

REAL ESTATE CLIENT EXPERIENCES THE FULL SPECTRUM OF RSM VALUATION SERVICES

A real estate client receives ideal balance of industry knowledge and multidisciplinary valuation expertise

A real estate management company founded in the late 1990s develops and invests in housing across the United States. The company acquires, renovates, manages and rents homes, including single-family homes, duplexes and condominiums.

The company's internal valuation policies periodically require an independent valuation to supplement internal valuations. With a small accounting staff, the company was facing the dual challenges of completing an overall investment valuation as well as a purchase price allocation for each property for a substantial portfolio.

Bringing comprehensive valuation experience

A private equity firm—which served as the financing vehicle for the company and assisted in the purchase of properties—expanded its investment in the company, thereby gaining a controlling interest. This triggered the need for a valuation of all of the company's tangible assets for each of its locations—such as its considerable buildings, land, site improvements and favorable/unfavorable leases—as well as its intangible assets, including customer relationships, contracts, trademarks and trade names, and workforce. In addition, the company also needed to report the fair value of its equity for the financial reporting purposes of its majority owner.

Valuation of such a large portfolio can be a significant task to undertake, with a number of financial and resource issues to consider. It becomes critical to have a team with the right skill set in place, but challenging to find all of the experienced professionals needed under one roof.

One of the key services of the RSM valuation practice is to complete purchase price allocations for financial reporting purposes for ASC 805 business combinations. The RSM team assembled for this client was able to provide an ideal balance of

industry and technical experience and knowledge—particularly in both intangible assets and real property valuation—that met the needs of the client. Notably, competitors for this engagement did not have the combination of industry and valuation experience needed in-house.

Benefits to the client

While the client brought considerable organizational skills to the engagement, there were a number of occasions where the RSM team's experience and deep technical expertise were greatly appreciated. For example, the team used its industry valuation knowledge to leverage groups of comparable transactions of land, improved properties and rent by market, and applied these pools to certain market concentrations in the client's portfolio.

In addition, the team valued the entire portfolio of properties which provided the client with a singular point of contact to discuss the entire valuation. Previously, the company had individual appraisers value each property, leading to less leveraging, inconsistent valuation methodologies and several contact points. The new approach was a welcome change for the client, who noted, "We greatly appreciated the RSM team's professionalism and expertise in providing a required valuation of our business in a timely manner."

In accordance with the timeline, the valuations were completed as planned and passed audit scrutiny. The client was able to establish starting book values for all of its assets and liabilities for its newly acquired portfolio of properties.

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