

REAL ESTATE

OUR SERVICE OFFERING TO THE REAL ESTATE SECTOR



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BDO Real Estate

BDO is a leading audit and accountancy firm, both nationally and internationally.

Our depth of experience in the Real Estate sector means we can provide our clients with professional advice combined with specialised industry knowledge and expertise. In addition to the classic accounting and tax advice BDO built its heritage upon, we also offer commercial consulting services to companies across the real estate industry. Due to our broad range of services, we can assist our clients throughout the entire life-cycle of their real estate investments. Thus, our clients think of us as a partner for tax, economic and legal issues at any point in their supply chain. Our real estate team has a high level of industry experience across different areas of the sector, serving all of our clients' needs. BDO combines these professional and industry-specific skills in interdisciplinary teams, which make up our global industry competence centres.

All services under one roof – comprehensive cross-sector advice from one source

Our real estate industry group advises companies, foundations, family offices and individuals in all property-related issues. We offer the following services:

- ▶ Transaction support
- ▶ Due diligence reviews
- ▶ Tax Compliance: ongoing tax advice, financial accounting and preparation of annual financial statements according to IFRS or German GAAP (HGB) standards
- ▶ Reporting
- ▶ Legal services
- ▶ Property valuation
- ▶ Audit services for construction clients
- ▶ Analysis of contamination site risks and land recycling
- ▶ Evaluation of economic efficiency with respect to settlement development
- ▶ Advisory services regarding inheritance and gift taxes

Based on the specific requirements of our clients, professionals (such as tax consultants, lawyers, accountants, experts for property valuation and construction experts, engineers and real estate economists) from our real estate group form tailored consulting teams to provide solutions appropriate to each client's situation. Our breadth of experience in these teams means we can offer our clients comprehensive, targeted approaches and solutions to their issues.

1. Transaction services

A real estate investment is a complex strategic decision. We advise our clients in all phases of their real estate investment.

We pay particular attention to the tax-optimized structuring of a real estate investment. With a view to the specific goals and needs, we evaluate national as well as cross-border investment opportunities from a tax and economic perspective.

We also support institutional investors, e.g. providers of open and closed-end real estate funds, from acquisition to exit.

Due to our extensive experience in the concept and implementation of real estate transactions, we are able, if necessary in cooperation with our foreign BDO Member Firms, to offer comprehensive and targeted advice „from a single source“.

Our range of services in real estate investment

We support our customers in particular in the following areas:

- ▶ Structuring of the real estate acquisition (e.g. direct or indirect investment via domestic or foreign partnerships or corporations)
- ▶ Financing of the real estate investment
- ▶ Tax consequences of the real estate transaction
- ▶ Accounting issues
- ▶ Exit strategies





Our range of services at the exit

We support our customers in particular in the following areas:

- ▶ Preparation of an information memorandum
- ▶ Investor selection
- ▶ Financing consulting including preparation of necessary test reports for the financing application
- ▶ Support from the preparation phase through the bidding phase to the execution phase
- ▶ Follow-up and execution



2. Due Diligence Reviews

Due diligence investigations as a detailed analysis of all aspects relevant to a real estate transaction create transparency and do not only show you risks in the context of a change of ownership. Rather, due diligence investigations also visualize the potentials of your planned real estate and real estate company transactions.

Our range of services

We support our customers with

- ▶ Financial Due Diligence
- ▶ Legal Due Diligence
- ▶ Tax Due Diligence
- ▶ Technical and Environmental Due Diligence.

Our interdisciplinary and international teams of specialists from all necessary BDO divisions and countries analyze the economic, financial, legal, tax, technical and environmental circumstances of the property(ies) or real estate company.

