

# REIS adopting release

Summary of REIS handbook volume I:  
Introduction, Standards, compliance,  
REIS glossary and REIS checklists

August 31, 2011

Issued by the Real Estate Information  
Standards Council in Conjunction with the  
Real Estate Information Standards Board

# Contents

Executive summary	2
Appendix A	4
Appendix B	27
Appendix C	32

# Executive summary

This adopting release summarizes the REIS Handbook Volume I: Introduction, Standards, Compliance, REIS Glossary and REIS Checklists (Volume I). Volume I is included in the two-volume REIS Handbook (Handbook) which has been designed to facilitate understanding of the REIS organization and compliance with its standards. The Handbook is the single source of all authoritative guidance within REIS. Volume II, which will be available by December 31, 2011, will contain the REIS reference materials.

The REIS standards included in Volume I represent all the required and recommended elements to be included in Account Reports prepared for private institutional real estate investors. Portfolio Management, Performance, Asset Management, Financial and Valuation elements are included within the REIS standards. Compliance with the REIS standards must include all the required elements, where applicable, in order for an Account Report to be deemed compliant. The recommended elements, although not required, are considered a matter of best practice. Compliance is measured on an Account basis, not on a firm basis.

The REIS Council will periodically review the required and recommended practices included in the REIS standards and modify them as appropriate. Other verifiable elements may be added in the future in order to establish the REIS standards as an effective and necessary tool for the preparation and reporting of complete, comparable, transparent, useful, and compliant Account information to real estate investors. This will contribute further to the understanding of real estate as an asset class and its place in the broader capital markets universe.

## Highlights

The REIS standards were amended and the Handbook was written in order to:

- Facilitate full compliance (by January 1, 2014) and verification with the REIS standards by codifying them into a two-volume handbook which incorporates a two-tiered hierarchy of standards and reference materials.
- Facilitate compliance self-assessment by modifying the existing REIS checklists.
- Recognize that fair value based financial information prepared in accordance with U.S. GAAP provides certain assurances within the financial statements and related disclosures that allow for removal of reference to specific fair value accounting standards (e.g. the option to carry debt liabilities at fair value under Accounting Standards Codification (ASC) 825-10: Financial Instruments).
- Affirm reliance, importance, and dependence on audited fair value financial information by adding a requirement for annual independent audits.
- Enable compliance with the REIS standards on an Account basis by proposing changes to the existing firm-level performance standards to eliminate the requirement that REIS compliance is predicated on GIPS compliance and to eliminate those standards relating to firm performance and composites.
- Enable inclusion of REIS compliant performance measures in other reports by adding disclosures (aligned with the GIPS standards) to accompany the presentation of time-weighted returns (TWRs), Internal Rate of Returns (IRRs), investment multiples, and benchmarks.
- Improve a user's ability to assess Account risk by proposing new required and recommended elements associated with portfolio diversification, lease expirations, occupancy levels by property type, and major tenant information.

## Modifications to the REIS Standards

As of August 31, 2011, and except as noted, the REIS Handbook, Volume I replaces the December 29, 2010 and all prior versions of the REIS Standards. Appendix 1, *REIS Fair Value Accounting Policy Manual*, and Appendix 3, *Determining Investment Discretion*, of the December 29, 2010 version of the REIS Standards, will be incorporated into the REIS Handbook Volume II-REIS Reference Materials (Volume II). Volume II will be available by December 31, 2011. Until such time, materials to be included in Volume II will be available on the [REIS web site](#).

The 2011 version of the REIS Handbook Volume I is effective on January 1, 2012, with earlier adoption encouraged.

A full copy of Volume I is included in this adopting release as Appendix A.

# Appendix A

## REAL ESTATE INFORMATION STANDARDS (REIS)



### REIS Handbook Volume I

August 4, 2011

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Chicago, IL 60601, +1 312 819 5890  
[www.reisus.org](http://www.reisus.org)

## REIS sponsors

### **National Council of Real Estate Investment Fiduciaries (NCREIF)**

NCREIF is an association of institutional real estate professionals which includes investment managers, plan sponsors, academicians, consultants, and other service providers who share a common interest in the industry of private institutional real estate investment. NCREIF serves the institutional real estate community as an unbiased collector and disseminator of real estate performance information, most notably the NCREIF Property Index (NPI).

### **Pension Real Estate Association (PREA)**

PREA is a nonprofit organization whose members are engaged in the investment of tax-exempt pension and endowment funds into real estate assets. PREA's mission is to serve its members engaged in institutional real estate investments through the sponsorship of objective forums for education, research initiatives, membership interaction, and information exchange.

# Contents

Acknowledgements	1
Introduction	2
REIS standards	9
Compliance	21
Glossary of terms	22
Appendices	24
Appendix B	27
Appendix C	32

# Acknowledgements

Under the direction of the REIS Board, the REIS Council was responsible for ensuring that this initiative was successfully completed. As of August 31, 2011, members of the REIS Council are:

## REIS Council Chair

- **Ken Greguski**, Director, Head of Global Performance and Analysis, RREEF

## Council Members

- **Neal Armstrong**, Director, Global Fund Finance, RREEF
- **Sally Ann Flood**, Partner, Deloitte & Touche LLP
- **Bruce Frank**, Senior Partner, Ernst and Young, LLP
- **Maritza Matlosz**, Director, Real Estate Equity, BlackRock
- **Barbara McDowell**, Director, Portfolio Analytics, ORG Portfolio Management
- **Jean-Marie Murphy**, Managing Director, Stockbridge Real Estate Funds
- **Tim Schlitzer**, Senior Investment Officer, MassPRIM
- **Jim Strezewski**, Senior Vice President, LaSalle Investment Management
- **Candice Todd**, Executive Director, Morgan Stanley Real Estate
- **Richard Wincott**, Executive Vice President, Altus Group US.-Research, Valuation and Advisory

## REIS, Director of Operations

- **Marybeth Kronenwetter**, President, Real Estate Investment Advisors, Inc.

We also wish to acknowledge Deloitte & Touche LLP who provided editorial and graphics support in finalizing Volume I of the REIS Handbook.

# Introduction

## Preface

The Real Estate Information Standards (REIS) have been developed because the credibility and sustainability of any type of investment relies upon transparent, consistent, and integrated accounting, valuation, performance measurement, and reporting. Established standard-setting organizations do not specifically address certain institutional real estate investment and investor reporting issues, which contributes to inconsistency and lack of transparency. The REIS standards present a single set of interdisciplinary standards which facilitate capital formation by providing investors with financial information needed to support informed decision making.

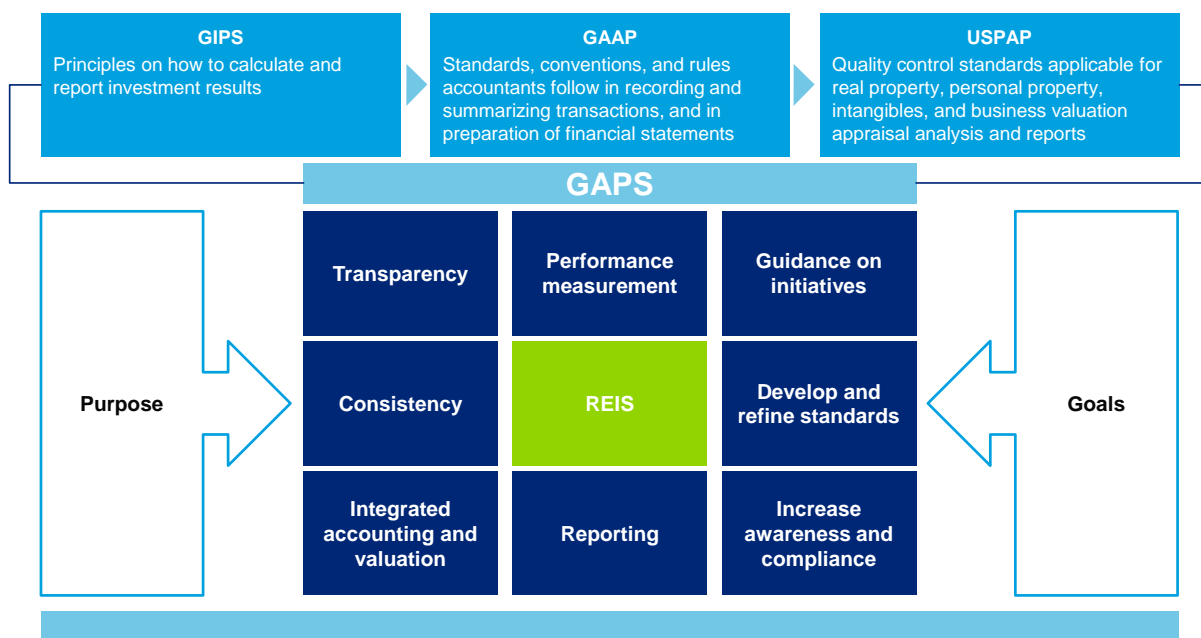
The REIS standards depend on, and are intended to supplement and clarify — but not replace established standards issued by authorized bodies including, but not limited to the following: valuation standards established through **Uniform Standards of Professional Appraisal Practice (USPAP)** ; **accounting principles generally accepted in the United States of America (GAAP)** established by the **Financial Accounting Standards Board (FASB)** ; and the **Global Investment Performance Standards (GIPS®)** promulgated by the **CFA Institute**. Collectively, these established standards are referred to as the **Foundational Standards** throughout this Handbook.

The REIS organization develops, refines, and integrates each of the standards within the Foundational Standards and provides guidance concerning their application in the institutional real estate investment industry. This approach helps to further understanding of real estate as an asset class and its place in the broader capital markets.

Figure 1 illustrates how REIS achieves its goals within the context of the **Foundational Standards**.

**Figure 1: REIS purpose and goals****REIS purpose and goals**

GIPS, GAAP and USPAP form the foundational standards upon which REIS depends; however, REIS provides guidance when these standards are silent or subject to interpretation



The institutional real estate investment industry has worked diligently for more than 30 years to create standards in reporting, performance measurement, fair value accounting, and valuation, and to otherwise “narrow the practice” to provide consistent information to the institutional investment community. This Handbook codifies those efforts.

