



Real Estate Advisory Services for Investors

Space is Money—Achieve the full value of your real estate investments

The Issue

Commercial real estate investors and their asset managers are savvy with the experience to effectively run their real estate operations. However, often these parties have larger scale matters and concerns, such as leasing, loan requirements, performance tracking, and investor relations which prevent them from taking deeper dives into the accounting books and records to enable real estate asset level performance. Deloitte's real estate professionals can assist with these analyses, allowing for investors and asset managers to enhance the value and performance of their investments.

Deloitte's real estate industry practice has:



Built or analyzed over **10,000** discounted cash flow models across asset types



Abstracted over **100,000** leases abstracted for critical data in over **38** languages



Experience in more than **15** property management and lease administration systems



Served the following:

- **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
- **8** of the top **10** top non-listed/commingled real estate funds based on Assets Under Management
- **8** of the top **10** largest real estate fund based on capital raised

The Opportunity

Through services specifically designed to enable real estate performance, our real estate professionals, aided by working knowledge and experience in real estate accounting and operations, can assist real estate investors and asset management teams assess the accuracy, integrity, and performance of their real estate investments at either the property or portfolio levels.

The services are primarily a blend of testing and monitoring and include analyzing a significant sample of lease documentation, cash flow analysis, compliance testing, and forensic accounting, and are tailored to fit each investor's particular asset makeup (i.e., office; retail, industrial, hospitality, mixed-use, transitional, distressed, etc.).

These services often reduce risk and lead to increased investment values through the identification of favorable revenue opportunities and strategies that yield increased cash flows. Importantly, the services provide investors and asset managers the confidence that their property accounting records and operations are sound and in good standing.



Accounting and economic testing

- Detailed reverse lease audits^{1*}
- Analysis of discounted cash flow and valuation models*
- Percentage rent testing
- Budget analysis
- Market benchmarking
- Lease language review recommendations



Operational compliance monitoring

- Third party property management compliance audits^{1*}
- Service contracts compliance reviews and/or competitive bid analysis
- Capital projects compliance audits¹
- Tenant satisfaction studies
- Critical fields lease data validation*



General risk assessment and mitigation activities

- Contractor/Subcontractor transaction analysis and background investigations
- Related-party transaction analysis
- Personal property inventoring
- Insurance policy analysis
- Lease audit¹ defense*

**Take a closer look into the insights provided by Deloitte's real estate professionals*

Taking a closer look

Detailed forensic lease audits¹

Operating expense and property tax recoveries can be critical to an asset's performance, with tenant reimbursements often accounting for 20% to 40% of an asset's total rental revenue. Therefore, reducing "leakage" and optimizing an asset's total recovery revenue is critical. Our team performs meticulous analysis of recoveries to assist clients confirm that recoveries are fully realized and in compliance with the terms of its tenant leases. The analysis starts with a broad lease analysis and then includes detailed analysis of critical books and records, including but not limited to the financial statements, general ledgers, trial balances, service contracts and invoices, allocation worksheets, occupancy and gross-up adjustments, and recovery pool worksheets through to the final billing statement.

In addition to performing these services on office and retail assets, similar services may be performed on land assets or airspace attributable to ground leases, condominium declarations agreements, and certain reciprocal easement agreements.



Analysis of discounted cash flow and valuation models

Inaccuracies in valuation models can have a troubling impact on a portfolio's measured performance, sometimes even rippling into tedious and often unwanted larger scale issues such as the breaching of debt covenants. Therefore, as real estate investors and their asset managers know, maintaining correct valuation models is critical. However, due to staffing restrictions and constraints caused by other critical requirements, the valuation models may not be thoroughly analyzed and updated on a timely basis. Our team can assist with the analysis, ongoing maintenance, or creation of such valuation models, no matter how complex.

Third party property management compliance audits¹

Many real estate investors look to third parties to perform property management duties according to the terms of a management agreement that includes requirements and controls specifically drafted to mitigate risk, control operations, and monitor performance of an investor's asset. When third party property managers don't comply with these requirements, there can be detrimental consequences to an investment.

Our team provides advisory services to assist clients evaluate third party manager compliance under the terms of their property management contracts. Such services often include analysis of management fees, salaries, contract bidding, related-party transactions tenant satisfaction studies, reporting, and books and records.

Critical fields lease data validation

Tracking and maintaining critical information is essential to overall data integrity, revenue enhancement, reporting, and managing a real estate asset. Carefully maintained data can help avoid undercharging base and additional rent and missing option dates, among other issues. Our team can provide this type of analysis (or when required, full lease abstracting or documentation of specific lease attributes) on almost any volume, or level of complexity, of leases in one's leased portfolio

Lease audit¹ defense

Our professionals are available to assist clients involved in controversies involving lease audits performed by their tenants that challenge operating expense and property tax escalations that might be inaccurate or unjustified. This includes analyzing lease reports, researching the charges, and recommending defensive operational and lease supported responses, and as required counter charges and claims. We also provide expert-witness testimony surrounding disputes.

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