This results in the following advantages for our customers:

- ▶ Access to real estate-specific know-how of all BDO divisions
- ▶ A central contact at BDO for all corporate divisions
- ▶ Illustration of potentials and identification of risks
- ▶ Facilitation of decision-making due to established transparency
- ▶ Purchase or sales price based on expert opinion of independent experts (objectivity reduces vulnerability)



3. Tax Compliance

We provide ongoing tax advice, accounting and preparation of annual financial statements to ensure our clients fulfil all of their legal obligations. We believe qualified structural recommendations require comprehensive business expertise and excellent economic knowledge. Our clients, which include institutional investors, project developers, portfolio holders and family offices, benefit from the many years of experience of the interdisciplinary BDO Real Estate Team. We form one dedicated team for each client, which is made up of a multi-disciplinary, industry experts with diversified strengths. Each client is assigned a fixed contact person who will coordinate their entire engagement. We work alongside our clients as partners, in order to develop a long lasting, successful relationship.

Our range of services

- ▶ Tax consultancy
- ▶ Advice on the structure of balance sheets
- ▶ Financial accounting (in general)
- ▶ Financial accounting using industry and client specific software (such as MRI)
- ▶ Payroll accounting
- ▶ Accounting for deferred taxes
- ▶ Preparation of financial statements in accordance with industry standards (e.g.; German GAAP (HGB), IFRS or UK/US GAAP)
- ▶ Preparation of tax returns (including e-balance sheets)
- ▶ Tax planning and proactive ongoing tax advice
- ▶ Monitoring and advising on tax audits
- ▶ Representation in front of the tax authorities
- ▶ Central coordination from Germany of domestic and foreign taxation filling obligations for international clients
- ▶ Tax-Compliance-Management



4. Reporting

Real estate companies have to prepare for, and respond to continuous increasing requirements regarding tax and economic terms. It is necessary to be familiar with the accurate and contemporary figures to establish a solid basis for further decisions. An essential starting point is therefore a comprehensive reporting. Especially significant aspects are proper accounting and evaluation of various key figures. With controlled establishment of budgets and consequent target figures, the company's future will be secured.

Our range of services

We advise companies which own office and commercial properties of all sizes on their monthly and quarterly reporting. This reporting (national and international) contains for example:

- ▶ Merger of proper accounting and bookkeeping at company level
- ▶ Preparation of the figures and KPIs according to individual reporting requirements (German GAAP, IFRS, UK GAAP)
- ▶ Explanation of financial statements and reporting items in individually developed spreadsheets
- ▶ Description of essential calculation bases, for example:
 - Schedule of assets with a detailed list regarding the non-current assets and their depreciation
 - Interest on loans
 - Calculation of capitalization of rent free periods
- ▶ Recording of tenant fixtures and tenant subsidies
- ▶ Listing of intercompany survey
- ▶ Budget planning

5. Legal Services

We advise national and international clients on all matters of Real Estate Law at every stage of the transaction. We cover residential, offices, commercial buildings, warehouses and logistical sites and other special-purpose properties.

Our services include consulting for purchase and sale of individual properties as well as portfolios, project developments, brownfield sites, real estate finance and commercial leases. All of our lawyers are broadly experienced on all facets of the real estate sector.

We do not consider ourselves to be just legal advisors to our clients; we keep the interests of our clients centre-stage. In order to safeguard the interests of our clients we often collaborate with other experts throughout the BDO network of offices.

Our range of services

- ▶ Real estate transactions from one source (asset or share deal)
- ▶ Legal due diligence work, including coordination with other due diligence projects (e.g. financial, tax, technical, environmental)
- ▶ Drafting and negotiation of real estate sale and purchase agreements
- ▶ Drafting and negotiation of commercial leases and rental contracts
- ▶ Real estate project development
- ▶ Structuring and restructuring measures (e.g. sale-and-lease-back)
- ▶ Specialised properties advice (e.g. hospitals, hotels, shopping centres, logistics facilities, wind and solar energy parks)
- ▶ Legal representation (including lawsuits in construction matters, enforcement proceedings, compulsory auctions)
- ▶ Notary services



6. Property valuation

There are many reasons clients require a valuation of their real estate assets, for instance:

- ▶ Purchase, sale or restructuring transactions
- ▶ Accounting in accordance with German GAAP (HGB) or IAS/IFRS (opening balance, subsequent valuation, purchase price allocation)
- ▶ Determination of the Net Asset Value
- ▶ Financing and mortgaging
- ▶ Project development (scenario analysis)
- ▶ Insurance purposes
- ▶ Taxation (e.g. inheritance, gifting)
- ▶ IPO

The range of properties we evaluate includes residential, commercial, public and special-purpose buildings (hospitals, for example). We provide individual and portfolio assessments.

