

Real Estate Purchase Price Allocations

FASB ASC 805

Whether real estate is acquired on its own as an asset acquisition, or as part of a business combination, the acquirer will need a Purchase Price Allocation (“PPA”) to be compliant with Generally Accepted Accounting Principles (“GAAP”). FASB ASC 805 sets out the rules for identifying and separately measuring all identifiable assets and liabilities present in an acquisition. The PPA allocates the total transaction consideration (purchase price plus direct acquisition costs) to all acquired tangible and intangible assets, as of the closing date of the transaction, and it can be used for financial or tax reporting.

Being a full-service valuation firm, Marshall & Stevens seamlessly assembles a team to have all asset categories valued with one engagement, including in-depth, full scope commercial real estate and leasehold interest valuations.

Real Estate Purchase Price Allocation

Our analyses conform to the Financial Accounting Standards Board Accounting Standard Codification 805 - *Business Combinations* (“FASB ASC 805”), Uniform Standard of Professional Appraisal Practices (“USPAP”), American Society of Appraisers (“ASA”), and the Code of Ethics and Certifications Standards of the Appraisal Institute.

- A. Tangible Assets:
 - 1. Land
 - 2. Building
 - 3. Site Improvements
 - 4. Tenant Improvements
- B. Intangible Assets:
 - 1. Leasehold Interest Valuation **More Info Below*
 - 2. Value for Leases in Place
 - 3. Leasing Commissions
 - 4. Legal and Marketing Costs
 - 5. Customer Relationships

Leasehold Interest Valuations

We perform leasehold interest valuations as part of larger purchase price allocations and as standalone assignments for a variety of clients in both ownership and tenant positions. We understand the motivations and risks involved with being on either side of the lease, as well as the impacts of the specific lease terms. The lease term remaining, original sign date and expiration date, concession package, credit rating of the tenant, renewal options, location and size can all come into play and should be thoroughly considered.

Our PPA Experience Includes:

- Single Tenant, Triple Net Lease Properties,
- Regional Malls,
- Community Centers,
- Existing and Proposed Luxury Apartment Buildings,
- Portfolios of leases across multiple states for national tenants,
- Healthcare business and property acquisitions with over 20 various owned and leased locations,
- International business and property acquisitions with owned and leased locations in Europe,
- Land and Development sites at various stages of development, and many more.

When Is a Purchase Price Allocation Needed?

The most essential purpose for a PPA is to report the results of the transaction to investors looking at financial reports, and to take depreciation and amortization into account when calculating taxes or cash flow statements. Most clients like to get the PPA done soon after the closing while the data is fresh and accessible. It can also be useful pre-transaction, from both the sell-side and buy-side.

Marshall & Stevens

Founded in 1932, Marshall & Stevens is a nationally recognized, full-service valuation firm. Through our extensive valuation and consulting experience, we have developed an understanding of the interplay among asset valuation, tax implications and marketplace issues.

Our clients are diverse, and we approach each client's particular needs with a fresh prospective. Our expertise enables us to assemble multi-disciplinary teams to satisfy client needs on domestic and international assignments.

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