

REIS UPDATE January 2008

This update will address four things: accounting and reporting, principally the status of SOP 07-01, (the so-called scope project); the status of the proposed investor reporting standards chapter; the updated performance measurement chapter and certain REIS organizational matters. Please refer to the REIS section of the NCREIF web site (www.ncreif.org/reis) for more detailed information.

Accounting and Reporting

During the fall conference season, several sessions were held discussing SOP 07-1 applicability and the impact of the Guide on our industry. The official name of SOP 07-1 is: AICPA Statement of Position 07-01, Clarification of the Scope of the Audit and Accounting Guide Investment Companies (“Guide”) and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies. SOP 07-1 provides information to determine whether or not a fund is required to use the Guide as its GAAP accounting model (i.e. “scoped in”)

SOP -07-1 was approved by the FASB in June 2007. SOP 07-1 had an effective date for periods beginning after December 15, 2007 and accordingly, those Funds which were subject to the provisions of the SOP would be required to utilize the accounting methods described in the Guide for GAAP accounting and reporting purposes.

Highlights of SOP related events since that time:

October

As the REIS Council became aware that critical implementation guidance being prepared by an AICPA Task Force (see below) would not be available in time for the effective date of SOP 07-1, the REIS Council wrote to the FASB to request a deferral of SOP -07-1.

November

In mid-November, the FASB issued a proposed FASB Statement of Position (FSP), SOP-07-01a to indefinitely defer the effective date of SOP-07-1.

December

Comments on proposed SOP-07-01a were due in mid-December.

In mid-December the REIS Council and Board responded to the proposed FSP-07-1a, agreeing with the notion of deferral, pending completion of the Real Estate Funds task force guidance. The REIS Council also suggested the issuance of additional guidance to clarify the applicability of the SOP-07-1 to certain real estate funds.

Today

The FASB has not published a timetable for the issuance of FSP-07-1a. History suggests that such matters are concluded within 30 to 60 days of the end of the comment period.

Guidance

Members of NCREIF (public accounting firm representatives) and the REIS Council are actively involved in the AICPA Real Estate Funds task force which was formed to develop critical Guide implementation guidance for real estate funds. The current draft of the planned guidance, which focuses on implementation of the Guide and does not address implementing the SOP can be found at http://www.aicpa.org/download/members/Div/acctstd/general/1107_acsec_agenda_materials/Real_Estate_Funds_QAs.pdf

Fund Reporting Standards

The REIS Council reviewed the 28 comments received with respect to the Investor Reporting Standards exposure draft. Based upon the comments and ensuing deliberations it was determined that a new exposure draft, which focuses on **Fund** reporting required and recommended practices should be prepared and exposed to the public for comment. These standards are perhaps even more critical now that SOP-07-1 is expected to be deferred as it is anticipated that they will promote comparability of critical performance, valuation and accounting information across all Funds. Subject to REIS Board approval, the exposure draft should be available for public comment by March 1. I strongly encourage responding.

Performance Measurement

An exposure draft relating to proposed changes to the Performance Measurement and Reporting Standards (Chapter 3) of REIS was available for public comment through January 15, 2008. This REIS update is deemed necessary in order to conform REIS to the Global Investment Performance Standards (GIPS). GIPS is the foundational performance measurement standard within REIS. Seven comment letters were received from the industry, are being processed, and will be addressed by the Council. After the Council concludes its deliberations, an Adopting release will be prepared and submitted for approval to the REIS Board and thereafter incorporated into REIS. The goal is to issue an Adopting release before March 31 (first quarter end).

Organizational Matters

Jeff Kiley of PricewaterhouseCoopers has completed his term as chair of the REIS Council. Kenny Smith of Deloitte is the new chair of the REIS Council. Please join us in thanking Jeff for four years of service as Council Chair and supporting Kenny.

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