Our range of services

We determine the real estate value of developed and undeveloped land or leasehold rights either on an adhoc basis or on a continuous basis for residential and commercial properties as well as for public buildings or special real estate.

Market Value appraisal:

The valuation is carried out either according to national (ImmoWertV, BelWertV) or international standards (IFRS, Red Book, Blue Book, White Book). Standardised methods (e.g. market approach, cost approach and income approach) and non-standardised methods (e.g. residual value method) are used.

Qualified and always objective:

Valuations are always carried out by independent, qualified and experienced employees. In particular, these are real estate economists, civil and economics engineers, certified real estate appraisers and construction experts.

Further services

It does not always have to be a market value appraisal. We also offer you market value indications (desktop or with on-site inspection), rental value assessments, economic analyses and other real estate valuation services.

We look forward to your enquiry.





7. Site risks and land recycling

For responsive decision making in portfolio-development, zoning, property development or corporate finance, adequate assessment of environmental risk is of increasing importance. Contamination of soil and groundwater may pose substantial financial risk and require systematic and practice oriented approaches in evaluation, authority contacts, and remedial action.

Our range of services

- ▶ Analysis of economic and ecological effects of land-use
- ▶ Feasibility studies regarding land redevelopment
- ▶ Management of permitting procedures
- ▶ Environmental risk assessments (identification and quantification of risks that may result from a company's environmentally relevant activities)
- ▶ Risk assessments, brief analyses and expert opinions on contaminated sites
- ▶ Preparation of cost estimates for demolition of buildings and remediation of contaminated sites

We evaluate environmental and site risks, permit risks for environment-related equipment as well as standard and special-purpose properties for clients from a broad spectrum of industry sectors.

Our systematic cost estimate patterns for land development and re-development consider hazard- and receptor-relations when defining remedial goals. Risk-factors are subject to both, technical and economical evaluation for a wide range of land-use options.

Our team comprises geologists, chemists, civil engineers, process engineers, and development planners, many of them being certified experts according to German laws and regulations.



8. Public Benefit Analysis in City Development Projects

Very often, public investors lack the appropriate experience required to properly predict the budgetary implications of an investment. The development of inner-city properties from a municipal tax point of view poses another complex issue for these public investors. BDO can help clients proactively plan their project to take everything in to account with regard to municipal taxes.

Our range of services

- ▶ Forecast of the effects of area development from a municipal tax point of view (taken from expenditure and revenue in the municipal budget)
- ▶ Fully integrated expert planning
- ▶ Transparent, easily updated modelling methods
- ▶ Identification of the main profitability parameters of a project

- ▶ Definition of the municipal negotiating position towards investors
- ▶ Documentation of the results for the decision-making committees
- ▶ Provision of a qualified basis for EU-wide invitations to tender regarding development projects

BDO hosts workshops that allow all project members to discuss the progress of their project, to address problem areas and to present and plan solutions. The main purpose of these workshops is to ensure an objective discussion on the project. All planning options are structured calculation models, which allow any effect on the municipal budget to become immediately obvious so it can then be considered in the decision-making process. Together with the specialists of BDO Technik- und Umweltconsulting GmbH we are among the very few service providers offering economic feasibility studies that cover all types of sites and utilisation forms.

9. Inheritance and gift taxes

Under the new valuation regulations from the Annual Tax Act 2022, the calculation of inheritance and gift tax will in future be based on the current market value of the real estate. In particular, the legislator has introduced more stringent requirements for the income and asset value methods. However, the person due to pay the inheritance or gift tax has the opportunity to present an assessment prepared by a certified BDO expert which confirms a lower value of the respective property, thus enabling them to save.