**Defined terms**

Words appearing in capital letters in the REIS standards are defined in the Handbook Glossary.

**Applicability**

The REIS standards apply to the information included in **Account Reports** prepared for private institutional equity investors. The Account Report is the entire periodic (i.e., quarterly and annual) package submitted to investors in **Commingled Funds** and **Single Client Accounts** (collectively, **Accounts**). Compliance with the REIS standards is measured on an Account basis (see Compliance). The REIS standards do not apply to firm-level reports.

**REIS handbook uses**

The two-volume REIS Handbook is designed to facilitate understanding of the REIS organization and compliance with its standards. The Handbook is the single source of all authoritative guidance within REIS. Volume I contains the REIS standards, compliance information, REIS glossary, and the REIS checklists. Volume II contains REIS reference materials.

## Sources of additional information

Additional REIS information is available on the REIS web site ([www.reisus.org](http://www.reisus.org)). In addition, participating in the REIS sponsor groups, the National Council of Real Estate Investment Fiduciaries (NCREIF) and the Pension Real Estate Association (PREA), can provide further insights and understanding of the institutional real estate investment industry. Finally, the NCREIF and PREA web sites (<http://www.ncreif.org> and <http://www.prea.org/>) include more information about the REIS sponsors, as well as research, education opportunities, and other topical publications.

## REIS history

Throughout the 1970s, various types of investment vehicles were created for institutional investors, including **Open-end** and **Closed-end** core Commingled Funds, each organized specifically to allow tax-exempt institutional investors to participate in diversified portfolios of commercial real estate. Commingled Funds were required to report fair value information to their Employee Retirement Income Security Act investors. During this time, 14 investment managers agreed in principle to form NCREIF to foster research on the real estate asset class.

The NCREIF Property Index (NPI) was first published in 1981. Over the years, other NCREIF Fund Indexes (NFI) have been developed, including the NCREIF NFI Open-end Diversified Core Equity Index and the NCREIF Transaction Based Index. Since its formation, the NCREIF membership has collaborated to standardize information by developing recommended policies and procedures for reporting performance results, measured on a fair value basis, for private market real estate investments. Additionally, information standardization was considered necessary because the private real estate investment field was perceived to be comparably unregulated relative to larger and more established institutional investment segments (e.g., equities and fixed income). While some challenged these perceptions, industry leaders felt that if real estate was to become more acceptable as an investment vehicle, both in the private and public markets, increased standardization of information and its disclosure would be critical.

During the 1980s, initial steps toward standardization of real estate information were taken when NCREIF developed guidelines for fair value accounting in real estate. These guidelines were rooted in a historical cost operating model in which fair value-based financial statements matched appraisal methodology. Concurrently, other Foundational Standards were developed which, in turn, affected the development of the REIS standards.

In 1987, the foundation for what was later to become GIPS was laid when the Association for Investment Management and Research<sup>1</sup> (AIMR) created the AIMR Performance Presentation Standards (AIMR-PPS), which required a quarterly review of the value of real estate portfolios and the disaggregation of component time-weighted returns with income reported on an accrual, rather than a cash basis. In 1989, the Appraisal Standards Board of the Appraisal Foundation adopted USPAP.

In 1990, the real estate markets collapsed, investors desired to liquidate their positions, and the notion of trading interests in a secondary market (i.e., the Institutional Real Estate Clearinghouse or Clearinghouse) was conceived. Having readily available, fund-level information in a standardized format was key to the success of the Clearinghouse. Although the Clearinghouse closed as a result of new capital raised, it was the primary catalyst in moving information standardization to a much higher level of industry visibility and priority.

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<sup>1</sup> Name changed in 2004 to the CFA Institute.

The first version of the REIS standards was issued in 1995; it focused on investment and asset information elements, operating property valuation information, performance measures, and fair value accounting.

Beginning in 1996, NCREIF assumed responsibility for updating the REIS standards, with oversight provided by a task force of industry leaders from REIS' sponsors. The early versions of the REIS standards became generally accepted for core investments. Concurrently, the NPI became the industry's primary index, so developing standards for reporting information to the NPI was critical.

In the early 2000s, fueled by scandals in corporate America, the FASB was given more authoritative power by the Securities and Exchange Commission. Quickly thereafter, new rules, standards, and laws were enacted. Opportunistic real estate investing dramatically increased since the industry was left relatively unscathed by these scandals and financing was easy to obtain.

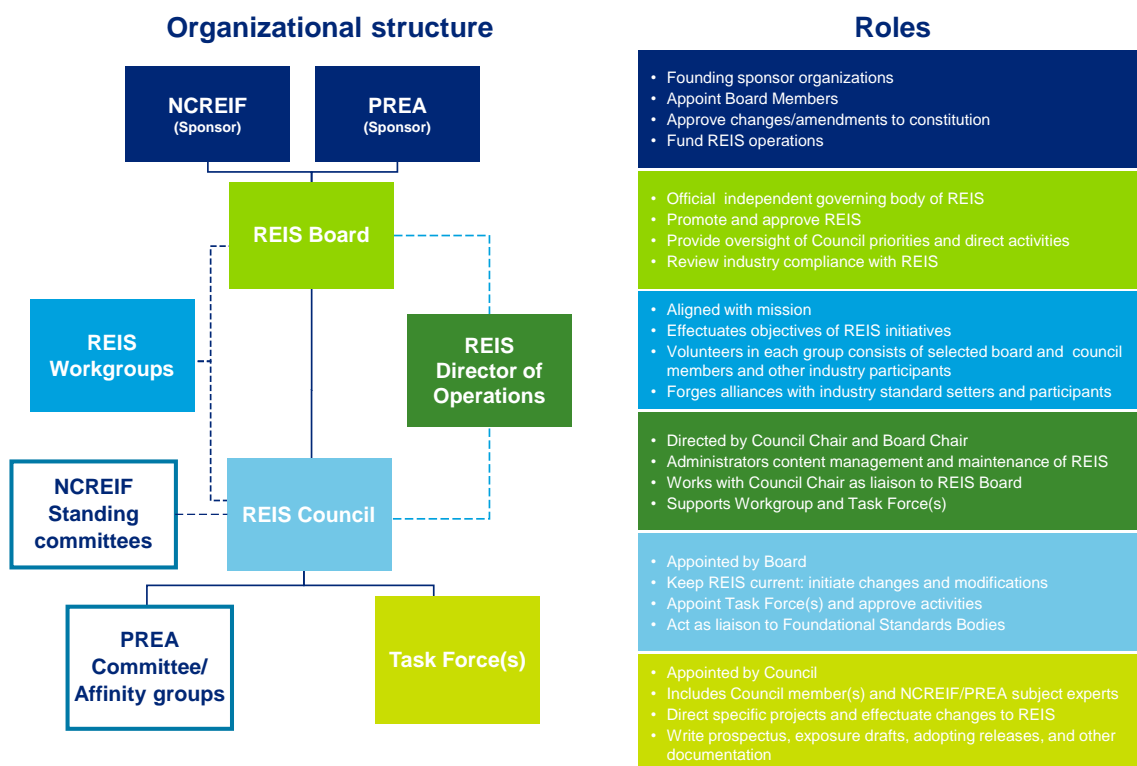
To promote compliance and embrace the opportunistic investments, a substantial rewrite of the REIS standards took place during 2003, focusing on the Foundational Standards for valuation, accounting, and performance measurement. At the same time, the REIS Council was formalized to provide expertise in technical matters and to implement strategic initiatives. At the same time, the REIS Director of Operations position was created to support the standard-setting effort. In 2007, an independent REIS Board was formalized to develop strategic direction and to advocate the standards-setting initiative (see Figure 2, Governance).

In 2008, recognizing the need to promote and bring structure to compliance and verification of the REIS standards, the Fund Reporting Chapter of REIS was added. Also, the REIS Council and Board noted an existing obstacle to compliance: each chapter of the REIS standards addressed different levels of information requirements (e.g., performance was at the firm level, valuation was at the property level). After establishing the appropriate hierarchy within REIS, the documentation then needed to facilitate the compliance process. This Handbook represents the results of these efforts.

Additional information on the history of REIS can be found on the [REIS web site](#).

Figure 2: Governance

## REIS organizational structure and roles



### Sponsors

The REIS initiative is cosponsored by NCREIF and PREA. They appoint the independent board members, approve changes or amendments to the Constitution, and fund REIS operations.

### REIS board

The independent REIS Board was formed in 2007. It serves as REIS' official governing body, providing oversight and strategic direction. The REIS Council is an important initiator of real estate information standards considered and approved by the REIS Board. The REIS Board consists of nine voting members: four industry members chosen from among active industry leaders, and five independent members chosen from retired leaders, representatives of related standard-setting groups, and academia. Board members serve three-year terms with a maximum of three consecutive terms. Changes to the REIS Standards require approval of six members of the REIS Board.

### REIS Director of operations

The REIS Director of Operations reports to the REIS Council Chair and the REIS Board Chair. The REIS Director of Operations administers, directs, and supports the development, content management, and maintenance of the REIS standards, the REIS reference materials, and other related REIS communications.

## REIS council

The primary responsibility of the REIS Council is to execute the technical agenda established by the REIS Board by:

- Developing and promoting a consistent and verifiable set of investment reporting standards
- Refining institutional real estate standards and guidance established by standard-setting organizations
- Collaborating with the sponsor's standing committees in order to foster industry participation and acceptance
- Serving as the U.S. regional ambassador for global initiatives affecting private institutional real estate.

The REIS Council was formed in 2004. It consists of 11 voting members, all of whom are active industry participants selected to provide a breadth of technical expertise in fair value GAAP accounting, performance measurement, valuation, portfolio management, and reporting. The REIS Board appoints the Council members using an open nomination process and supervises their work. REIS Council members serve three-year terms; all are volunteers. Actions taken by the REIS Council require the affirmative vote of seven REIS Council members.

## REIS work groups

The REIS Board has established permanent work groups of REIS Council and REIS Board members.

These work groups are aligned with the REIS Board's mission and are established to effectuate the objectives of the initiative. Select REIS Board members and all REIS Council members serve on one of these work groups, with one member as chair. At the discretion of the REIS Board and REIS Council work group members, other members may be added to a work group.

