

VALUATION: CBRE

Team:	Capital Builders Group
Team Members:	Fynn Haldeman, Kris Long
Date Presented:	11/11/2024
Investment Decision:	Invested ~\$13,018.00, ~100 Shares

INTRODUCTION:

We selected the real estate sector due to its recent lull and anticipated rapid growth. CBRE, with its substantial market share and diverse service offerings, is well positioned to capitalize on this expected market upswing. Their strategic acquisitions, such as expanding into the data center market and public sector services, further enhance their ability to leverage emerging opportunities.

COMPANY OVERVIEW:

Ticker:	CBRE	Exchange:	NYSE
Current Stock Price:	\$130.18	Date Reported:	11/11/2024
Target Stock Price:	\$147.23	Target Date:	11/11/2025

CBRE's business model integrates a comprehensive suite of real estate services—including brokerage, property management, and consulting—with industry-leading research, providing clients with detailed market insights and setting it apart in guiding informed real estate decisions globally.

VALUATION SUMMARY:

CBRE is well-positioned in the commercial real estate sector, bolstered by industry leadership across most property and geographic sectors as well as strategic acquisitions. Holding a 24% global market share across all property types, CBRE has maintained the top position in real estate investment sales for 13 consecutive years (as of 2023). The company leads the real estate services sector in operational performance and growth, with significantly higher market value, EV/EBITDA, and revenue multiples, along with a lower total debt-to-equity ratio than peers like Colliers, JLL, and Cushman & Wakefield. This advantage translates into greater free cash flow, return on assets, and return on capital. Positioned at the low end of the commercial real estate cycle, CBRE has exceeded earnings estimates for four consecutive quarters and is projected to continue benefiting from anticipated growth and increased investment and acquisition activity.

HISTORICAL PERFORMANCE:

Over the past 10 years, CBRE has achieved a total return of 473.76%, outperforming S&P's total return of 284.56% and the S&P real estate sector's return of 139.33%. During this period, CBRE's stock had a standard deviation of 30.38%, resulting in a Sharpe ratio of 0.9. This performance reflects a period of rapid growth followed by a sharp decline post-COVID. In 2021, the stock rose by 74.71% before dropping by 29.08% in 2022; in 2023, CBRE gained 20.95% and is currently up 45.29% year-to-date. The average standard deviation for the real estate sector is around 29%, while the S&P real estate sector was 19% over the same period. Historically, the lifetime standard deviation is approximately 10.16%. With CBRE's market strength, resilience to downturns, recent acquisitions, low debt, and high cash flow, the associated risk is mitigated.