

## VALUING A LARGE PORTFOLIO THE REIT WAY

How one-stop shopping of valuation services simplified the appraisal process



Established in 1999, a real estate investment trust (REIT) initially focused on investing in grocery-anchored shopping centers in second- and third-tier markets. In 2022, the company expanded its investment strategy to include grocery-anchored shopping centers in high-density urban areas. Their core operations involve the acquisition, renovation and management of shopping centers that cater to the retail needs of local communities.

The company's internal valuation policies periodically necessitate independent valuations to complement internal assessments. With a limited accounting team, they faced the dual challenge of conducting an overarching investment valuation and purchase price allocation for each property within their extensive portfolio.

### Addressing the complexity of portfolio valuation

Valuing a large portfolio is a substantial undertaking, fraught with financial and resource considerations. It is imperative to assemble a team with the appropriate skill set for this task. However, finding all the required experienced professionals can be challenging. RSM, with our experience in valuing all major asset classes in real estate investing, monitors market conditions and investor expectations daily. This enables us to effectively assist clients with real estate asset mark-to-market valuations.

A cornerstone service offered by [RSM's valuation practice](#) is the completion of purchase price allocations for financial reporting purposes concerning ASC 805 business combinations. As part of an international professional services firm, RSM's valuation professionals possess the experience, knowledge and professional credentials to support valuations for purchase price allocations. These encompass various components, such as buildings, land, site improvements, sandwich leases and

favorable/unfavorable leases, as well as intangible assets like customer relationships, contracts, trademarks, trade names and workforce.

An exemplary ASC 805 valuation carried out by RSM for this client involved a 1-million-square-foot shopping center with over 200 tenants, including ground leases, sandwich leases, excess land and several outparcels with cross-parking easements. The RSM team assembled for this client provided an optimal blend of industry and technical experience, particularly in intangible assets and real property valuation, which perfectly met the client's requirements. Notably, competing firms for this engagement did not possess the combination of industry and valuation experience in-house.

## Benefits to the client

Previously, the company relied on individual appraisers to value each property, resulting in limited leveraging, inconsistent valuation methodologies and multiple contact points. The new approach, which involved partnering with one professional services firm for real estate valuation needs, was warmly received by the client. It ensured [valuations](#) were completed as planned and withstood audit scrutiny. Consequently, the client successfully established opening book values for all its assets and liabilities related to its newly acquired properties.

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