## Project task forces

Project task forces are created to direct REIS standards-specific projects. Appointed by the REIS Council and subject to approval by the REIS Board, a project task force is expected to consist of individuals who represent a broad spectrum of industry expertise and interests. The REIS Council will draw primarily upon the expertise of NCREIF's standing committee members as well as members of the PREA affinity groups when assembling task forces. These task forces must consist of at least one REIS Council member.

## REIS hierarchy

The REIS hierarchy identifies the various sources of REIS Board guidance for reporting real estate investment information and the relative authority of such guidance. The REIS hierarchy includes the REIS standards and the REIS reference materials. The REIS standards include the required and recommended elements in the Handbook; Volume I. **Compliance is measured on an Account basis, according to the required elements in Volume I.** If the guidance for a particular transaction, item, or event is not specified within the REIS Standards, an Account should then refer to the REIS reference materials, which comprise Volume II of the Handbook and include REIS interpretations, REIS manuals, REIS workbooks, REIS illustrations, REIS guides, and REIS adopting releases approved and issued by the REIS Board. The appropriateness and relative weight placed on sources of the REIS reference materials requires professional judgment to determine the relevance of such guidance to particular facts and circumstances.

## Effective date

The effective date for the 2011 edition of the Handbook is **January 1, 2012**, with earlier adoption encouraged.

# REIS standards

## Overview

The REIS standards contain the required and recommended elements which are included in quarterly or annual Account Reports to investors.

- **Required:** Those elements that must be followed, where applicable, in order for an Account Report to be deemed compliant with the REIS standards.
- **Recommended:** Those elements, although not required, which are considered a matter of best practice.

*When presenting or disclosing a prescribed REIS element in any other report or document, the same element-specific requirements are to be followed.*

The REIS standards foster transparent, consistent, and complete reporting of Account financial and operating information relevant to investors while embracing the underlying principles of the performance measurement, accounting, and valuation-related Foundational Standards.

## Performance measurement

The REIS standards' performance measurement elements address performance calculation, measurement, and presentation. The elements draw upon the GIPS standards for basic ethical principles, such as full disclosure and fair representation of investment performance, and for other specific methodologies and disclosures. However, because the GIPS standards can only be complied with on a firm-wide basis and are not specifically geared toward investor reporting like the REIS standards, not all elements of the GIPS standards have been incorporated into the performance measurement elements of the REIS standards. Furthermore, the REIS performance measurement elements may contain additional requirements or recommendations not included in the GIPS standards, as long as these items do not conflict with the GIPS standards. The REIS Performance Measurement Resource Manual included in Volume II of the Handbook provides:

- Detailed calculation instructions on time-weighted returns, internal rates of return, and equity multiples
- Sample of performance disclosures
- An illustrative Closed-end Fund report

## Fair value accounting

The REIS standards do not contradict GAAP; rather, compliance with the accounting elements of the REIS standards is predicated on compliance with GAAP. The purpose of the accounting elements of the REIS standards is to help apply GAAP consistently across the industry, thereby providing useful financial information to the U.S. private institutional real estate community. The REIS Fair Value Accounting Policy Manual, included in Volume II of the Handbook, provides additional guidance to support the required and recommended accounting elements of the REIS standards.

## Valuation

The development of the property valuation elements of the REIS standards resulted from investor requirements to carry assets at fair value and the need for useful information to support transaction decision processes. Generally, the property valuation elements of the standards follow USPAP.

## Standards

### Standards elements

#### *Required and recommended elements*

For all Accounts, the information in the following chart is to be included in the Account Report no less frequently than indicated. (Numbers reference the paragraphs within this section of the Handbook.)

## Introduction

REIS standards					
Disciplines	Element description	Frequency	Required or recommended element	Applicable account type	Reference
<b>Portfolio management</b>	Name or identifier	Quarterly	Required	All	PM.01
	Contact	Quarterly	Required	All	PM.02
	Inception date	Quarterly	Required	All	PM.03
	Structure	Annually	Required	All	PM.04
	Style and strategy	Annually	Required	All	PM.05
	Portfolio diversification by: <ul style="list-style-type: none"> <li>• Investment/property type</li> <li>• Region/location</li> <li>• Nature of investment (life cycle)</li> <li>• Investment structure</li> </ul>	Annually	Required	All	PM.06
	Final closing date	Annually	Required	Closed-end	PM.07
	Scheduled termination date	Annually	Required	Closed-end	PM.08
	Management discussion of performance relative to objective	Quarterly	Recommended	All	PM.09
	Who determines application of REIS policy	Quarterly	Recommended	All	PM.10
<b>Performance</b>	Fund Level Total and Component Time-Weighted Return (TWR) - Gross and Net of Fees	Quarterly	Required	All	PF.01
	Disclosures accompanying TWR	Quarterly	Required	All	PF.01.1-01.76
	Benchmark comparisons	Annually	Required	All	PF.02
	Net Asset Value	Quarterly	Required	All	PF.03
	Since Inception Internal Rate of Return (IRR) - Gross and Net of fees	Quarterly	Required	Closed-end	PF.04
	Since Inception Internal Rate of Return (IRR) - Gross and Net of fees	Quarterly	Recommended	Open-end, Single Client	PF.04
	Disclosures accompanying IRR	Quarterly	Required	All	PF04.1-04.3
	Paid in capital multiple	Quarterly	Required	Closed-end	PF.05
	Investment multiple	Quarterly	Required	Closed-end	PF.06
	Realization multiple	Quarterly	Required	Closed-end	PF.07
	Residual multiple	Quarterly	Required	Closed-end	PF.08
	Distributions since inception	Quarterly	Required	Closed-end	PF.09
	Aggregate capital commitments	Quarterly	Required	Closed-end	PF.10
	Since inception paid in capital	Quarterly	Required	Closed-end	PF.11
	Leverage percentage	Quarterly	Recommended	All	PF.12
	Unfunded commitments	Quarterly	Recommended	Closed-end	PF.13
Redemptions for quarter	Quarterly	Recommended	Open-end	PF.14	
Total subscribed commitments	Quarterly	Recommended	Open-end	PF.15	
Total redemption requests	Quarterly	Recommended	Open-end	PF.16	
<b>Asset management</b>	Occupancy level by property type	Quarterly	Required	All	AM.01
	Portfolio lease expiration statistics	Quarterly	Required	All	AM.02
	Top 10 tenants	Quarterly	Recommended	All	AM.03
<b>Financial</b>	Condensed Fair Value (FV) GAAP based financial reporting	Quarterly	Required	All	FR.01
	Fair Value (FV) GAAP based financial statements	Annually	Required	All	FR.02
	Financial statement audits	Annually	Required	All	FR.03
	Schedule of Investments	Annually	Required	All	FR.04
<b>Valuation</b>	Valuation policy statement	Annually	Required	All	VA.01

## Portfolio management

### Required: All accounts:

**PM.01: Name or identifier (Quarterly):** The label used to identify the Account.

**PM.02: Contact (Quarterly):** The name of the person, or persons, responsible for issues relating to Account reporting matters. Frequently, this is the Account's Portfolio Manager.

**PM.03: Inception date (Quarterly):** The date of the first significant operating, financing, or investing activity into the Account.

### PM.04: Structure (Annually):

- a. Commingled Fund:
  - i. Open-end
  - ii. Closed-end
- b. Single Client Account (formerly known as Single Investor Investment Account)

**PM. 05: Style and Strategy (Annually):** In general, a description of Account strategy includes the Account's plan for asset allocations, taking into consideration goals, risk tolerance, and holding period. It also includes, at a minimum, the investment style. The definitions provided below describe investment styles/strategies commonly used in the industry. They have been abstracted from the *NCREIF paper Real Estate Investment Styles: Trends from the Catwalk*<sup>2</sup>. This discussion paper contains much more detailed information on the classification of funds by strategy and should be considered by managers when describing Account strategy; however, the fund strategy designation is the responsibility of the Account's management.

- a. **Core:** An Account that includes a preponderance of core attributes; the Account as a whole will have low leasing exposure and low leverage. A low percentage of noncore assets is acceptable. As a result, such portfolios should achieve relatively high-income returns and exhibit relatively low volatility.
- b. **Value-added:** An Account that generally includes a mix of core investments and noncore investments that will have less stable income streams. The Account as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such Accounts should achieve a significant portion of the return from appreciation/depreciation and are expected to exhibit moderate volatility.
- c. **Opportunistic:** An Account of preponderantly noncore investments that is expected to derive most of its return from appreciation/depreciation and/or which is expected to and may exhibit significant volatility in returns. This volatility may be due to a variety of characteristics, such as exposure to development, significant leasing risk, high leverage, or a combination of moderate risk factors.

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<sup>2</sup> NCREIF Position Paper: Real Estate Investment Styles: Trends from the Catwalk (Chicago: National Council of Real Estate Investment Fiduciaries, Oct. 2003)

**PM.06: Portfolio diversification<sup>3</sup> (Quarterly) (formerly known as portfolio characteristics):**

Calculated as a percentage, the value of real estate assets in each category is divided by the total value of real estate investments. The basis for the calculation must be disclosed (gross real estate assets or net real estate assets).

- d. By investment/property type: Suggestions include those in the NCREIF Property Index (Office, Industrial, Retail, Apartment, and Hotel) in addition to Timberland and Agriculture, which NCREIF reports as separate indexes.

