

Real Estate Acquisition Advisory Services






Space is Money — Reduce risks and achieve the full value of your real estate investments

Overview






Commercial real estate investors purchasing a portfolio of assets, or even a heavily tenanted single real property assets, face a challenges with analyzing mountains of documentation to perform their acquisition analysis and risk assessments within increasingly tight timeframes. With over one hundred real estate professionals and specialists with knowledge and experience of mergers and acquisitions, forensics, Deloitte can rapidly deploy advisors to enhance an organization’s internal acquisition team. Our specialists not only have the abilities and experience to advise clients with their analysis of discounted cash flow models (e.g., Argus models), they also have the abilities and experience to expeditiously analyze documents and records to advise client about potential transactional and operational risks.

The Opportunity

Through services specifically designed to assist clients reduce transactional risks and enhance the value of their real estate investments, our real estate professionals assist organizations with their acquisition diligence activities. Our services, which are customizable to meet each organization’s specific circumstances, include—but are not limited to—the following:

 <p>Discounted Cash Flow (DCF) Model Analysis</p>	 <p>Financial Analysis</p>	 <p>Lease Abstraction</p>	 <p>Additional and Expanded Strategic Analysis</p>	 <p>Closing Services + Post Transaction</p>
<ul style="list-style-type: none"> • Critical analysis of pro forma and/or seller prepared DCF models • Market leasing assumption comparisons • Recovery analysis • Scenario and isolation analysis 	<ul style="list-style-type: none"> • Financial trending and risk analysis • Seller-prepared budget analysis • Historical recovery billing analysis • Tenant payment history analysis 	<ul style="list-style-type: none"> • Economic lease abstraction • Operational lease abstraction <p><i>Leveraging Deloitte’s Lease Abstraction Center of Excellence</i></p>	<ul style="list-style-type: none"> • Lease file analysis • Option encumbrance analysis • Service contract analysis • Third-party report analysis • Market analysis (lease fair value and rental rate estimates] • Supply and demand analysis • Site inspections 	<ul style="list-style-type: none"> • Proration calculations • Estoppel preparation and/or analysis • Purchase price allocation

Deloitte’s real estate practice has:

<ul style="list-style-type: none">  Assisted organizations with over \$50B in commercial real estate transactions  Built or analyzed over 10,000 discounted cash flow models across asset types  Abstracted more than over 100,000 leases for critical data in over 38 languages  Experience in more than 15 property management and lease administration systems 	<ul style="list-style-type: none">  Served the following: <ul style="list-style-type: none"> • 7 of the top 10 real estate investment trusts (“REITs”) based on equity market capital • 5 of the top 10 non-traded REITs base on twelve months sales • 9 of the top 10 top real estate fund managers based on Assets Under Management (AUM) • 8 of the top 10 top non-listed/commingled real estate funds based on AUM • 8 of the top 10 largest real estate funds based on capital raised
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Taking a closer look:

<p> Discounted Cash Flow Modeling Analysis</p> <p>How are complex DCF projections performed?</p> <ul style="list-style-type: none"> Deloitte evaluates critical model inputs against lease contracts, forecasts, rent rolls, historical financials, investor assumptions, and offering materials Analysis can be performed on broker/seller prepared or buyer pro-forma models 	<p> Market Leasing Assumption Comparison</p> <p>How are market leasing assumptions confirmed?</p> <ul style="list-style-type: none"> Deloitte valuation specialists with access to market intelligence and many major market data sources research comparables and transactions for benchmarking seller/broker or client model assumptions (such as rental rates, concessions, etc.) 	<p> Detailed Recovery Analysis</p> <p>What are Deloitte's capabilities for assessing recovery risks?</p> <ul style="list-style-type: none"> Deloitte tests the modeled operating expense (OPEX), Common Area Maintenance (CAM), and tax recoveries against the in-place lease contracts utilizing the skills of experienced lease auditors and real estate operations specialists. 	<p> Scenario and Isolation Analyses</p> <p>How is impact of analysis results determined?</p> <ul style="list-style-type: none"> Deloitte prepares a list of potential purchase price adjustments based on errors or issues identified with the DCF Performs scenario and isolation analyses of the identified errors or issues Revises DCF models, if requested
<p> Financial Trending and Risks Analysis</p> <p>How is past financial performance inspected?</p> <ul style="list-style-type: none"> Deloitte consolidates prior financials (generally 3 years), budgets, and the DCF projections to trend financial performance Historical financial statements and general ledgers are analyzed to identify unusual items and traced to source documents 	<p> Seller-Prepared Budget Analysis</p> <p>Why would you review the seller's budget?</p> <ul style="list-style-type: none"> Deloitte specialists review seller budgets and long-term capital expenditure forecasts to understand ongoing large capital projects/tenant improvement commitments and to identify deferred maintenance risks 	<p> Historical Recovery Billing Analysis</p> <p>How are CAM/tax risks mitigated?</p> <ul style="list-style-type: none"> Deloitte recovery specialists perform additional detailed testing of the previous period OPEX, CAM, and tax recovery reconciliation workpapers to identify mis-billings Gross-up, expense cap, and base year calculations are compared in-place lease contracts 	<p> Tenant Payment History Analysis</p> <p>Are tenants abiding by lease-defined payments?</p> <ul style="list-style-type: none"> Deloitte reviews tenant and receivable ledgers for late payments Forensic procedures are followed including cross-referencing file review with searches for bankruptcy and other tenant disputes
<p> Economic Lease Abstraction</p> <p>How does abstraction compare cash flow projections?</p> <ul style="list-style-type: none"> 'Economic' abstracts include basic lease data such as rents, reimbursements, significant dates, options, and data used to compare base and percentage rent projections OPEX/CAM/tax language is summarized to compare modeled recoveries 	<p> Operational Lease Abstraction</p> <p>How can abstraction benefit post-deal operations?</p> <ul style="list-style-type: none"> 'Operational' go beyond the financials Abstraction designed to highlight select rights and responsibilities of concern to asset and property managers (TI commitments, landlord relocation rights, contraction/ expansion rights, co-tenancy, etc.) 	<p> Lease File Review</p> <p>What steps can help identify tenant risks?</p> <ul style="list-style-type: none"> Deloitte property operations specialists review tenant files and public records for unusual items (e.g., bankruptcies, lawsuits, environmental issues, services/operational complaints, billings disputes) 	<p> Option Encumbrance Analysis</p> <p>How can options can be reviewed for impacts on our business plans?</p> <ul style="list-style-type: none"> Deloitte compares option language found in the lease contracts to floor plans (either from lease exhibits or current stacking plans) Check expansion option rights (e.g., ROFO), searching for over encumbered spaces
<p> Service Contracts Analysis</p> <p>What document reviews can Deloitte perform beyond leases?</p> <ul style="list-style-type: none"> Review service contracts for termination rights, related parties, and/or other concerns Recalculate and compare contractual management and or franchise fees 	<p> Option Encumbrance Analysis</p> <p>...and service contracts?</p> <ul style="list-style-type: none"> Analyze structural, environmental, and other third-party reports for comparison to budgeted expenses and modeled capital expenditures Updated pro-forma DCF for impacts identified within the reports 	<p> Market Analysis</p> <p>How do Deloitte research abilities help companies improve deal positioning?</p> <ul style="list-style-type: none"> Deloitte develops fair value estimates for target asset using appraisal techniques as part of price discovery Forecasted rents compared against market research & recent lease signings; in-place leases assessed for alignment with market for asset manager planning purposes 	<p> Supply and Demand Analysis</p> <p>How can Deloitte assist with asset business plans?</p> <ul style="list-style-type: none"> Appraisal research capabilities can be tapped to assess local asset sales activity, leasing velocity, & new construction Full analysis of local rent & asset price behavior & trend studies can inform asset management plans & property positioning
<p> Site Inspections</p> <p>How else can risks be identified as part of the due diligence process?</p> <ul style="list-style-type: none"> Experienced property operations staff perform site inspections Staff activities, efficiencies assessed Deferred maintenance & capex needs identified Property understanding informs diligence and modeling efforts 	<p> Proration Calculations</p> <p>How can Deloitte assist during a transaction closing?</p> <ul style="list-style-type: none"> Calculate/allocate final payments attributable to seller as of the closing date including rents, property taxes, commissions, etc. Calculate credits due from seller for model errors or concessions found during the diligence process 	<p> Estoppel Preparation and/or Review</p> <p>What are some of the final steps in the transaction Deloitte can assist with?</p> <ul style="list-style-type: none"> Deloitte assists in the preparation of estoppels and reviews forms returned Review returned estoppels for contingencies and cross-reference with model 	<p> Purchase Price Allocation</p> <p>Can Deloitte assist us in our financial reporting requirements?</p> <ul style="list-style-type: none"> Deloitte estimates the fair value of the acquired assets and liabilities for financial reporting purposes Assists in supporting the fair value estimates with external auditors

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