



REIS

REAL ESTATE INFORMATION STANDARDS

REIS News
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Highlights:

- REIS team formulating response to FASB Exposure Drafts for *Investment Property Entities* and *Investment Companies* emphasizing need for consistent and comparable net asset values and convergence of FASB and IASB proposals.

Response to FASB Exposure Drafts

The REIS Council has assembled a diverse group of industry practitioners including investors, investment managers, accountants, appraisers, portfolio managers and performance measurement specialists to respond to the FASB Exposure Drafts for *Investment Property Entities* and *Investment Companies*. Collectively, the task force has experience with all investment structures, styles and strategies utilized in the private institutional real estate investment industry both domestically and globally. Members of the REIS Council and one of our sponsors, NCREIF, have been actively collaborating with the FASB. The ongoing dialogue has included a significant amount of education on our industry with a focus on building industry consensus. Our primary goal is the development of generally accepted accounting principles (GAAP) which result in a consistent and comparable fair value based net asset value (FVNAV) for our industry. The FASB wants to develop real estate industry fair value specific GAAP which currently does not exist in the United States. Some of our methodologies utilized over the past 25 years have evolved into standard industry practice because of the lack of industry specific GAAP. Upon finalization of the FASB initiatives, our industry will have a specific GAAP which will be required to be applied. Fund pricing and trading are frequently struck on per unit FVNAV. Therefore it is critically important that the FVNAV principle is maintained; however the accounting as proposed in the exposure drafts may result in accounting for some investments and funds (e.g., mortgages receivable and development investments) which is contrary to that principle.

As our industry includes investors and managers who invest globally, we need to examine the IASB exposure draft, *Investment Entities*, as well, the FASB exposure draft, *Investment Companies* from the vantage point of a converged standard. As the positions taken in these two exposure drafts relating to key issues (e.g. consolidation) diverge, we need to thoroughly vet the issues which diverge to develop a harmonized response. Similarly, the same rigor needs to be applied to our review and comments on *Investment Property Entities* in light of what has been established through IAS 40, *Investment Property*.

Comments are currently due on January 5, 2012. The FASB has not determined an effective date.

Although our response is intended to represent an industry view, we urge all of our sponsor members to respond to the FASB and the IASB on these critical initiatives.

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