Other investment/property types might include:

- i. Entertainment (e.g., theaters, golf courses, bowling alleys, restaurants, pubs, casinos)
  - ii. Health care (properties primarily used for delivery of healthcare services including hospitals and outpatient clinics)
  - iii. Land (undeveloped land parcels)
  - iv. Manufactured housing (e.g., pre-manufactured housing complexes and mobile home facilities)
  - v. Parking (parking lots or structures)
  - vi. Self-storage (self-storage units, single and multi-story, basic or climate- controlled)
  - vii. Senior living (Specialized housing designed specifically to accommodate the needs of senior citizens, but whose function is not primarily healthcare. Note: Senior Living facilities without **medical care should be classified as apartments.**)
  - viii. Student housing
  - ix. Condo development/conversion
  - x. Homebuilding
  - xi. Infrastructure (e.g., transport, regulated utilities, communications, social)
  - xii. Medical office
  - xiii. Mixed-use facilities (disclose composition of mixed-use facility)
- e. By region/location: NCREIF U.S. geographic divisions (Northeast, Mideast, East North Central, West North Central, Southeast, Southwest, Mountain, and Pacific). If an Account includes non-U.S. investments, include country.
- f. By nature of investment (life cycle):
- xiv. Forward Purchase Commitment: Account's commitment to purchase at a pre-specified price when all conditions agreed to in the forward commitment agreement have been met (off-balance sheet)
  - xv. Predevelopment: Raw land or land undergoing property site development
  - xvi. Development: Property under construction, including preparation and installation of infrastructure
  - xvii. Initial Leasing: Completed construction that is less than 60% occupied since the end of construction and has been available for occupancy for less than one year

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<sup>3</sup> NCREIF Property Index and Property Database, Data Collection and Reporting Procedures Manual (Chicago: National Council of Real Estate Investment Fiduciaries, 2011)

- xviii. Operating or Stabilized: Completed construction that has achieved 60% occupied status since the end of construction or has been available for occupancy for more than one year. If stabilized, operating phase
  - xix. Renovation: Undergoing substantial rehabilitation or remodeling
  - xx. Conversion: Undergoing conversion to another property type
  - xxi. Expansion: Undergoing substantial expansion
- g. By investment structure: The investment structure is defined as one of the following: wholly owned investments, joint ventures, bonds, senior debt, subordinated debt, mezzanine debt, participating mortgages, commercial mortgage-backed securities, public real estate security, and private real estate operating company.

**Required: Closed-end funds only:**

**PM. 07: Final closing date (Annually):** The date of admittance of final investor(s) into the Account.

**PM. 08: Scheduled termination date (Annually):** The date the Account is scheduled to liquidate, per the Account's legal documents, or if such information is not identified within the Account's legal documents, then the anticipated termination date based on the manager's most recent projection.

**Recommended: All accounts:**

**PM.09: management discussion of performance relative to objective (Quarterly):** A summary discussion of the Account's performance for the quarter including comparisons to established Account objectives and stated investment strategy and parameters.

**PM.10: Who determines application of REIS policy (investment manager or investor) (Quarterly):** The Account Report should include a statement indicating whether the investment manager or investor determines whether REIS policies (e.g., accounting, valuation, and performance) are followed for the Account.

## Performance

### Required: All accounts:

**PF.01 Total and Component Time-weighted Return (TWR), gross (before), and net of (after) fees (Quarterly):** The information used to calculate the Account TWR includes the activity from the aggregation of all the investments made by the Account and Account level income and expenses. All period returns (component and total) must be calculated separately using a geometrically linked TWR. Annualized returns must be computed for measurement periods presented that contain more than four full quarters. For periods longer than one year, the sum of component returns may not be the same as the total return.

*Required disclosures: When presenting performance returns within the quarterly or annual Account Reports or, in situations where REIS-compliant performance elements of TWR, are presented in another report, the following disclosures must accompany the presented elements:*

**PF.01.1. Gross of fees:** The Account Report must clearly disclose what types of fees are deducted from the gross return to arrive at the net return.

**PF.01.2. Net of fees:** The Account Report must clearly present the net of fees returns presented for all investor classes. In situations where fees are billed separately (outside of the Account) and/or when different fee arrangements exist for investors within an Account, the Account Report must disclose the impact of these fees on TWR expressed, at a minimum, as a basis points range.

**PF.01.3. Period:** The definition of period must be disclosed and applied consistently within each metric. Quarterly is the minimum period option.

**PF.01.4. Calculation methodology:** The performance returns should clearly disclose the calculation methodology, including level (property, investment, Account), use of leverage (leveraged or unleveraged), and fee type (before or after investment management fees).

**PF.01.5. Valuation and accounting policy and fees:** For each period presented, the Account's valuation policy, types of fees and basis of accounting must be disclosed and be consistent with or made in reference to the information contained with the REIS standards' Financial and Valuation information elements. Disclose each type of investment management fee. In addition, the recording methodology (i.e., capitalized or expensed, or billed separately outside of the Account) and the effect on the gross and net of fees performance calculations must be disclosed.

**PF.01.6. Treatment of activity before initial contribution:** If an Account commences operations and incurs operating activity prior to the initial cash contribution from the investors (e.g., an Account line of credit is used to finance 100% of initial operations), the Account should disclose how this activity is treated in the return calculations.

**PF.02 Benchmark comparisons (Annually):** A benchmark is a point of reference against which the Account's performance and/or risk is compared.<sup>4</sup> There are a limited number of choices available for benchmarks within our industry. Wherever possible, a benchmark should reflect the investment mandate, objective and strategy of the contractual arrangements provided in the Account documents.

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<sup>4</sup> Global Investment Performance Standards, January 2010, Section V, Glossary (substitute "Account" for "Composite")

If a benchmark is stipulated, it must be disclosed in the Account Report no less frequently than annually. In certain situations, benchmarks may not be stipulated within the Account documents. In this situation, the Account Report must disclose the reason it does not have a stipulated benchmark. If the Account manager changes the benchmark, the date and reason for the change must be disclosed.

Appropriate comparisons of Account performance to the benchmark must be provided in the Account Report. In addition, the name, source, description, and calculation methodology of the benchmark must be disclosed.

For meaningful comparisons, the Benchmark should be calculated using the same since inception date as the Account.

**PF.03 Net Asset Value (NAV) (Quarterly):** The NAV is the fair value of real estate and all other assets less total liabilities. This is the amount reported in the GAAP fair value-based financial statements.

**Required: closed-end funds: Recommended: All other accounts**

**PF.04 Since Inception Internal Rate of Return (IRR), gross and net of fees (Quarterly):** The IRR is the annualized implied discount rate (effective compounded nominal rate) that equates the present value of all of the appropriate cash inflows associated with an investment with the sum of the present value of all of the appropriate cash outflows accruing from it and the present value of the unrealized residual investment.

*Required disclosures: When presenting IRR within the quarterly or annual **Account Reports** or, in situations where REIS-compliant performance elements of IRR are presented in another report, the following disclosures must accompany the presented elements:*

**PF.04.1. Gross of fees:** The Account Report must clearly disclose what types of fees are deducted from the gross return to arrive at the net return.

**PF.04.2 Net of fees:** The Account Report must clearly present the net of fees returns presented for all investor classes. In situations where fees are billed separately (outside of the Account) and/or when different fee arrangements exist for investors within an Account, the Account Report must disclose the impact of these fees on IRR expressed, at a minimum, as a basis points range.

**PF.04.3 Time period and frequency of cash flows:** The Account Report must disclose (a) the time period for the calculation; and (b) the frequency of the cash flows used in the calculation. At a minimum, quarterly cash flows must be utilized.

**Required: Closed-end funds**

**PF.05 Paid-in capital multiple (Quarterly):** The Paid-in Capital Multiple, also known as the Paid-in Capital to Committed Capital Multiple, gives information regarding how much of the total commitments have been drawn down.

**PF.06 Investment multiple (Quarterly):** The Investment Multiple, also known as the Total Value to Paid-in Capital Multiple, provides information regarding the value of the Account relative to its cost basis, not taking into consideration the time the capital has been invested.

**PF.07 Realization multiple (Quarterly):** The Realization Multiple, also known as the Cumulative Distributions to Paid-in Capital multiple, measures what portion of the return has actually been returned to the investors.

**PF.08 Residual multiple (Quarterly):** The Residual Multiple, also known as the Residual Value to Paid-in Capital Multiple, provides a measure of how much of the return is unrealized.

**PF.09 Distributions since inception (Quarterly):** This is the amount of all Distributions Paid (regardless of type) from the inception date of the Account through the date of the Account Report.

**PF.10 Aggregate capital commitments (Quarterly):** This is the total amount committed to the Account by investors.

**PF.11 Since inception paid-in capital (previously known as aggregate capital received to date) (Quarterly):** Since Inception Paid-in Capital is equal to the amount of committed capital that has been drawn down since Account inception. Paid-in Capital includes distributions that are subsequently recalled by the Account and reinvested into the investment vehicle.

#### **Recommended all accounts:**

**PF.12 Leverage percentage (Quarterly):** Also known as the Debt to Assets Ratio, the Leverage Percentage indicates what proportion of debt an Account has relative to its assets. If a leverage percentage is presented within an Account Report, the formula used to calculate the percentage must be disclosed.

#### **Recommended: Closed-end funds only:**

**PF.13 Unfunded commitments (Quarterly):** As of the date of the Account Report, Unfunded Commitments represent the difference between Aggregate Capital Commitments and Aggregate Paid-In-Capital, increased by capital returned to investors which can be reinvested (if applicable).

#### **Recommended: Open-end funds only:**

**PF.14 Redemptions for quarter (Quarterly):** This is the aggregate amount paid to investor(s) exiting the Open-end Fund during the reporting period.

**PF.15 Total Subscribed commitments (Quarterly):** This is the aggregate total dollar amount of contractual capital subscriptions not yet contributed to an Open-end Fund as of the reporting date. The Account Report for the Open-end Fund should indicate what portion of the amount reported is revocable.

**PF.16 Total Redemption requests (Quarterly):** This is the aggregate total dollar amount of formal requests that have been received from investors to redeem out of an Open-end Fund but which have not been fulfilled, as of the end of the reporting period. The Account Report for the Open-end Fund should indicate what portion of the amount reported is revocable.

## Asset management

### Required all accounts:

**AM.01: Occupancy level by property type (Quarterly):** For those Accounts with **Operating Property**, each quarter the Account Report must include aggregate occupancy level statistics by property type as of the end of the quarter. For those Accounts with investments in other funds, each quarter the Account Report must include aggregate occupancy statistics of each fund in the Account as of the end of the quarter, if this information is provided to the Account's management. If it is not, the Account Report must disclose those funds which do not report occupancy, as well as indicate what percentage of the total Account those funds represent. All Account Reports must include disclosure of which property types and funds are included in the statistic and describe the calculation methodology, e.g., whether they are reporting on percentage leased or physical or economic occupancy. In the event an Account's manager, after using one calculation methodology for reporting purposes elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle. In addition, if the occupancy information in the quarterly report included comparative statistics, then all prior periods presented must be recalculated to the new methodology.

