



REIS

REAL ESTATE INFORMATION STANDARDS

**REIS News
Special Edition:
Proposed Changes in Accounting May Adversely Impact Our Industry
December 2011**

On October 21, 2011 the Financial Accounting Standards Board (FASB) issued two exposure drafts for public comment: *Financial Services-Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements (IC)*; and *Real Estate-Investment Property Entities (Topic 973) (IPE)*. Responses are due by February 15, 2012. Collectively, these proposals are expected to develop U.S. Generally Accepted Accounting Principles (GAAP) for our industry. Up to this time, our industry has relied upon industry practice (developed by our sponsor, NCREIF in mid-1980's) for accounting and reporting. Since inception, our goals are: to account and report a consistent and comparable fair value based net asset value (FV NAV) for all accounts; and our investors receive the information they require to facilitate informed decision making.

FV NAV is a fundamental principle upon which performance is measured, investment decisions are made and fund pricing and trading is determined. ***However, as written, these proposals are problematic and may result in accounting for some investments (e.g., mortgages receivable and development investments) and accounts (e.g., single client) at cost- contrary to the fundamental principle of FV NAV and investor information requirements. In addition, the FASB proposals require consolidation of certain investment information, which within diversified portfolios will show results which are difficult, if not impossible to unravel and analyze. Exacerbating the problem, joint venture agreements may need to be renegotiated in order for managers to report results in a timely fashion to investors, consultants, and indices.***

Under the direction of the REIS Board and Council, and through the efforts of NCREIF, an interdisciplinary task force of industry experts has been assembled to draft an industry response to the FASB. Senior NCREIF Accounting Committee members and REIS Council members have established an ongoing dialogue with FASB representatives and we are confident that our collective voice is being heard. Reconciling disparate views is challenging, however REIS's mission is intended to establish solutions and alternatives which are in the best interest of our industry.

We recommend all interested parties provide comments to these exposure drafts by February 15 urging the FASB to change its proposals in favor of a position which preserves FV NAV and provides report users the information they need to facilitate informed decision making.

Two Prudential Plaza
180 N. Stetson Ave., Suite 2515
Chicago, IL 60601
312.819.5890
www.reisus.org

Sponsored By:

