



EXCERPTS OF RECENT MEDIA COVERAGE

REAL ESTATE PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q4 2014

► COMMERCIAL PROPERTY EXECUTIVE

SINGLE-FAMILY REITS AND FUNDS IN THE IMPROVING HOUSING MARKET

By **Christopher Tower**



A review of the single-family REIT and fund sector in recent months finds it well positioned for long-term growth...

Additionally, many single-family REITs and

funds are now using securitization as a way to free capital to fund future growth. But as the housing market improves and home prices continue to rise, at some point, acquiring new properties may become too expensive for the single-family REITs and funds...and they will likely need to consider a few possible strategies as they adjust to this evolving landscape.

Single-family REITs and funds may look to offload certain properties as a way to cultivate more strategic portfolios and generate capital. By selling select properties, either in bulk to larger public REITs or individually in the greater marketplace, they may be able to create the cash flow needed to ensure their longevity. Returns could be significant. Many single-family REITs and funds own properties that have significantly increased in value since they were purchased. While there hasn't been a great deal of this activity in the

marketplace yet, that may change in the near term.

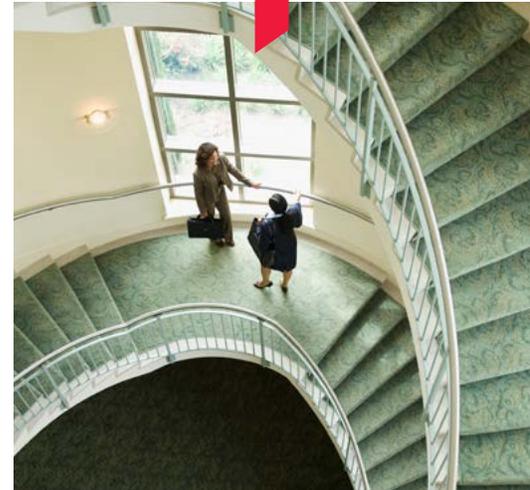
Another approach may be to limit their acquisitions to certain geographically targeted areas. While many industry professionals were initially hesitant about these entities' ability to effectively manage geographically dispersed portfolios, their doubts have largely been put to rest. Many single-family REITs and funds have been managing their dispersed properties better than expected. This is largely due to the substantial cut in renovation and management service costs they can negotiate due to their massive volume of homes. Still, if they were to narrow the areas in which they own properties, they might more easily grow internal management structures and outsource less. This, in turn, could streamline their operations and boost cost efficiency even further.

► REAL ESTATE FINANCE & INVESTMENT

CONDO MARKET UPDATE

By **Danielle Balbi**

Despite significant growth in condo inventory in the Miami condo market, game players expect to see a strong winter buying season, with October's numbers exceeding what was seen during the same period in 2013...



BDO's Real Estate industry practice provides assurance, tax and advisory services to all sectors of the real estate industry in the United States and globally. BDO's international reach and extensive experience in addressing the business and compliance issues applicable to REITs and other real estate structures is supported by a network of 1,328 offices in 152 countries.

The pre-crisis Miami market was characterized by speculators who were looking to quickly flip properties, and the over flux of inventory led to a significant decrease in pricing. "The model has changed and has been enforced by the lenders,"



said **Albert Lopez, the Southeast managing partner in BDO's Assurance Services.**

"In the model you see now, by the time you go to contract, buyers put down about 50% of the purchase price."

With buyers helping allocate capital, banks are providing 50% or less in construction financing and private equity groups are becoming more involved, said Lopez.

"In the last three months there's been a decrease in closings, and that's because you see pricing going up. Or maybe Miami is not as attractive as a year ago, but there's still a lot of demand," explained Lopez. "Our market is a little bit different than the rest of the United States...the rest of the cities depend on local economic growth, job opportunities, job growth where in South Florida we have the local economy, but we also have foreign investors."

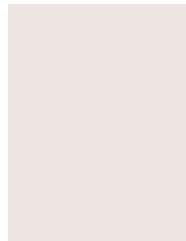
The buyer profile not only includes the obvious younger working professionals more interested in city living and snowbirds explained Lopez. "You also have baby boomers, who, as they retire, are looking to sell their homes and are looking for condo living. It's safer and provides less maintenance."

Foreign buyers also occupy a large percentage of condo-owners, typically as their second homes, but it doesn't always stay that way. "For example, because of the political issues going on in Venezuela, buyers who purchased second homes in Miami are now living there. Their second home has become their first home."

▶ COMMERCIAL PROPERTY EXECUTIVE/ MULTI-HOUSING NEWS

EXECUTIVE INSIGHTS: BRENT HORAK, BDO USA

By Adriana Pop



Brent Horak, assurance partner in the Real Estate practice at BDO USA, offers insight into today's timeshare industry in a Q&A with associate editor Adriana Pop.

Q: The timeshare industry has been through some big changes during its lifetime. Are there further changes taking place? What's driving them?

A: Millennials are becoming a new driving force in the timeshare industry. However, millennials may not be as financially capable of making such sizable investments as their older counterparts are. Some may also resist the idea of a long-term commitment, preferring the freedom and flexibility that comes with other travel and leisure alternatives. Despite this, many timeshare operators are now working

to lure millennials by appealing to their tastes with green-friendly resorts and a heightened focus on wellness, among other unique features. In addition, many are using new technologies as well as boosting their social media and mobile presence to attract this new generation of potential timeshare owners.

Q: How did the market survive the recession?