**AM.02: Lease Expiration Statistics (Quarterly):** For those Accounts with Operating Property, each quarter the Account Report must include aggregate Account lease expiration statistics by property type for each of the next five years, by year. Lease expiration statistics are not required for residential, hotel, self-storage and other property types with leases traditionally 1 year or less in duration.) For those **Accounts** with investments in other funds, each quarter the Account Report must include lease expiration statistics for each fund in the Account as of the end of the quarter, if this information is provided to the Account's manager. If it is not, the Account Report must disclose those funds which do not report lease expiration statistics and indicate what percentage of the total Account those funds represent. All Account Reports must disclose the property types and funds included in the statistics and describe the calculation methodology, (e.g., whether they are reporting the lease expirations by square feet or by rent; also, if rent is used, whether it is base rent or total rent).

In the event an Account's manager, after using one calculation methodology for reporting purposes, elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle.

### Recommended: All accounts

**AM.03: Top 10 tenants (Quarterly):** For those Accounts with Operating Property, each quarter the Account Report should include the top ten (10) tenants in the Account, by annual total rent, as of the end of the reporting period. When reporting Top 10 Tenant information, the Account Report must define what is included in annual rent (e.g., base, percentage, escalations, pass through, etc.)

If confidentiality issues prohibit disclosing tenant names, a general description of the business purpose of the tenant will suffice. For those Accounts with investments in other funds, each quarter the Account Report should include a list of the top ten (10) tenants in the Account, by annual rent, as of the end of the quarter, if this information is provided to the Account. If the information is not provided to the Account's management, the Account Report should disclose which funds do not report the tenancy information, as well as indicate what percentage of the total Account those funds represent.

In the event an Account's manager, after using one calculation methodology for reporting purposes, elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle.

## Financial

### Required: All accounts

**FR.01: Condensed GAAP fair value-based financial statements (Quarterly):** The condensed financial statements, at a minimum, must include: a Statement of Assets and Liabilities or equivalent (e.g., balance sheet) ; a Statement of Operations or equivalent (e.g., income statement) ; a Cash Flow Statement; and a Statement of Changes in NAV. The reference to GAAP fair value-based financial statements does not suggest or require that an Account must qualify under to report investments at fair value. This requirement may be fulfilled by using an Account's primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information.

**FR.02: GAAP Fair value-based financial statements (Annually):** The Account Report must contain GAAP Fair Value-based Financial Statements that are prepared no less frequently than annually. This requirement can be satisfied using an Account's primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information.

**FR.03: Financial statement audits (Annually):** An independent financial statement audit of the GAAP Fair Value -based Financial Statements is required for all Accounts unless precluded or not required by client agreement or fund documents.

**FR.04: Schedule of investments (Annually):** The Schedule of Investments must separately disclose, at a minimum, the following information for all investments:

- Investment name: The Account's Identifier
- Property type: See Portfolio Diversification (PM.06)
- Investment structure: See Portfolio Diversification (PM.06)
- Acquisition date: The year or date acquired by the Account
- Location: If practical, use City/State, Metropolitan Statistical Area, or Country if outside of the United States. If the investment represents a diversified Account, use Country/Region where the most significant portion of the investment is located.
- Fair value as of statement date: The Account's share of the fair value of the investment as reported in the Account's financial statements, For consolidated joint ventures, this requirement can be met by listing the fair value of the investment at 100% in the Schedule of Investments with an accompanying footnote stating the Account's share of the fair value.
- Size (unaudited): Use square footage or other appropriate measure based upon the nature of the investment (e.g., number of rooms for hotels; acres for land)

## Valuation

### Required: All accounts

**VA.01: Valuation policy statement (Annually):** In addition to the required disclosures under GAAP for fair value measurements, the Account Report must contain a statement that the Account's real estate investments are valued in accordance with the REIS Property Valuation Standards, stated below:

A written Valuation Policy, including methods and procedures, must be maintained and consistently applied. Changes to this policy must be disclosed through the next annual reporting period. The policy must include:

- Internal hierarchy of appropriate management levels responsible for the valuation process
- Process by which external appraisals are conducted
- Frequency of valuations
- External valuer and/or investment manager selection process
- Role of USPAP in the valuation process
- Debt valuation procedures
- Minimum scope and documentation requirements for both external and internal valuations
- Value acceptance and dispute resolution procedures

Direct real estate investment fair values must be reported on a quarterly basis. Quarterly valuations can be completed either internally or externally and approved in writing. This requirement supports quarterly production of the NCREIF Property Index.

#### h. External valuation requirements

xxii. Each direct real estate investment must be valued by an independent, professionally designated property valuer or appraiser at least once every 36 months. Beginning January 1, 2012, the external valuation requirement is at least once every 12 months unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.

xxiii. External appraisals completed by independent third-party appraisers must be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists.

xxiv. Material differences between external valuation and the valuation used in reporting, and the reason for the differences, must be disclosed.

#### i. Internal valuation requirements

xxv. Scope must be sufficient to demonstrate that the value of each property has been appropriately determined. The scope should include, but not be limited, to the following:

2. Use appropriate, established valuation techniques
3. Demonstrate independence of valuation process oversight, review, and approval
4. Contain sufficient documentation for auditors to re-compute the calculations during audit
5. Reconcile any significant variance from the previous external appraisal

# Compliance

## Introduction

Compliance with the REIS standards improves transparency in real estate valuation, financial and performance reporting, and the ability for investors, consultants, and service providers to analyze and compare investments and Accounts.

Compliance with the REIS standards is voluntary and is measured on an Account basis. Account management must take all necessary steps to ensure that an Account Report has satisfied the required REIS standards before claiming compliance with such standards. To assist Account Report preparers and users with determining compliance, separate REIS Standards Checklists for each type of Account have been created and are included in the appendices of the Handbook's Volume I.

## Statement of compliance

For an Account Report to be claimed compliant with the REIS standards, it must contain all of the required elements of the REIS Standards. Account Reports that have met all of the required elements may include the following compliance statement in an Account Report:

- The ABC Account Report has been prepared and presented in compliance with the REIS standards.

The REIS standards set forth requirements and recommendations to be included in Account Reports. To claim compliance, an Account Report must adhere to the requirements of the REIS standards. As a matter of best practice, adherence to the recommendations of the REIS standards is encouraged.

Full compliance with the REIS standards remains a goal. Partial compliance will be permitted during an introductory period beginning January 1, 2012 and ending January 1, 2014, to evaluate standards adoption. Accordingly, for this initial version of the Handbook, Account Reports that include some, but not all, of the required REIS standards may include the following partial compliance statement in an Account Report:

- The ABC Account Report has been prepared and presented in partial compliance with the REIS standards. The following required elements are not in compliance with the REIS standards [list elements].

If elements of an REIS-compliant Account Report are presented in other reports or documents generated by the specific Account's management, use by the Account's management of a statement indicating that such elements were taken or derived from an REIS-compliant Account Report may be made in the report or document.

# Glossary of terms

## Account(s)

Commingled Funds, both Open-end Funds and Closed-end Funds and Single Client Accounts

Account Report (see Report)

## CFA Institute

The CFA Institute is a global membership organization that awards the CFA (Chartered Financial Analyst) designation. The Institute established and interprets the Global Investment Performance Standards (GIPS).

## Closed-end Fund

A Commingled Fund with a stated maturity (termination) date, which may have additional investors after one or more additional closings and the final initial closing of the fund. Closed-end Funds typically purchase a portfolio of properties to hold for a period of time throughout the duration of the fund and, as sales occur, typically do not reinvest the sales proceeds.

## Commingled Fund

A term applied to all open-end and closed-end pooled investment vehicles. A Commingled Fund may be organized as a group trust, partnership, corporation, insurance company separate account, or other multiple-ownership entity.

## Financial Accounting Standards Board (FASB)

The Financial Accounting Standards Board is the designated organization for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports. The FASB is officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants.

## Foundational Standards

Standards established by existing authoritative organizations including, but not limited to, valuation standards established through Uniform Standards of Professional Appraisal Practice (USPAP), accounting principles generally accepted in the United States of America established by the Financial Accounting Standards Board (GAAP), and the performance measurement and reporting standards promulgated by the CFA Institute known as the Global Investment Performance Standards (GIPS).

## Generally Accepted Accounting Principles (GAAP)

The United States Accounting standards established by the FASB. GAAP are the standards, conventions, and rules that accountants follow in recording and summarizing transactions and in preparing financial statements. GAAP, measured at fair value, is the foundational standard for accounting within the REIS standards.

## **Global Investment Performance Standards (GIPS®)**

The Global Investment Performance Standards are a set of standardized, industry-wide ethical principles that provide investment managers with guidance on how to calculate and report their investment results to prospective clients. The GIPS standards are sponsored by the CFA Institute. The GIPS standards are the Foundational Standard for performance within the REIS standards.

## **National Council of Real Estate Investment Fiduciaries (NCREIF)**

A sponsor of REIS, NCREIF is an association of institutional real estate professionals which includes investment managers, plan sponsors, academicians, consultants, and other service providers who share a common interest in the industry of private institutional real estate investment. NCREIF serves the institutional real estate community as an unbiased collector and disseminator of real estate performance information, most notably the NCREIF Property Index (NPI).

## **Open-end Commingled Fund**

A Commingled Fund with an infinite life, which allows periodic entry and exit of investors, and typically engages in ongoing investment purchase and sale activities.

## **Operating Property**

Operating Property includes any asset which has been completed and/or placed into service for 12 months or is at least 60% leased, whichever occurs sooner. If an Account's manager uses a different definition for Operating Property, the definition must be disclosed in the Account Report.

## **Pension Real Estate Association (PREA)**

A sponsor of REIS, PREA is a nonprofit organization whose members are engaged in the investment of tax-exempt pension and endowment funds into real estate assets. PREA's mission is to serve its members engaged in institutional real estate investments through the sponsorship of objective forums for education, research initiatives, membership interaction, and the exchange of information.

