard Ellis Services became a wholly owned subsidiary of CB Richard Ellis Group.

Our results of operations, including our segment operations and cash flows, for the year ended December 31, 2001 have been derived by combining the results of operations and cash flows of CB Richard Ellis Group for the period from February 20 (inception) to December 31, 2001 with the results of operations and cash flows of CB Richard Ellis Services, our predecessor, from January 1, 2001 to July 20, 2001, the date of the merger. The results of operations and cash flows of our predecessor prior to the merger incorporated in the following discussion are the historical results and cash flows of our predecessor. These results of our predecessor do not reflect any purchase accounting adjustments, which are included in our results subsequent to the merger. Due to the effects of purchase accounting applied as a result of the merger and the additional interest expense associated with the debt incurred to finance the merger, our results of operations may not be comparable in all respects to the results of operations for our predecessor prior to the merger. However, our management believes a discussion of our 2001 operations is more meaningful by combining our results with the results of our predecessor.

On July 23, 2003, pursuant to an amended and restated agreement and plan of merger, dated as of May 28, 2003, by and among CB Richard Ellis Services, CB Richard Ellis Group, Apple Acquisition Corp., a Delaware corporation and wholly owned subsidiary of CB Richard Ellis Services, and Insignia Financial Group, Inc., Apple Acquisition was merged with and into Insignia Financial Group. Insignia Financial Group was the surviving corporation in the Insignia acquisition and at the effective time of the Insignia acquisition became a wholly owned subsidiary of CB Richard Ellis Services.

Segment Reporting

We report our operations through three geographically organized segments: (1) the Americas, (2) Europe, Middle East and Africa, or EMEA, and (3) Asia Pacific. The Americas consists of operations located in the United States, Canada, Mexico and South America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand.

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Results of Operations

The following tables set forth items derived from the consolidated statements of operations for the nine months ended September 30, 2004 and 2003 and for the years ended December 31, 2003, 2002 and 2001, presented in dollars and as a percentage of revenue:

	Nine Months Ended September 30,			
	2004		2003	
	(Dollars in thousands)			
Revenue	$ 1,566,907	100.0 %	$ 1,008,817	100.0 %
Costs and expenses:				
Cost of services	797,544	50.9	484,485	48.0
Operating, administrative and other	643,016	41.0	444,272	44.0
Depreciation and amortization	40,001	2.6	53,571	5.3
Merger-related charges	25,574	1.6	19,795	2.0
Operating income	60,772	3.9	6,694	0.7
Equity income from unconsolidated subsidiaries	10,120	0.6	9,182	0.9
Interest income	2,303	0.2	2,624	0.2
Interest expense	52,138	3.4	51,739	5.1
Loss on extinguishment of debt	21,075	1.3	6,840	0.7
Loss before (benefit) provision for income taxes	(18)	0.0	(40,079)	(4.0)
Provision (benefit) for income taxes	1,690	0.1	(15,459)	(1.6)
Net loss	$ (1,708)	(0.1)%	$ (24,620)	(2.4)%
EBITDA	$ 110,893	7.1 %	$ 69,447	6.9 %