A: During the recession, financing was scarce for many would-be timeshare owners and operators alike. Many future owners looking to rent or buy turned to the secondary market of timeshare resales to avoid going to banks for financing. There, they could acquire timeshares directly from the owners at prices that were sometimes 60 percent less expensive than retail prices, according to BuyATimeshare.com. The site also notes that many timeshares survived during the recession by using a points-based system...which they could redeem for multiple stays per year at different resorts, airfare and other travel-related expenses. This allowed timeshare owners to maximize their vacation dollars and operators to reduce their upfront purchase prices while maintaining solid sales.



Q: Which markets are more attractive to today's timeshare operators? Are there new market opportunities emerging?

A: Many timeshare operators are looking to acquire properties overseas as a way of adding value to their portfolios. They want to strategically increase the value for the owners of their properties, and many are doing this by seeking new assets in areas of the globe. Emerging markets like Asia are particularly attractive. Multiple factors, including the area's sheer size, expanding and prosperous middle class, as well as changing attitudes toward vacationing, contribute to the region's appeal to timeshare operators.

Q: Which growth strategies are the most viable for operators and what impact may they have on the timeshare industry?

A: Timeshare operators are now beginning to look for ways to expand their offerings as a way to attract new owners. Many are moving toward resembling a full-service hospitality company by providing owners with the opportunity to have unique experiences, such as daily excursions or cruise ship trips...timeshares are becoming a vehicle for a fuller vacation experience. As increasing numbers of timeshare operators broaden their list of perks for potential owners, competition within the industry will likely rise as well. As a result, timeshare operators will likely need to work hard to distinguish themselves in the market, cultivate a portfolio of attractive assets and unique offerings and strategize how they will reach their target customer base through new technologies and media.

► COMMERCIAL PROPERTY EXECUTIVE

NOTABLE 2014 REIT TRENDS THAT WILL CONTINUE INTO THE NEW YEAR

By **Stuart Eisenberg**



This year was active for the commercial real estate industry. There were significant deals, better availability of equity and financing, and continued demand. With the stage set

for an even brighter 2015, what are those notable 2014 REIT trends that will continue to pave the way forward for a promising New Year?

1. Gateway Cities, Safe Bet for Foreign Investors: The gateway cities...are attracting foreign investors and will continue into the New Year. Why? Gateway cities are highly liquid markets and offer investments that investors feel comfortable in pursuing and allocating money towards. This notion is reinforced by the fact that more than 685 U.S. assets were sold to foreign buyers, with 21.3 percent of the investment taking place in New York City, by the end of the third quarter of this year. While this trend is set to continue into and throughout 2015, there will also be an increasing interest in secondary markets. With high demand and lower availability in gateway markets, investors will continue to seek out alternative options found in these secondary markets that feature a larger selection of well-positioned assets.
2. Demand Continues for Mixed-Use Real Estate: The dynamics of developing space in which retail, office and residential all feed off one another appeals to a wide range of market participants and makes work, live and play environments a nationwide trend...Beyond the convenience they afford residents, these mixed-use

developments are also beneficial to cities because they create jobs and opportunities...Many localities are offering favorable tax treatment for this kind of development...A strong factor driving the ongoing demand for this type of community is aging baby boomers and empty nesters who find this convenient living desirable as they transition out of single family homes and into the next phase of their lives.

3. Despite E-commerce Boom, Brick-and-Mortar Retail Remains Relevant: While the brick-and-mortar retail sector continues to grapple with a slow recovery in sales and competition from e-commerce, it will remain relevant and continue the resurgence it started this year...Brands are catering to customers' shifting preferences and desire for convenience. Many companies are maintaining their brick-and-mortar locations to offer shoppers the option to buy online, but pick up in stores, as well as for more traditional customers who favor an in-store shopping experience.

► REAL ESTATE FINANCE & INVESTMENT

REAL ESTATE SPECIALIST SEEKS TO BOLSTER RANKS OF WOMEN

By Danielle Balbi

BDO USA, LLP, a tax, financial advisory and consulting firm with a large real estate practice, wants to bolster the ranks of women in the company. "When we lose our women professionals, it hurts our business,"



said **Kristen McCarthy, a partner at BDO and co-chair of the firm's Women's Initiative.**

"We invest a lot in our people. Our people are our connection to our clients."

The program is operated through regional and local offices, and places a strong emphasis on mentorship. "Predominantly,

what most women are faced with – and it’s not just a BDO issue but a corporate America issue – is a lack of role models. When you look back at the generations that have been working through corporate America, more women are working now and different types of social norms are shifting. The main strategy for us is providing leadership advisory and support coming up through the ranks,” said McCarthy.

However, these issues are not necessarily gender specific, explained McCarthy. The firm gauges employee issues and concerns through a simple, gender neutral approach: surveys. “Some of what we’ve found is in terms of surveying our people, and we do regular surveys throughout the year to check the pulse of how effective we are. You have to be flexible. We have as many as four generations working together, teaming together, and collaborating together,” explained McCarthy.

While the firm has seen a great improvement in retention rates since the initiative’s start, McCarthy is less impressed with the numbers and more impressed with the progression of the company’s culture. “We are one of the best places to work, and we have a culture that supports growth and collaboration and has great diversity. I think that awareness has enabled us to reach such a wide audience, to empower women to go to the next level. Not everyone has to reach a particular level to be a success at BDO,” said McCarthy. “When we get together, there’s this fantastic energy, and to see that energy and excitement is the backbone of a great company. And that’s what I’m most proud of.”

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