## **Report**

Includes the entire periodic (e.g., quarterly and annual) Account Report package submitted to investors.

## **Single Client Account**

Any investment account managed for the benefit of one investor, including co-investments. (Co-investments can be made between an investor and a Commingled Fund or between a single investor and another single investor. Collectively, these co-investments are considered Single Client Accounts.) Single Client Accounts may include either pools of assets owned by a single entity or individual assets owned by separate sub-tier legal entities.

## **Uniform Standards of Professional Appraisal Practice (USPAP)**

Valuation standards established through Uniform Standards of Professional Appraisal Practice. USPAP is developed, interpreted, and amended by the Appraisal Standards Board. USPAP are quality control standards applicable to real property, personal property, intangibles, and business valuation appraisal analysis and reports. USPAP includes rules of conduct for appraisers, the functions an appraiser must perform during an appraisal and opinions which interpret the standards. USPAP is the Foundational Standard for valuation within the REIS standards.

# Appendices

Appendix A contains the Open-end Fund Checklist. Appendix B contains the Closed-end Fund Checklist. Appendix C contains a Single Client Account Checklist.

## Appendix A: REIS Standards: Open-end Fund Checklist

REIS Open-end Fund Checklist					
Disciplines	Element description	Frequency	Required or recommended element	Reference	
<b>Portfolio management</b>	Name or identifier	Quarterly	Required	PM.01	
	Contact	Quarterly	Required	PM.02	
	Inception date	Quarterly	Required	PM.03	
	Structure	Annually	Required	PM.04	
	Style and strategy	Annually	Required	PM.05	
	Portfolio diversification by: <ul style="list-style-type: none"> <li>• Investment/property type</li> <li>• Region/location</li> <li>• Nature of investment (life cycle)</li> <li>• Investment structure</li> </ul>	Annually	Required	PM.06	
	Management discussion of performance relative to objective	Quarterly	Recommended	PM.09	
	Who determines application of REIS policy	Quarterly	Recommended	PM.10	
	<b>Performance</b>	Total and Component Time-Weighted Return (TWR) - Gross and Net of Fees	Quarterly	Required	PF.01
		Disclosures accompanying TWR	Quarterly	Required	PF.01.1-01.6
Benchmark comparisons		Annually	Required	PF.02	
Net Asset Value		Quarterly	Required	PF.03	
Since Inception Internal Rate of Return (IRR) -Gross and Net of Fees		Quarterly	Recommended	PF.04	
Disclosures accompanying IRR		Quarterly	Required	PF.04.1-04.3	
Leverage percentage		Quarterly	Recommended	PF.12	
Redemptions for quarter		Quarterly	Recommended	PF.14	
Total commitments		Quarterly	Recommended	PF.15	
Total redemption requests		Quarterly	Recommended	PF.16	
<b>Asset management</b>	Occupancy level by property type	Quarterly	Required	AM.01	
	Portfolio lease expiration statistics	Quarterly	Required	AM.02	
	Top 10 tenants	Quarterly	Recommended	AM.03	
<b>Financial</b>	Condensed Fair Value (FV) GAAP-based financial reporting	Quarterly	Required	FR.01	
	Fair Value (FV) GAAP-based financial statements	Annually	Required	FR.02	
	Financial statement audits	Annually	Required	FR.03	
	Schedule of investments	Annually	Required	FR.04	
<b>Valuation</b>	Valuation Policy Statement	Annually	Required	VA.01	

## Appendix B: REIS Standards: Closed-end Fund Checklist

REIS Closed-end Fund Checklist				
Disciplines	Element description	Frequency	Required or recommended element	Reference
<b>Portfolio management</b>	Name or identifier	Quarterly	Required	PM.01
	Contact	Quarterly	Required	PM.02
	Inception date	Quarterly	Required	PM.03
	Structure	Annually	Required	PM.04
	Style and strategy	Annually	Required	PM.05
	Portfolio diversification by: <ul style="list-style-type: none"> <li>• Investment/property type</li> <li>• Region/location</li> <li>• Nature of Investment (life cycle)</li> <li>• Investment structure</li> </ul>	Annually	Required	PM.06
	Final closing date	Annually	Required	PM.07
	Scheduled termination date	Annually	Required	PM.08
	Management discussion of performance relative to objective	Quarterly	Recommended	PM.09
	Who determines application of REIS policy	Quarterly	Recommended	PM.10
<b>Performance</b>	Total Time-Weighted Return (TWR) - Gross and Net of Fees	Quarterly	Required	PF.01
	Disclosures accompanying TWR	Quarterly	Required	PF.01.1-01.6
	Benchmark comparisons	Annually	Required	PF.02
	Net Asset Value	Quarterly	Required	PF.03
	Since Inception Internal Rate of Return (IRR) - Gross and Net of fees	Quarterly	Required	PF.04
	Disclosures accompanying IRR	Quarterly	Required	PF.04.1-04.3
	Paid in capital multiple	Quarterly	Required	PF.05
	Investment multiple	Quarterly	Required	PF.06
	Realization multiple	Quarterly	Required	PF.07
	Residual multiple	Quarterly	Required	PF.08
	Distributions since inception	Quarterly	Required	PF.09
	Aggregate capital commitments	Quarterly	Required	PF.10
	Since inception paid in capital	Quarterly	Required	PF.11
Leverage percentage	Quarterly	Recommended	PF.12	
Unfunded commitments	Quarterly	Recommended	PF.13	
<b>Asset management</b>	Occupancy level by property type	Quarterly	Required	AM.01
	Portfolio lease expiration statistics	Quarterly	Required	AM.02
	Top 10 tenants	Quarterly	Recommended	AM.03
<b>Financial</b>	Condensed Fair Value (FV) GAAP-based financial reporting	Quarterly	Required	FR.01
	Fair Value (FV) GAAP-based financial statements	Annually	Required	FR.02
	Financial statement audits	Annually	Required	FR.03
	Schedule of investments	Annually	Required	FR.04
<b>Valuation</b>	Valuation policy statement	Annually	Required	VA.01

## Appendix C: REIS Standards: Single Client Account Checklist

REIS Single Client Account Checklist					
Disciplines	Element description	Frequency	Required or recommended element	Reference	
<b>Portfolio management</b>	Name or identifier	Quarterly	Required	PM.01	
	Contact	Quarterly	Required	PM.02	
	Inception date	Quarterly	Required	PM.03	
	Structure	Annually	Required	PM.04	
	Style and strategy	Annually	Required	PM.05	
	Portfolio diversification by: <ul style="list-style-type: none"> <li>• Investment/property type</li> <li>• Region/location</li> <li>• Nature of investment (life cycle)</li> <li>• Investment structure</li> </ul>	Annually	Required	PM.06	
	Management discussion of performance relative to objective	Quarterly	Recommended	PM.09	
	Who determines application of REIS policy	Quarterly	Recommended	PM.10	
	<b>Performance</b>	Total Time-Weighted Return (TWR) - Gross and Net of Fees	Quarterly	Required	PF.01
		Disclosures accompanying TWR	Quarterly	Required	PF.01.1-01.6
Benchmark comparisons		Annually	Required	PF.02	
Net Asset Value		Quarterly	Required	PF.03	
Since Inception Internal Rate of Return (IRR) - Gross and Net of fees		Quarterly	Recommended	PF.04	
Disclosures accompanying IRR		Quarterly	Required	PF.04.1-04.3	
Leverage percentage		Quarterly	Recommended	PF.12	
<b>Asset management</b>	Occupancy level by property type	Quarterly	Required	AM.01	
	Portfolio lease expiration statistics	Quarterly	Required	AM.02	
	Top 10 tenants	Quarterly	Recommended	AM.03	
<b>Financial</b>	Condensed Fair Value (FV) GAAP-based financial reporting	Quarterly	Required	FR.01	
	Fair Value (FV) GAAP-based financial statements	Annually	Required	FR.02	
	Financial statement audits	Annually	Required	FR.03	
	Schedule of investments	Annually	Required	FR.04	
<b>Valuation</b>	Valuation policy statement	Annually	Required	VA.01	

# Appendix B

## Alternatives Considered and Basis for Conclusions Reached for Changes to REIS Required Elements

**1. This section details the alternatives considered and basis for conclusions reached relating to certain changes in the REIS standards. The responses received during the public comment period were generally supportive of these changes (See Appendix C). However, in certain cases the comments resulted in modifications to the description of the element, either for clarification purposes or to facilitate Account analyses and comparisons.**

- **Portfolio Management:** Changing portfolio diversification from a recommended element to a required element.
- **Asset Management:** Adding required elements for occupancy levels and lease expiration statistics.
- **Financial:** 1) Removing the specific reference to the Fair Value Option under ASC 825-10 for all debt liabilities; and 2) and adding a requirement for annual audits of the GAAP fair-value-based financial statements.

## 2. Portfolio Management: Portfolio Diversification

### Background:

Prior versions of the REIS standards recommended the disclosure of portfolio diversification calculated as a percentage, based on the value of real estate assets in each category divided by the total value of real estate investments. The calculation's basis must be disclosed (gross real estate assets or net real estate assets). The categories are:

- Investment/property type (e.g., office, industrial, agriculture, and self-storage).
- Region/location
- Nature of Investment (life cycle) (e.g., forward commitment, predevelopment, development, operating)
- Investment structure (e.g., wholly-owned, joint ventures, senior debt investment)

When previous versions of the REIS standards discussed portfolio diversification, they noted that REIS encompasses different Account structures and strategies, and that some aspects of diversification may not be meaningful to all Account structures and strategies. Therefore, diversification was made recommended instead of required.

### Issues considered:

- Should portfolio diversification based on cost basis be disclosed (in addition to portfolio diversification based upon fair value)? The Council concluded that since the REIS standards covers reporting in a fair value environment, providing cost information was not necessary in order to claim REIS compliance.

- Are there different approaches regarding when forward commitments come onto the books?

**Advantages:**

- Requiring disclosure would improve transparency and allow for better comparison among Accounts.

