

# **Real Estate Information Standards (REIS)**

2010 Business Plan

Oct. 20, 2009

# Why REIS?

---

- The credibility and sustainability of institutional private real estate investment relies upon transparent, consistent and integrated accounting, valuation, performance measurement and reporting. Established standard setting bodies (e.g. FASB, Appraisal Institute and GIPS) do not specifically address institutional real estate investment and investor reporting issues leading to inconsistency and lack of transparency.



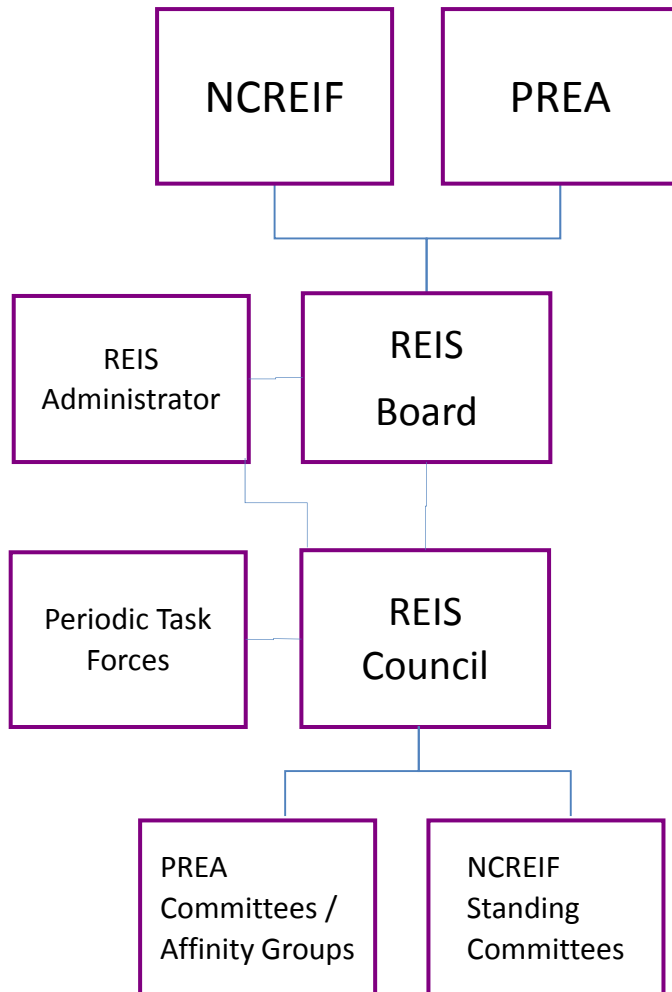
# Recap: A Bit of History

---

- 1991: Real estate markets collapse
  - Need for standards emerges in order to facilitate independent price discovery and promote secondary market liquidity
- 1993: NCREIF, PREA and NAREIM launch joint initiative, appointing NCREIF as lead developer
  - 1995: Deloitte retained to research and draft first Information Standards
  - 1996: With approval by NCREIF, PREA and NAREIM, the initial REIS Standards Issued
- 1997: NCREIF assumes responsibility for annual update of REIS Standards
  - 1997-2000: REIS Standards generally accepted for core investments but viewed as too property centric for non-core investments
  - 2003: To promote compliance and embrace non-core investments, substantial rewrite completed, differentiating between standards and guidance and removing property centric dominance
- 2004: REIS Council formalized by NCREIF, with paid administrator to support effort.
  - Recognition that ongoing complexities of real estate investments require a dedicated standards effort.
- 2007: Independent REIS Board appointed under NCREIF/PREA Agreement to provide oversight and strategic direction
  - 2008: REIS Council reconfigured with open nomination process in order to embrace sponsorship of PREA and NCREIF and access the expertise of the entire industry,
  - 2008: Recognizing the need for consistent and transparent information reporting the Fund Reporting Standards were developed
- 2009: Real estate markets collapse – need for independent price discovery returns to the forefront
  - “cry” for standards
  - REIS Board and Council prepare for challenges



# REIS Structure and Organization



## Sponsors (NCREIF and PREA)

- Founding sponsor organizations
- Appoint Board Members
- Approve changes/amendments to constitution
- Fund REIS operations

