



## Real Estate Information Standards (REIS)

REIS NEWS  
November, 2010

### **Highlights:**

- REIS Board responds to GIPS Real Estate Guidance Exposure Draft
- REIS Council rejects exposure draft for debt valuation
- Progress on REIS Handbook continues; exposure draft anticipated in first quarter 2011
- Annual update of REIS Fair Value Accounting Policy Manual expected in December

### **REIS Organization responds to GIPS Real Estate Guidance Exposure Draft (GIPS Guidance Statement)**

The proposed GIPS Guidance Statement includes: enhanced discussion on discretion; clarification of composite construction; treatment of partial periods and enhanced guidance on treatment of fees and expenses. We are pleased that the GIPS Executive Committee incorporated much of the REIS [Determining Investment Discretion](#) guidance document within the GIPS Guidance Statement. The [REIS response](#) suggested required disclosures surrounding treatment of partial periods rather than requiring specific methodology surrounding the treatment of partial periods suggested in the GIPS Guidance Statement. The proposed GIPS Guidance Statement requires that all transaction fees be deducted from the gross and net of fees return calculations. The REIS response suggested that the GIPS Executive Committee consider if such guidance is appropriate for real estate as different fee structures may be contemplated depending on risk profile and investment strategy, making comparisons of fees difficult if all transaction fees are deducted from both gross and net and investment advisory fees are only deducted from the net of fees calculations.

### **REIS Council rejects Debt Valuation Exposure Draft**

In our continuing effort to narrow the practices surrounding debt valuation the Exposure Draft was issued for public comment. After careful consideration of all comments received, significant discussion and debate, the REIS Council rejected the Debt Valuation Exposure Draft. Industry support for the proposed changes was not compelling. The exposure draft proposed a change in the existing debt valuation standard from a required standard to value all debt liabilities in all funds to a standard which required valuation for all debt liabilities in open-end funds and recommended valuation for all debt liabilities in closed-end funds and single investor investment accounts. Further, a calculation of REIS Net Asset Value (REIS NAV) and additional disclosures surrounding debt valuation would be required within the fund reports. Although the Council supported the notion of changing the REIS standard it did not support the notion of REIS NAV, but rather determined that GAAP NAV measured on a fair value basis was a more appropriate measure of fair value irrespective of whether or how debt is valued within the GAAP statements. The Council and Board will assess next steps in the near term.

### **REIS Handbook**

Progress on the REIS Handbook continues and it is currently anticipated that an exposure draft will be made available for public comment in the first quarter of 2011. Handbook has been designed to facilitate compliance with the REIS standards. REIS compliance is a top priority for the 2011 strategic agenda.

### **REIS Fair Value Accounting Policy Manual (Manual)**

The annual update to the REIS Fair Value Accounting Policy Manual is expected to be available in December. The Manual has been updated for changes made to U.S. GAAP which have occurred since last year.