**Disadvantages:**

- Portfolio diversification may not be relevant disclosure in some Account Reports.
- Some Account Reports could include different calculation approaches (e.g., in development valuation), potentially reducing information consistency across Accounts.

**Conclusion:**

- The Council thinks that investors generally want to know these four diversification attributes for Accounts in which they invest. Responses from the public comment period were also supportive of requiring portfolio diversification.
- An Account's offering documents or stated investment strategy may make a diversification self-evident. For example, if an Account's offering documents state that it will invest 100 percent in California apartments, then it is apparent that property type exposure is 100 percent multifamily, and geographic exposure is 100 percent in the Pacific division. Account management can use judgment in deciding where in its report to disclose this information.

### **3. Asset Management: Occupancy Levels and Lease Expirations**

**Background**

- Prior versions of the REIS standards did not include asset management information. In 2009 the Council charged a task force to review the Fund Reporting Standards and identify topics which were excluded from the 2008 version but which merited additional consideration. These included occupancy levels and lease expiration information

**Issues considered:**

- Should there be a requirement to calculate these statistics in a certain way? After discussion, it was agreed that companies may have various ways to calculate occupancy (based on physical or economic occupancy), percent leased (which could mean "not available for lease" even though not currently occupied): however, as long as an investment manager defined how the statistics were computed, it was more important to disclose the information than not have it at all.
  - Respondents noted and the Council agreed that a change in calculation methodology should require disclosure of the change through the annual reporting cycle. As lease expiration statistics are generally forward-looking a restatement of the prior four quarters information was not considered necessary. However, comparative occupancy statistics may be provided within a quarterly report and in those cases a restatement of all periods presented is required.
- Should all Accounts be required to report these statistics? After discussion and considering the comments received during the public comment period it was agreed that it did not make sense to require this information on assets which were in development or not yet stabilized. Accordingly, the elements are to be disclosed for Accounts with Operating Property. In addition, for lease expiration statistics it was made clear that such information is not necessary for leases traditionally written for one year or less in duration.

**Advantages:**

- Being aware of existing vacancies and upcoming lease expirations will provide investors with a more accurate picture of their portfolio and its potential risks.

**Disadvantages:**

- Responses received during the public comment period indicated a by property listing of occupancy statistics would not facilitate meaningful analysis, particularly with large Accounts or for comparison across Accounts. Sector information provides a more meaningful measure of occupancy and leasing risk. Therefore, respondents suggested that both occupancy and leasing information should be presented by property type.

**Conclusion:**

- This asset management information will help investors understand an Account's leasing risk and has been incorporated into the REIS standards.
- For Accounts with Operating Property, each quarter the Account Report is required to include occupancy levels by property type and lease expiration statistics. These items will provide investors with information regarding the leasing risks inherent in their portfolio.
- If an Account Report includes one reporting methodology, and subsequently elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle.

#### **4. Financial: Removal of specific reference to the Fair Value Option under ASC 825-10**

**Background**

- The previous version of the REIS standards required the valuation of all debt liabilities. The standard was controversial and the industry was divided as to whether the valuation of all debt was appropriate. In October 2009, the REIS Council issued guidance for debt liability valuation entitled ASC Topic 820 *Implementation Guidance for Real Estate*, which described different methodologies (i.e., gross, net, no valuation) but did not recommend an approach. In July 2010, the REIS Council issued for public comment an Exposure Draft entitled *Proposed Revisions to REIS for Debt Liability Valuation*. The exposure draft proposed changing the existing debt valuation standard from a required standard to elect the Fair Value Option under ASC 825-10 to value all debt liabilities in all Accounts to one which required the election for all debt liabilities in Open-end Funds and recommended the election for all debt liabilities in Closed-end Funds and Single Client Accounts. Further, the changed standard would require calculating REIS Net Asset Value (REIS NAV) and additional disclosures surrounding debt valuation within the Account Reports. The additional disclosures would include a description of the debt methodology used. Approving all three elements would be necessary to move the Exposure Draft to an adopting release.
- Ultimately, the Council agreed that the standard should be changed but disagreed with the requirement for REIS NAV and the additional disclosures. Understanding that the exposure draft proposed a change to the standard only if accompanied by REIS NAV and additional disclosures, the Council unanimously rejected the Exposure Draft.

## Summary of Advantages and Disadvantages

The following summarizes the advantages and disadvantages for changing the REIS standard.

### Advantages

- Fair value based financial information prepared in accordance with GAAP provides certain assurances within the financial statements and related disclosures that allow for removal of reference to specific fair value accounting standards
- Comparability across funds is compromised because debt valuation methodology (i.e., gross, net, or remaining balance) is often based on facts and circumstances specific to each piece of debt, underlying real estate, and entity structure
- REIS standards would need to be prescriptive as to debt valuation methodology in order to achieve comparability The reporting of alternative, non-historical cost GAAP measures of NAV (e.g. REIS NAV) to investors is prohibited for SEC registrants and other reporters
- When exposed for public comment, the development of REIS NAV coupled with disclosures of debt valuation information for all Accounts was rejected
- GIPS requires specific disclosure when information used to prepare GIPS compliant information is not based on audited results
- The requirement to value all debt liabilities was not well received by industry participants
- Efforts to achieve (industry) full REIS compliance may be curtailed as the date to elect the fair value option for existing debt has passed.
- FASB is expected to address this issue within Investment Company and Investment Property Entity Accounting literature.

### Disadvantages

- "Fair Value Financial Statements" are not defined within GAAP
- Fair value-based financial information prepared in accordance with GAAP can yield very different results in situations where the transaction economics are the same
- Requirement does not contradict GAAP, but requires a value-based decision specifically for all debt
- Comparability across funds is compromised as some Accounts include debt valuation and some do not.
- NFI/ODCE may be skewed if specific requirement removed
- If disclosure is provided, GIPS allows for performance calculations which use data which is different than the data provided within the financial statements
- REIS states, "The fair value of real estate and all other assets less total liabilities. This is the amount reported in the GAAP fair value based financial statements." Can this still apply with the possibility of debt not being valued for GAAP purposes?
- REIS exists to provide standards and guidance when existing standards are silent or subject to interpretation

**Conclusion**

- The Council noted that strong arguments exist for either position. However, after consideration of all the arguments and consensus from the public comment process, the Council and Board concluded that the arguments to support the change to the standard outweighed the arguments to maintain the standard to require all debt liabilities to be valued. Therefore, the specific standard to require the election of the Fair Value Option for all debt has been eliminated.

**5. Financial: Require Financial Statement Audits****Background**

- Previous versions of the REIS standards recommended, rather than required financial statement audits. The REIS Board and Council are keenly aware that financial statement audits are of paramount importance to the industry.

**Issues considered**

- Audited financial statement provide comparability and consistency in reporting
- Audited financial statements provide for the consistent application accounting principles under GAAP and auditing standards under Generally Accepted Auditing Standards.
- Fair value based financial information prepared in accordance with GAAP provides Some Single Client Accounts are not separately audited.
- During the public comment period respondents who did not agree with the new requirement suggested: 1) the audit requirement does not infer that the fair value-based financial information is comparable; and; 2) audits should not be required if fund documents or client agreements do not require them.

**Conclusion**

- After careful consideration and based on feedback received during the public comment process, the Council concluded that a requirement for annual audits is preferred and the requirement should include a provision that audits are required unless precluded or not required by client agreement or fund documents.

# Appendix C

## Public Comment Process

The key issues and questions considered by industry participants as part of the public comment process for the Handbook Volume I exposure draft are as follows:

### 1. Single chapter approach

Prior versions of the REIS standards included four distinct chapters representing each of the major disciplines within the REIS standards. These distinct chapters were aligned with the Foundational Standards. The Council concluded a single chapter approach would facilitate compliance on an Account Report basis. Do you think the single chapter approach is appropriate?

*All respondents agreed that a single chapter approach is appropriate.*

### 2. Applicability of REIS

The REIS standards apply to the information included in Account Reports prepared for private institutional real estate investors. These Account Reports and documents include, but are not limited to financial and operational information included in the quarterly and annual reports for real estate Commingled Funds and Single Client Accounts (collectively "Accounts"). Compliance with the REIS standards is measured on an Account basis. The REIS standards do not apply to firm-level reports and documents. Do you agree with the statement concerning the applicability of the standards? Do you agree that compliance should be measured on an Account Report basis?

*The majority of the respondents generally agreed with the statement of applicability, however, suggestions were made to edit the statement for clarity. Accordingly, the first two sentences were re-worded as follows:*

- The REIS standards apply to information included in Account Reports prepared for private institutional investors. The Account Report is the entire periodic (i.e., quarterly and annual) package submitted to investors in Commingled Funds and Single Client Accounts (collectively "Accounts").

*All respondents agreed with the compliance statement.*

### 3. REIS Hierarchy

The REIS Council agreed that the REIS hierarchy is the first step in the development of standards which can be complied. The REIS standards propose a two-tiered hierarchy consisting of "standards" and "reference materials". Do you think this is appropriate?

*All respondents agreed that a two-tiered hierarchy consisting of standards and reference materials is appropriate.*

#### 4. Compliance and Verification

##### Statement of Compliance

Included in the Handbook are illustrative statements of compliance. Although an Account's full compliance with the REIS standards is a top priority for the REIS organization, during a period of evaluation and self-assessment (two to three years commencing in 2012) partial compliance will be allowed provided noncompliant disclosures are provided. Compliance will be evidenced through the completion of the REIS checklist which is applicable to the Account's structure. Do you think the statements of compliance presented in the Compliance section of the document are appropriate? Do you think partial compliance should be permitted during a phase in period? Do you think a REIS statement of compliance and verification should be considered in a future edition of the REIS Handbook?