## REIS Board

- Official independent governing body of REIS
- Eight voting members with NCREIF Exec Director as non-voting Chair
- Responsible for setting REIS priorities and approving any changes to REIS Standards or Guidance
  - Promote and approve REIS
  - Provide oversight of Council priorities and direct activities
  - Review and promote industry compliance with REIS

## REIS Council

- Eleven members appointed by Board from industry nominations
- Responsible for researching, drafting and advancing to REIS Board revisions to existing REIS Standards and Guidance to keep REIS current:
- Responsible for responding to initiatives of and acting as liaison to Foundational Standards Bodies

## REIS Administrator

- Directed by Council Chair
- Works with Council Chair as liaison to REIS Board
- Supports all REIS Initiatives

## Periodic Task Forces (Project Specific)

- Chartered by REIS Board and Council to complete research on and/or develop new or revised standards under terms of a prospectus
- Include Council member(s) and NCREIF/PREA subject experts



## REIS Enduring Goals

---

- Respond to and provide guidance to established standard setting bodies on their initiatives
- Develop and refine real estate specific standards and guidance
- Increase industry awareness of, and compliance with, REIS



# 2009 Accomplishments (thru October 9)

---

- **Respond to and provide guidance to established standard setting bodies on their initiatives:**

Developed and submitted detailed responses to

- GIPS 2010
- FASB Statements of Position (FSP157-c, f and g) relating to Fair Value Measurements (FAS 157, currently FASB Topic 820)
- INREV Guidelines Whitepaper

- **Develop and refine real estate specific standards and guidance**

- FAS 157 (FASB Topic 820) Implementation Guidance for Real Estate with emphasis on debt valuation
- Revised Fair Value Accounting Chapter and related Policy Manual
- Issued guidance on Determining Discretion for Real Estate

- **Increase industry awareness of, and compliance with, REIS:**

Responded to investor requests for

- REIS Checklist (summary of required and recommended practices within REIS)
- Debt Valuation Survey: Should REIS require debt valuation?
  - Significant scope: 32 management firms (18 of top 20) and 24 plan sponsors (\$1.8 trillion under management)
  - Guidance requested

Developed new web site ([www.reisus.org](http://www.reisus.org))



# Last Quarter of 2009

---

- **Respond to and provide guidance to established standard setting bodies on their initiatives**
  - Proposed ASU: *Improving Disclosures about Fair Value Measurements* (due October 12, 2009)
- **Develop and refine real estate specific standards and guidance**
  - Assess next steps for debt valuation and start initiative
  - Commence task force work relating to Fund Reporting enhancements
  - Ready Performance Measurement Manual for review and approval
  - Update Accounting Chapter and Policy Manual for conforming changes
- **Increase industry awareness of, and compliance with, REIS**
  - Commence initiative to define REIS hierarchy and re-write the REIS Standards with emphasis on investor reporting to facilitate compliance
  - Initiate meetings with investor groups to increase knowledge of existing REIS Standards and research areas of desired focus (REIS Board)
    - PREA Plan Sponsor Council (late October 2009)
  - Provide Budget and Updates to Sponsors (REIS Board)

# Why REIS? 2010 and Beyond

---

- **The credibility and sustainability of institutional real estate investment relies upon transparent, consistent and integrated accounting, valuation, performance measurement and reporting.**
  - Real estate investment remains challenging; lack of transparency and comparability evident from divergent practices
  - Established standard setting bodies remain generally focused on broader capital markets
  - Need for independent price discovery continues
- **Because of REIS accomplishments, progress has been made in “narrowing the practice” but there is much more to do in order to accomplish our goals.**
  - Enhance Fund Reporting Standards
  - Develop refinements to FAS 157 (FASB Topic 820) disclosures relating to debt valuation
  - Issue Performance Measurement Manual
  - Develop and implement industry outreach program to foster compliance

