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Apr 30, 2008 4:35 PM, By Poonkulali Thangavelu

A North American appraisal services giant is in the making. Altus Group Income Fund, a Toronto-based real estate advisory services company, has entered into a non-binding letter of intent to acquire Integra Realty Resources, a New York-based real estate valuation and consulting firm.

Altus, with an employee count of over 1,100, has 31 offices in 23 Canadian cities and six offices in the United Kingdom. Integra has 800 employees, including more than 600 professionals, at 55 offices in the U.S. and Mexico.

The merger would result in a \$1 billion company, according to Integra, based on expected growth in revenue over the next three to four years. The current management of Integra would continue to have a stake in the acquired company.

Altus expects the deal to close in October. It is still subject to regulatory scrutiny and due diligence. The stock price of Altus, which trades on the Toronto Stock Exchange, closed at \$18.45 on April 29, just below its 52-week high of \$19.

Jeffrey Rogers, president and COO of Integra, says the merger will increase “the capabilities and service offerings of Integra in the United States.” He also expects Integra clients to benefit as U.S. real estate investors expand globally. Integra now will have service in Canada and the United Kingdom, and could further expand internationally.

Rogers expects the merger to add to Integra’s competencies in construction cost analysis, where Altus offers a “soup-to-nuts” menu whereas Integra typically offers only feasibility studies. And when it comes to monitoring the ongoing costs of a development project, Altus also offers project-monitoring services, which Integra currently doesn’t do.

Altus management views the current climate of increased appraisal scrutiny in the United States as conducive to creating demand for independent advisory services, as opposed to services rendered by brokers. That’s because lenders are requiring more comprehensive and detailed reporting before making loans.

In an analysts’ call relating to the merger, Gary Yeoman, CEO of Altus, noted that the implementation of international accounting standards in the United States will create a significant growth opportunity for independent appraisals. There has to be participation by someone “who has no conflict whatsoever” and “a perception of independence” from the point of view of the financial community and auditors, he said. And in the current climate of falling real estate values, banks need to monitor their investments.

Integra satisfied the three criteria that Altus used to look at the benefits of merging: (1) Integra is a growth company; (2) it is a leading company in its line of business; (3) it is in a business that is a core part of Altus’ business. So, Altus views the acquisition as a “perfect match for both of us.” Yeoman says the deal “would represent Altus Group’s most significant acquisition to date and our first foray into the U.S. market.”

Responding to questions from analysts about the value of the deal, Yeoman said that Integra is “not a mom-and-pop” business and that the acquisition would add to the earnings of Altus going forward. He declined to go into the specifics of the deal valuation, noting that Integra is currently consolidating its earnings figures.

Yeoman noted, however, that some other suitors were “willing to pay significantly more” than the amount Altus offered. The Canadian company, which did not disclose the acquisition price, is funding the deal with a mixture of cash and debt financing.