*Most respondents agreed that the statement of compliance was appropriate, however, most of those agreeing with the statement indicated that the requirement to include the checklist was unnecessary, suggesting either it was redundant or should be used as a tool, but should not be included in the Account Report and statement of compliance, or was not verifiable in itself to a particular report as some elements were required only in a specific period (quarterly or annually). After consideration of the comments received, the Council agreed to remove the requirement to include the checklist.*

*Most respondents agreed that partial compliance should be permitted during a phase in period. It was suggested that the phase-in period may be too long for assessing standards adoption. Some respondents indicated that partial compliance should remain in effect as full compliance may not be a desired goal for some Account Reports. In contrast some respondents indicated that there is no need for partial compliance as it may prove confusing if full compliance is the ultimate goal. After consideration of all comments received, the REIS Council remains committed to full compliance with the REIS standards by January 1, 2014.*

*Although generally supportive of verification at a future date, respondents expressed that the notion should be carefully examined before implementation. Consideration should be given to scope, industry appetite for verification and cost/benefit analysis.*

#### 5. Portfolio Management: Application of REIS Policy

A required element was added to the REIS standards for all Accounts to indicate, on a quarterly basis whether the investment manager or investor determines the application of REIS policy (e.g., accounting valuation and performance). Do you agree that this element should be added for all Accounts?

*Most respondents did not support this new standard. Reasons expressed included: 1) such information is self-evident to existing clients; 2) the question is only applicable to single client accounts; 3) the statement of compliance would state which elements are not in compliance and that is what matters. The REIS Council considered these comments and agreed. However, the Council considered that such a statement may facilitate the notion of firm compliance at some future date (e.g., all Account Reports where manager controls these policy decisions are REIS compliant). Therefore, the Council moved this element from a requirement to a recommendation and will assess the need to make this a required element (for some or all Accounts) in the future.*

#### 6. Portfolio Management: Portfolio Diversification

Previously, the portfolio diversification including: Investment/Property Type, Region/Location, Nature of Investment (life cycle), and Investment Structure were recommended elements within the REIS standards. This exposure draft proposes that this information be required. Do you agree?

*Most respondents agreed that the portfolio diversification characteristics should be required. See Appendix B for more information.*

## 7. Performance

The Council recognized that REIS compliant performance information of TWRs (PF.01), benchmarks (PF.02), and IRRs (PF. 04) may be provided both within, as well as detached from an Account Report and certain disclosures must accompany REIS compliant performance information. Accordingly, the following disclosures, which are aligned with the GIPS standards, have been added to the REIS standards.

- Do you agree that additional disclosures described in the noted sections relating to: period (PF 01.3); calculation methodology (PF 01.4); valuation policy, basis of accounting and fee disclosures (PF 01.5); leverage information (PF 01.6); and treatment of activity before initial contribution (PF 01.7) must accompany a presentation of REIS compliant performance information which contains time-weighted returns?

*Most respondents agreed with the required additional disclosures relating to period, calculation methodology and treatment of activity before initial contribution. Comments relating to valuation policy, basis of accounting and fee disclosure centered principally on the fee disclosure. Consistent with the GIPS standards, the disclosure of fees does not require either the total amount of the fee or the total amount of fees in each category. Rather, the types of fees must be described along with the method of recording of such fees. In addition, the disclosures surrounding fees must be consistent with or made in reference to the information required to be disclosed within the Financial and Valuation information elements of the REIS standards. The Council agreed to clarify the fee disclosures as described.*

*Many respondents commented on the leverage disclosures. It was appropriately noted that the leverage percentage is a recommended element within the REIS standards. The leverage disclosures were removed from this section*

- Do you agree that additional disclosures surrounding the description and calculation of the benchmarks described in PF.02 must accompany a presentation of REIS compliant performance information which contains benchmarks?

*Most respondents agreed with the requirement for these benchmark disclosures. However, respondents pointed out that the definition of "benchmark" was changed in the 2010 version of the GIPS standards. The Council agreed to change the definition. In addition, based upon feedback, the Council determined that the element description should be clarified. The new element description is as follows:*

- Benchmark Comparisons (Annually): A benchmark is a point of reference against which the Account's performance and/or risk is compared. There are a limited number of choices available for benchmarks within our industry. Wherever possible, a benchmark should reflect the investment mandate, objective and strategy of the contractual arrangements provided in the Account documents.
- If a benchmark is stipulated, it must be disclosed in the Account Report no less frequently than annually. In certain situations, benchmarks may not be stipulated within the Account documents. In this situation, the Account Report must disclose the reason it does not have a stipulated benchmark. If the Account manager changes the benchmark, the date and reason for the change must be disclosed.

- Appropriate comparisons of Account performance to the benchmark must be provided in the Account Report. In addition, the name, source, description, and calculation methodology of the benchmark must be disclosed.
- For meaningful comparisons, the Benchmark should be calculated using the same since inception date as the Account.
- Do you agree that additional disclosures described in the noted sections relating to: time period and frequency of cash flows (PF 04.1); gross return-fee inclusion (PF 04.2); and net return-fee inclusion (PF 04.3) must accompany a presentation of REIS-compliant performance information which contains IRRs?

*Most respondents agreed with the requirement for these additional disclosures. Consistent with comments from respondents the Council agreed to add the requirement to use quarterly cash flows at a minimum for cash flow frequency. In addition, it was pointed out that the definitions of both gross returns and net returns are included within the REIS Performance Measurement Resource Manual which is part of the REIS reference materials. Accordingly, the Council agreed to remove the definitions for gross of fees and net of fees.*

## **8. Asset Management**

Property occupancy level and lease expiration information are proposed requirements to the REIS standards. Top 10 tenant information is a proposed recommendation.

- Property Occupancy Level: Do you agree that the quarterly reporting of property occupancy level as described should be required in the REIS standards? Do you agree that disclosure of the methodology for calculating and disclosing property occupancy level information is reasonable?

*Respondents were nearly equally divided with respect to the requirement to report property occupancy level as described. See Appendix B for more information.*

- Lease Expiration Statistics: Do you agree that the quarterly reporting of lease expiration statistics as described should be required in the REIS standards? Do you agree that disclosure of the methodology for calculating and disclosing lease expiration statistics information is reasonable?

*Most respondents agreed with the requirement for aggregate Lease Expiration Statistics by Property Type. See Appendix B for more information.*

- Top 10 tenants: Do you agree that the quarterly reporting of the top 10 tenant information as described above should be recommended in the REIS standards? Do you agree that the methodology for calculating and disclosing top 10 tenant information is reasonable?

*Most respondents did not agree that Top 10 tenant information should be recommended in the REIS standards. The principal reason cited were confidentiality issues surrounding disclosure of such information. Respondents also pointed out that the disclosure could lead to a misunderstanding of an investor's portfolio risk across different Accounts. In addition, respondents pointed out that the metric would be more meaningful if tenant concentration risk was measured. Lastly, respondents pointed out that this information may not be readily available due to system constraints. The Council considered these points. Disclosure of tenant concentration risk was rejected as tenant failures have more to do with particular tenants than the industry classification/concentration. The Council acknowledged that the top 10 tenant information would not provide total tenant exposure across Accounts. A listing of all tenants in all Accounts would be necessary and the Council agreed that such information was not necessary within an Account Report. Finally, the Council agreed that confidentiality matters should be considered and modified the recommendation to include the following: If confidentiality issues prohibit disclosing tenant names, a general description of the business purpose of the tenant will suffice*

*Most respondents agreed that the method for calculating and disclosing top 10 tenant information was appropriate. However, consistent with the information related to leasing, when the calculation changes a restatement of the prior 4 quarters information was not deemed necessary for this forward-looking metric. In addition, respondents commented that disclosure of such information by annual base total rent may not be appropriate in all circumstances (e.g. retail). The Council agreed to strike the language which required restatement of historical information and also agreed that the amount disclosed should be based on total rent and the definition of what is included in total rent must be provided.*

#### **9. Financial: Deleting Specific Reference to Fair Value Option**

The REIS Board and Council have concluded that the existing REIS standard that specifically requires the election of the Fair Value Option under ASC 825-10 for all debt liabilities in all Accounts should not be either specifically required or recommended but rather considered in the same manner as all of GAAP and the judgments, inputs, and assumptions that go into preparing GAAP fair-value-based financial information. Do you agree?

*Most respondents agreed with the Board and Council conclusion. A detailed discussion is included in Appendix B.*

The Council and Board think that a financial statement audit of the U.S. GAAP fair-value-based financial statements, including footnotes should be required for all Accounts unless precluded by client agreement. Do you agree?

*Most respondents agreed that financial statement audits should be required unless precluded by client agreement. See Appendix B for more information.*

#### **10. Financial: Supplemental Schedule of Investor Capital Accounts**

The REIS standards include a recommendation for all Accounts to provide a supplemental schedule of Investor Capital Accounts. Do you agree that the REIS standards should maintain the recommendation to include this schedule? Do you agree that the recommendation should be applicable to all Accounts?

*Most respondents did not agree that the recommendation for all Accounts to include a recommendation to provide a supplemental schedule of Investor Capital Accounts within the REIS standards. Reasons cited included: 1) confidentiality issues with certain investors; 2) information can be made available on a per investor basis and not included within the Account Report; 3) investors do not generally request such information; and 4) GAAP requires details by class of investor which should be sufficient within the Account Report. The Council agreed to remove the recommendation from the REIS standards.*

#### **11. Other: Future Considerations**

What matters do you think the Board and Council should consider for future editions of the REIS Handbook? Please explain in sufficient detail.

The following additional ideas were expressed by the respondents:

- Portfolio Management: Portfolio diversification-Life cycle: provide additional guidance to facilitate understanding of forward contracts,
- Portfolio Management: Management discussion of performance relative to objective: consider including a commentary on the reason for any significant over/under performance relative to the benchmark.

- Asset Management: Occupancy level by property type: consider similar disclosure by geographic region.
- Compliance: consider statement of "firm compliance" if all Account Reports are in compliance with the REIS standards.

## **12. Other:**

Are there any other issues, suggestions, or comments you think need to be made with respect to this exposure draft that were not mentioned above?

Respondents suggested edits which were clarifying in nature. These suggestions were incorporated into Volume I of the Handbook. A summary of the other changes made which were not specifically referenced in this Appendix C are as follows:

- Performance: Specific calculations of the various closed-end fund metrics and the leverage percentage were removed as such information is included in the REIS Performance Measurement Resource Manual.
- Valuation: Removed requirement that changes to the written valuation policy only be made to the extent changes improve the valuation process. It was noted that some changes can be operational in nature which would not be detrimental to the process but may not improve the valuation process.