

Fractional Equity Interest Valuation

Newmark Valuation & Advisory's experts specialize in valuations for investors with fractional equity interests in real estate holding companies.

Newmark Valuation & Advisory's (V&A) Financial Reporting team specializes in a broad spectrum of valuation services for shareholders of privately-held companies principally invested in real property. Intended uses of the services include trust and estate tax planning, estate tax filings, negotiations, decision making and litigation support.

Fractional interest valuations require an assessment of an ownership interest, which is influenced by many of its characteristics, including marketability and control. These factors can have a meaningful impact on the concluded value of an ownership interest.

In conjunction with investment performance, the following factors are examples of attributes Newmark considers in the **assessment of appropriate discounts for lack of control and marketability**. Unlike public companies, investors in privately-held companies controlling real property may not be guaranteed pro rata distributions; have any control or influence over their investment horizon; or be able to freely transfer their interests without management or member consent. Considering these factors and the possible lack of influence over management decisions, the return of and on invested capital may be delayed and/or diminished.

Increasing IRS scrutiny and investor demands require that analyses be performed by a "qualified valuer." Newmark V&A Financial Reporting presents its objective analyses within a report that effectively communicates its findings and meets investor and regulatory requirements.

The current **federal tax exclusion levels**, which are in place through December 2025, and the uncertain real estate market presents investors with tax planning opportunities that warrant consideration.

- **Control discounts** consider, among other factors, the member's ability to influence and select management, acquire or liquidate assets, pay distributions, borrow funds, and transfer interests.
- **Marketability discounts** consider, among other factors, the company's financial statements, history and future ability to pay dividends, management performance, the nature of the industry in which it is invested, and the investment horizon.

Newmark V&A Financial Reporting Team Experience

The V&A Financial Reporting team is uniquely positioned with its national coverage, experience across all asset types, and its ability to coordinate portfolio valuations, which empowers investors to make decisions with confidence.

Fair market valuation of fractional interests in a portfolio of 40+ privately-held companies invested in retail and multifamily assets valued at more than \$500 million for estate planning

Valuation of a diversified portfolio of casino/gaming, multifamily, and office properties in conjunction with the fair market value of the accompanying fractional equity interest

Valuation of 40+ fractional interests held within 25 privately-held companies invested in 11 commercial real property assets for estate planning