We are pleased to be able to assist clients with regard to the inheritance planning of private properties, especially in connection with:

- ▶ Tax allowances granted to spouses or registered life partners
- ▶ Property transfers to children
 - Inheritances from deceased spouses, registered-life partners or children
- ▶ The possession of holiday properties abroad (including possible inheritance tax obligations abroad)



10. Property tax advice „BDO Grizzly“

Our BDO real estate tax team assists our clients on all matters relating to real estate tax and supports them through the process of submitting tax returns. BDO has special expertise on issues relating to the valuation of real estate and agricultural and forestry assets, as well as on claiming tax exemptions. BDO's in-house developed software solution BDO GRIZZLY is used in the entire realm of real estate tax consultancy. As a cloud-based software solution BDO GRIZZLY supports the efficient preparation and submitting of tax returns, the automated review of tax assessments, filing of appeals and the preparation of notices of change. BDO GRIZZLY transmits tax returns, appeals and notices of change electronically using the official ELSTER interface supplied by the German tax authorities. In all processes and process steps, the integrated workflow engine ensures that all necessary checks and reviews take place and unnecessary manual controls are avoided.

BDO clients can choose to use BDO GRIZZLY solution as a managed service or as software-as-a-service. In the SaaS area, we offer project-based customizing to the workflow and procedure to adapt BDO GRIZZLY precisely to the needs of our clients.

Our services include:

- ▶ Preparation of tax returns for the determination of real estate tax values
- ▶ Examination of notices on the determination of real estate tax values
- ▶ Filing of appeals
- ▶ Advice on questions of valuation for real estate tax purposes
- ▶ Advice on property tax issues, e.g. claiming tax exemptions
- ▶ Filing of notices of change
- ▶ Data analysis and management
- ▶ Property tax compliance processes

11. ESG

In today's world, the actions of organisations are closely intertwined with environmental, social and governance (ESG) concerns: Being convincing in these three areas is not a „nice to have“ but a „necessity to do the right thing“ and organisational endorsement is essential.

Sustainable corporate governance and related metrics are increasingly coming into the focus of financiers and regulators across all sectors. Companies are confronted with more and more legal requirements on sustainability: There is, for example, the Corporate Sustainability Reporting Directive (CSRD), the EU taxonomy, disclosure regulations and the Supply Chain Duty of Care Act. In addition, environmental disasters and the global covid pandemic are attracting widespread public attention. As a result, the regulatory and societal pressure on companies in terms of sustainable corporate governance has never been greater.

The impact of ESG extends to various stakeholders: Employees, customers, suppliers, society, investors and regulators. Non-financial performance provides stakeholders with critical insights into how an organisation is addressing global trends, risks and opportunities to drive long-term value.

The goal of strategic sustainability management is to identify and quantify risks from existing impacts (direct or indirect) that need to be addressed to ensure long-term business success.

In the real estate sector, both the following topics are of particular relevance:

Environment:

- ▶ Energy consumption
- ▶ Scope 1, 2 & 3 emissions
- ▶ Circularity of building materials

Social and human capital:

- ▶ Labour practices: Understanding compliance with labour standards
- ▶ Employee health & safety: gaining an understanding of working conditions and protective measures
- ▶ Diversity & Inclusion: Summary of the company's approach to diversity and equal opportunities of its employees and analysis of the personnel structure including equal opportunities
- ▶ Purchasing practices and consideration of human rights issues in the value chain

Business Model & Governance:

„Compliance with Business Ethics“

An analysis of these issues enables an overview of management practices to be made of environmental social and governance aspects throughout the company and to identify critical aspects as well as opportunities.

It is no longer a question of „if“ a company should do something, but „how“ it can embed sustainability in its business models. We support you in a variety of individual ways in setting up or further developing your sustainability management and reporting - feel free to contact us!

Audit of non-financial information	+
Reporting-related consulting	+
Strategic consulting Sustainability management	+
Sustainable Finance	+

[Sustainability Services \(bdo.de\)](https://www.bdo.de)

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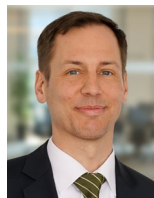
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