



## Real Estate Information Standards (REIS)

REIS NEWS  
June, 2009

### **Highlights:**

- REIS submits response to GIPS 2010 Exposure Draft.
- Implementation guidance for FAS 157 expected to be delivered during third quarter.
- REIS Board and Council responds to FASB on FSP 157-f; expects to respond to FSP 157-g.
- REIS Board and Council to undertake significant initiatives to promote, enhance and expand REIS.

### **GIPS 2010 Exposure Draft**

The REIS Board approved the REIS response to the GIPS 2010 Exposure Draft. With respect to the real estate provisions, the REIS Board supported the additional requirements for closed-end funds including since inception IRR and investment multiples. The REIS Board did not support the proposal to move from three year to annual required external appraisals. The REIS Board also did not support the requirement to disclose component time-weighted returns. (Click [here](#) to read the REIS Board response.)

### **Implementation Guidance for FAS 157, Fair Value Measurements**

The industry implemented FAS 157 at the end of 2008. This implementation resulted in the development of two views of note/mortgage payable valuation and as a result, the proposed guidance document has changed from providing definitive guidance to one which fairly represents both views, the so-called Gross and Net approaches. Under the Gross approach, financial statement elements are valued individually (Unit of Account) and there is a presumption that liabilities can be transferred based on the pricing received by the buyer of a stream of cash flows (mirror image). Under the Net approach, values are determined through the lens of the invested dollar and there is a presumed trade of the net equity position which creates a Unit of Account under FAS 157. These different approaches can create differences in net asset value and total return in situations where investment strategy and underlying economic performance of investments are essentially similar. As part of the guidance document, both approaches will be discussed so industry participants can effectively analyze differences for investment decision making purposes. Guidance is expected to be delivered in the third quarter.

### **Responses to FSP 157-f Measuring Liabilities under FASB Statement No. 157 and FSP 157-g, Applying Fair Value to Interests in Alternative Investments**

As part of continuing efforts to actively participate in Foundational Standards Bodies initiatives which directly impact the institutional real estate investment industry, The REIS Board and Council responded to [FSP 157-f](#), and is also expected to respond to [FSP 157-g](#). The response to FSP 157-g is expected to be generally supportive of the FSP.

### **Significant Future Initiatives**

During their June meetings the REIS Council and Board continued to focus on planning for the future of REIS. As part of this effort, the REIS Council and Board plan to reach out to the investor community to assess industry sentiment surrounding the REIS mission. In addition, in the near term, it is expected that the Standards document will be re-written and a comprehensive outreach program will be initiated for education and compliance purposes. Finally, the REIS Board and Council plan to engage global standard setting bodies to foster ongoing strategic alliances.

*REIS News provides a status report of significant developments within REIS and the foundational standards' bodies on which it depends (USPAP, U.S. Fair Value GAAP, and GIPS). More detailed information about the REIS Board and Council (including meeting minutes) are available on the [REIS page of the NCREIF web site](#).*