



TRANSACTION ADVISORY SERVICES

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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

REAL ESTATE VALUE IN THE TOTAL

Company real estate can go through many cycles. The Buy/Build phase is not necessarily a simple process, but it is straightforward. Feasibility is measured by company needs, operating costs, tax incentives, market conditions and a host of other factors. Valuation is a key part of this for recording the new asset on the books, financing or other well-known factors.

The Disposition phase typically occurs with the sale of the business and involves all owned and leased real estate to be transferred. This phase may also occur due to sale of a single asset because of consolidation, competitive markets, aging of the asset, and the like. Depending on the expertise of a third-party broker, a valuation for the seller may involve a broker's opinion or technique other than a formal appraisal.

This paper addresses the internal planning, or "in-between", phases.

WHAT THIS MEANS TO YOU

If companies do not have the proper internal planning elements, they may face the following risks:

- Incorrectly valuing your owned real estate
- Underutilizing real property for the intended business purpose
- Failing to renovate or upgrade your facility to incorporate changing technology
- Losing operating efficiency from not consolidating, resulting in the inability to adapt to competitive markets

THE INTERNAL PHASES

Although real estate is an immovable asset, its value fluctuates frequently due to various market influences. Once acquired, the real estate is added to the company's financial reporting and subsequent improvements and betterments are depreciated over the life of the assets.

While it is crucial to consider accounting and tax implications, knowing the value of the owned real estate in the internal phases may be integral to key decisions.

The analysis for any of these internal phases is complex and involves establishing business priorities that may impact many other aspects of the building. This may include operating costs, taxes (property and income), and geographic market area. The suggestion here is that Fair Market Value of the real estate should be one of the major considerations in your internal planning process.

Depending on the investment of your real property portfolio, monitoring your real estate is critical. The periodic updating of your real estate values can provide a true benefit in your internal decision process.

SUGGESTED STEPS

1. Review your current owned and leased real estate portfolios to determine if the information is complete and current.
2. Review the locations of your local taxation governance to insure that your owned property is correctly identified, thus minimizing any possible property tax exposure.
3. Include a valuation consultant to discuss the proper valuation for the real property investment or disposition considerations if your internal planning involves possible acquisition of new real estate, or possible disposition of owned or leased locations.

It is importance that you utilize a recognized valuation consultant. Designations and licensing is of paramount importance as most lenders/reviewers require that the appraiser has an Appraisal Institute (MAI) designation. Furthermore, approximately 46 of the state governments require that the appraiser is professionally licensed within their state.

NAVIGANT'S PROFESSIONAL SERVICE OFFERINGS

Often times, our scope of work is for interim valuations over the life cycle of the real estate asset(s). Key considerations may include the level of detail in the analysis necessary for your needs; compliance, license and regulatory issues; and if a portfolio valuation or individual property valuation would be most helpful.

Examples of Customized Professional Service Offerings:

1. Compliance assistance with the Stark Law
2. Leased Premises Fees by developing comparative metrics that, due to the diverse locations and property types, typically do not include use of typical "rent comparables"
3. Allocation of Fair Values for portfolio of hundreds of special use properties used for financial reporting of restructuring lease arrangements between two related Real Estate Investment Trusts ("REITs")

NAVIGANT VALUATION SERVICES

Navigant's Transaction Advisory Services team is an independent valuation advisor. Our team includes business and enterprise, real property, and personal property professionals. Our professional service offerings include:

- Real property valuation studies
- Personal property valuation studies
- Intangible/intellectual property valuation services
- Solvency/fairness opinions
- Insurance valuation studies
- Feasibility, highest, and best use studies
- Fixed asset outsourcing services