# 2010 Key Goals and Project Initiatives

<u>Goal</u>	<u>Initiative</u>	<u>Primary Responsibility</u>
Increase industry awareness of, and compliance with, REIS  <b>Top 2010 Priority</b>	Develop and implement industry outreach program to all participants including: investors, advisors, consultants, accounting firms and verifiers in order to foster compliance <ol style="list-style-type: none"> <li>1. Communication</li> <li>2. Education</li> </ol>	REIS Board and REIS Council
	Define REIS hierarchy and re-write REIS with emphasis on investor reporting and facilitating compliance	REIS Council and Task Force Professional Writer/Editor
	Define what compliance with REIS means	REIS Board
	Provide Updates to Sponsors	REIS Board
Respond to and provide guidance to established standard setting bodies on their initiatives	Monitor foundational standards activities and respond as needed	REIS Council
	Establish direct communication with standards setters to ensure REIS is at the table	REIS Board
	Monitor and assess global initiatives (INREV, IFRS, IVSC)	REIS Board
Develop and refine industry specific standards and guidance	Enhance Fund Reporting Standards	REIS Council and Task Force
	Develop refinements to FAS 157 (FASB Topic 820) disclosures relating to debt valuation	REIS Council
	Issue Performance Measurement Manual	REIS Council and NCREIF Performance Measurement Committee
	Update Accounting Policy Manual	REIS Council and NCREIF Accounting Committee
	Assess what's "Waiting in the Wings"	REIS Board



# Establish Joint Board and Council Task Forces

---

To keep abreast of global industry initiatives, provide timely response to and forge alliances with other standard setting bodies and to ensure increased industry awareness with REIS, four permanent task forces consisting of at least one Board and two Council members will be established.

- **Industry Communication and Awareness Task Force**
  - Board Member(s): Michael Giliberto, Blake Eagle (proposed)
  - Council Member(s): John Baczewski, Tim Schlitzer (proposed)
- **Accounting and Valuation Task Force- FASB, AICPA, IFRS, SEC and Appraisal Institute**
  - Board Member(s): Rick Carlson (proposed)
  - Council Member(s): Jeff Kiley, Bruce Frank, Neal Armstrong, Ellie Kerr (proposed)
- **Global, Real Estate Specific “Sister Organization” Task Force: INREV**
  - Board Member(s): Lynn Thurber (proposed)
  - Council Member(s): Ken Greguski, Candice Todd (proposed)
- **GIPS Task Force**
  - Board Member(s): Chuck Tschampion (proposed)
  - Council Member(s): Maritza Matlosz, Barbara McDowell (proposed)

# Appendix

---

- REIS Board
- REIS Council

# REIS Board Members

---

## **REIS Board Chair (ex officio)**

Douglas Poutasse, Executive Director, NCREIF

## **REIS Board Members**

Richard Carlson: (retired) Global Managing Partner – Real Estate Services, Deloitte & Touche, LLP

Blake Eagle: Senior Advisor, NCREIF; (retired) Executive Director, NCREIF

Michael Giliberto: Managing Director, JP Morgan Chase & Co.

Joseph Pagliari: Clinical Professor of Real Estate, University of Chicago Graduate School of Business

George Philip: (retired) Chief Investment Officer, New York State Teachers Retirement System

Lynn Thurber: Chairman, LaSalle Investment Management

Charles Tschampion: Director, Industry Relations, CFA Institute; (retired) Managing Director, General Motors Asset Management

Susan Hudson-Wilson: (retired) Founder, Property and Portfolio Research, Inc.



# REIS Council Members

---

## **REIS Council Chair**

Kenny Smith: Partner, Deloitte Consulting  
LLP

## **Council Members**

Neal Armstrong: Director, Portfolio  
Accounting, RREEF

John Baczewski: Principal, Real Estate  
Fiduciary Services

Bruce Frank: Partner, Ernst and Young

Ken Greguski: Director, Global Head of  
Performance and Client Reporting, RREEF

Ellie Kerr: Director of Valuations, J.P. Morgan  
Investment Management – Real Estate

## **REIS Administrator**

Marybeth Kronenwetter: REIA

Jeff Kiley: Partner, PricewaterhouseCoopers

Maritza Matlosz: Vice President, Real Estate Risk  
Analytics, BlackRock

Barbara McDowell: Director, Portfolio Analytics,  
ORG Portfolio Management

Tim Schlitzer: Senior Investment Officer,  
MassPRIM

Candice Todd: Executive Director, Morgan  
Stanley Real Estate

