

THE PROPERTY REPORT

CBRE to Buy Bulk of ING's Property Business

Deal for \$940 Million Gives U.S. Real-Estate Company Entree Into Europe at a Purchase Price Seen on the Low End

By William Boston

CB Richard Ellis Group Inc. has agreed to purchase the lion's share of the real-estate-investment-management business of Dutch financial group ING Groep NV, creating the world's largest property-fund manager.

The all-cash transaction, valued at \$940 million, will combine CBRE's global investment-management business with most of ING REIM's investment-management business in Europe and Asia. CBRE, the world's largest commercial-property-services group, also is buying Clarion Real Estate Securities, the U.S.-based global-listed property-services business.

In a separate deal, ING agreed to sell ING Clarion, its U.S.-based private-market real-estate-investment manager, to the management of that operation in a deal valued at \$100 million.

The bulk of ING REIM will be merged with CBRE Investors, the property-services group's investment manager, to create a global real-estate-investment manager

with about \$974 billion of assets under management in 102 funds. The deal is the latest example of a property company taking advantage of a rare opportunity as the impact of the financial crisis continues to ripple through the global economy.

"This is a really compelling opportunity for us," Brett White, CBRE's chief executive, told The Wall Street Journal. "We are acquiring this business at the perfect time, at the low-end of the cycle just as we enter a period of healthy and protracted expansion in the industry."

The opportunity emerged as a result of the troubles faced by ING in the financial crisis. ING sustained heavy losses on property loans when the subprime crisis hit, forcing the Dutch government to step in and purchase nonvoting securities from the bank for €10 billion (\$13.5 billion) in November 2008.

ING has since repaid €5 billion plus €606 million in interest. In November, ING called on the government to convert its nonvoting securities to ordinary shares or lieu of a cash payment.

There is no deadline for payment.

As part of the bailout, ING agreed to reduce its exposure to the property business and last year decided to sell its fund manager ING REIM.

"With these transactions, we continue to deliver on our strategic objectives of reducing exposure to real estate,

simplifying our company and further strengthening our capital base," ING CEO Jan Hommen said in a statement.

CBRE's shares rose 71 cents, or 2.9%, to \$25.34, in 4 p.m. composite trading on the New York Stock Exchange. ING Groep's American depository receipts fell 13 cents, or 1.1%, at \$12.09, also on the NYSE.

The deal appeared positive



Brett White

Strategic Coup

CBRE's purchase of most of ING's real-estate-investment-management business will create the world's largest property-fund manager.



Combined business

	Funds	Direct separate accounts	Employees	AUM* (billions)	Blended AUM* leverage
CBRE Investors	21	36	406	\$37.6	38%
ING REIM	81	23	760	\$59.8	25%

*Assets under management

Source: CB Richard Ellis Group

for CBRE partly because it represents a strategic coup, with the Los Angeles property group exploiting ING's troubles and pushing the price down.

Real-estate analysts at J.P. Morgan welcomed the deal, saying it should be "meaningful accretive" to earnings. While noting that the deal had been expected, the analysts added: "Pricing does appear a lot less

than expected, which was closer to the \$1.5 billion range."

J.P. Morgan estimates that the ING acquisition could add as much as 30 cents to CBRE's earnings per share.

One benefit to CBRE is a whole new set of clients. ING REIM's more than 400 institutional clients are almost all based in Europe. And ING's client base includes a predomi-

nance of European pension funds and insurance and other financial-service industry investors, complementing CBRE's U.S.-heavy client base.

ING's assets under management include about \$29.5 billion in Europe, \$5.1 billion in Asia, \$19.4 billion in listed securities, and \$5.8 billion in global funds.

"ING's clients are mostly Europe-based and CBRE's clients are mostly U.S.-based," Gil Borok, CBRE's chief finance officer, said during a conference call. But whether the acquisition is successful will depend on a number of factors. One is whether all those ING fund managers will feel comfortable with CBRE running the show.

Another issue is the state of the global property business. There is much evidence of improvement and the mood is certainly better than in 2008. But boosting profit from the funds, securities and buildings under the wings of CBRE Investors will depend on whether property valuations and real-estate stock prices can continue rising.