

# REAL ESTATE AND CONSTRUCTION



# ▶ **THE REAL ESTATE INDUSTRY IS FILLED WITH RISKS AND RISK TAKERS. BUT WHEN IT COMES TO CHOOSING YOUR BUSINESS ADVISORS, YOU WANT TO PLAY IT SAFE.**

## **Serving the real estate and construction industry**

The real estate and construction industry has had many challenges recently. Increased market volatility and risk in all sectors has been driven by economic and financial uncertainty, and financing has become more and more challenging to obtain. Regulatory hurdles continue to expand and drive additional costs, while changes to excise taxes and domestic and international tax rules create further complexity and cost, along with some potential tax saving opportunities. Customers are demanding innovation, value and environmentally friendly solutions in an environment that has become increasingly competitive.

As a developer, builder, contractor, investor, property manager or supplier, your challenges and opportunities in the industry have never been greater. Every sector — from residential to industrial, commercial, retail, and even P3 infrastructure projects — has

been impacted. Real estate investment trusts (REITs) are making a comeback, limited partnership and private trust structures are becoming more complex, and mortgage investment corporations (MICs) and other financial and tax opportunities continue to be developed.

## **BDO's real estate and construction practice**

Our team provides a full range of services tailored to help our clients address their changing needs in key segments of the real estate and construction industry. We offer a personalized approach combined with quality service, accessibility and commitment to our clients. For decades, our more than 100 dedicated real estate and construction partners and professionals have helped over 8,000 clients in Canada and many more internationally.

We understand the issues facing our real estate and construction clients, including the importance of practical advice that is backed by years of experience in the industry. Whether you need assistance with structuring complex international real estate projects, public or private real estate investment trusts, P3 infrastructure projects, tax minimization strategies, financing, or simply trying to understand evolving accounting standards, BDO has the expertise to offer solutions that work for you. Our team includes domestic and international tax specialists, Chartered Business Valuators, GST/HST experts, transfer pricing specialists, systems consultants, risk management professionals, business process consultants, and financial planners.

## Our services

### Audit and assurance

Today, many Canadian companies like yours have been left dealing with multiple accounting standards. Whether you are adopting International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE), or converting from US or Canadian Generally Accepted Accounting Principles (GAAP), there are significant challenges and implications to converting

your accounting standards. Our assurance and business advisory professionals can help make the transition as smooth and as timely as possible, while carefully contemplating the potential impact on your balance sheet, bank covenants and future operations.

Beyond year-end audits of financial statements and advice on GAAP, we also offer specialized assurance services, including:

- Audits of common area maintenance costs
- Real estate trust audits for strata corporations and property managers
- Rental pool audits
- Loan covenant compliance
- Due diligence on mergers and acquisitions
- Profit participation
- Joint venture agreements
- Securitization due diligence
- Construction costs



**You need a stable, trusted advisor who understands your industry to help you make informed business decisions. At BDO, our real estate industry professionals have the experience and knowledge to help you devise, plan, and implement business and financial strategies to accomplish your goals and build your bottom line.**



## Tax

Our team understands that tax planning can be a major factor in a project's success or failure. We develop specific tax plans that can reduce and defer taxes for your unique business situation. We invest in developing strategies and innovative ideas to help our clients minimize their tax burden, while complying with domestic and international tax law. Our expertise includes:

- Tax effective structures for Canadians investing in the US and abroad
- Tax effective structures for non-residents investing in Canada
- Tax loss planning
- Tax rate reduction strategies through proper structuring to take maximum advantage of the eligible dividend and refundable dividend tax rules

- Structuring to maximize the benefits from the reduced capital gains tax rates
- Structuring to maximize the benefits of lifetime capital gains exemptions
- Maximizing soft cost deductions and interest deductibility
- Maximizing capital cost allowance claims
- Sales tax planning
- Property Transfer Tax minimization
- Transfer pricing strategies for international real estate organizations

## Transaction advisory

We provide a full range of strategic advice, analysis and due diligence services critical for a successful transaction, including:

- Advising on sale of properties or complex real estate portfolios
- Providing financial feasibility analyses, valuations and financial due diligence support for real estate deals
- Structuring for taking privately-held company to publicly-traded REIT
- Conducting market impact and needs assessment for real estate clients

BDO also provides objective, reliable valuations, as well as corporate finance services to help raise the capital needed to finance transactions. Our transaction management teams work with entrepreneurs and their advisors throughout the process, from planning to the eventual successful execution of the following types of transactions:

- Selling all/part of a business
- Buying a business
- Buyouts and buy-ins
- Public-to-private transactions
- Public-private partnerships

### Valuation

Working with real estate and construction appraisers, we value companies for financings, sale and working capital needs. We create valuation reports that allow our clients to better value and understand their assets. Our past experience with commercial properties has included single-unit, multi-unit, anchor tenant plazas, shopping centres, strip malls, retirement homes, residential properties, vacant, undeveloped land, and land under development.

### Risk advisory

Our risk advisory services are aimed at the following areas of concern for many real estate and construction companies:

- Business process enhancement to lower costs
- Internal audit to ensure controls are in place and risks managed
- Technology, risk and security to manage IT risks
- IFRS conversion



### Scientific Research and Experimental Development (SR&ED)

The SR&ED program can be used to help the real estate and construction industry with tax credits for innovations ranging from design and development of equipment and structures to building materials and new energy sources. Some areas that may apply include:

- The design and development of construction equipment, tools and temporary construction structures
- Investigations related to the development of new — or the improvement of existing — construction and building materials (metals/alloys, plastics, ceramics, concrete/cement)
- Investigations related to the development of new — or the improvement of existing — construction techniques to improve finish quality, durability and efficiency
- Analysis of structural designs related to dynamic structures (retractable roofs, solar energy collection positioning systems)

### Litigation support

BDO has one of Canada's leading investigative and forensic accounting practices, representing public and private clients in court. We ensure that they receive the most beneficial outcome by working closely with real estate litigation lawyers. Our experience includes expert testimony and arbitration and dispute resolution covering

such areas as contract disputes, builders liens, delay claims, insurance claims, loss quantification, and shareholder/partnerships disputes.

### BDO Solutions

Partnering with Microsoft, we have successfully implemented over 1,000 projects for companies to increase functionality in their financial and customer relationship management. We offer a specific solution tailored to the construction industry.

### About BDO

The international BDO network is comprised of public accounting firms around the world, called BDO Member Firms. We are the fifth largest accounting and advisory network in the world, with a full range of related services tailored to each respective locale. As part of this worldwide network, our Canadian member firm has access to more than 1,000 offices in over 100 countries.

BDO in Canada is one of the country's leading accounting and advisory firms with 95 offices nationwide. We have the expertise to serve owner-managed, large and mid-market companies, communities and non-profits in a broad range of industries. With a team of almost 2,400 partners and professionals, we can help you expand your business into new markets and make your mark with new successes.



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