

October 12, 2007

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Herz:

The Real Estate Information Standards Council is writing to you to request that the Board defer the required effective dates of FAS 157, 159 and SOP 07-1 by one year. The Real Estate Information Standards Council is a body formed in collaboration with the National Council of Real Estate Investment Fiduciaries, the Pension Real Estate Association, and the National Association of Real Estate Investment Managers to assist in establishing standards for calculating, presenting and reporting investment results to the institutional real estate investment industry. Our industry investors consist primarily of tax-exempt pension funds that own interests in the estimated \$750 billion of commercial real estate and real estate related investments held by real estate investment vehicles.

Real Estate Information Standards, known as REIS, were initially published in 1995 and represent an effort to codify a single set of desired industry practices and to improve standardization of valuation procedures, financial reporting, and reporting of investment performance return information. REIS plays an important part in the overall efficiency of the real estate investment industry as consistency, comparability and transparency are critical for institutional investors to make efficient and sound investment decisions regarding their investments, investment managers, and the asset class. REIS depends upon, and is intended to supplement and in some cases, clarify, but not replace other established standards from authorized bodies including, but not limited to, valuation standards established through Uniform Standards of Professional Appraisal Practice (USPAP), accounting standards established by Generally Accepted Accounting Principles (GAAP) and the performance measurement and reporting standards known as the Global Investment Performance Standards (GIPS).

We are writing to you at this time because we understand you may be considering a deferral of FAS 157 in an upcoming Board meeting and because we believe participants in the institutional real estate investment

industry recognize they are not adequately prepared to effectuate such a substantial change in the reporting for institutional real estate investments by January 1, 2008. Our industry participants are not adequately prepared due in large part to the continued widespread diversity in views as to the proper application of FAS 157, 159 and SOP 07-1 to the industry. This diversity in views remains in spite of substantial efforts in recent years to actively prepare our industry for the adoption of FAS 157, 159 and SOP 07-1, efforts which include formation of various industry working groups, implementation analysis as well as initiating a project with the AICPA to provide guidance in order to maintain the level of consistency we have achieved through REIS. We believe that a one year deferral is critical in order to avoid a resulting lack of consistency and comparability in reporting and to prevent the introduction of unnecessary confusion among institutional investors.

One of the most significant challenges faced by the industry results from the application of SOP 07-1. For those that are required to apply the IC Guide, (such as the open-ended real estate funds that are commonly formed as separate accounts of insurance companies), there appears to be widespread diversity in views as to its proper application. We appreciate the willingness of the AICPA to accept our request for additional guidance, and recognize the significant effort put forth by the AICPA to allow us to achieve our objective of a consistent implementation of the IC Guide within our industry. Unfortunately, at this time the guidance is not yet available and we continue to hear substantial diversity in views among real estate investment advisors and their audit firms with respect to the fundamental accounting and reporting matters faced by investment vehicles in connection with their first-time adoption of the IC Guide in approximately 75 days.

While adoption of the IC Guide as a result of SOP 07-1 would appear at this time to present the greatest challenge to the industry, other challenges exist with respect to the application of FAS 157 and 159. In light of the significant amount of mortgage financing borrowed by real estate investment vehicles, the fair value measurement principles of FAS 157 that pertain to the valuation of liabilities are a critical matter in the industry. Through REIS, our industry has made a firm commitment to require industry participants to elect the FAS 159 fair value option for all mortgage liabilities. In recent years the REIS Council in consultation with valuation experts, academics, and others in our industry have explored prudent fair value principles and their application to a borrower's mortgage liabilities (See REIS Adopting Release dated June 15, 2006 at <http://www.ncreif.org/reis/>). Because our analysis concluded that the exit notion is a fundamental principle contained within all fair value measurements, industry participants did not understand the basis for an apparent change to FAS 157 which indicated, in its application to liabilities, that a fair value measurement should assume that the liability is transferred to a market participant. Because non-transferable rights exist within both assets and liabilities, we believe the liability measurement which assumes transferability is inconsistent with our understanding of fair value principles. Accordingly, we continue to struggle with the apparent inconsistency of the application of FAS 157 to assets vs. liabilities and continue to have notable unanswered questions which directly impact the measurement of net asset

value in our investment vehicles. Many of our investment vehicles trade on net asset value, so consistent application of these principles is of paramount importance to our industry.

At this time, without the ability to establish a clear path for the implementation of the IC Guide as well as specific FAS 157 and 159 matters, the preparer community in our industry has been unable to effectively execute upon the required information systems conversions, internal control modifications, and transitional efforts required to adopt SOP 07-1, FAS 157 and 159 on January 1, 2008. Accordingly, we respectfully request that the Board delay the required effective date by one year to give an appropriate amount of time for industry participants, including real estate investment advisors and their audit firms, to work through the application issues and to allow the AICPA sufficient time to provide the much needed guidance and assistance involving the first-time adoption of the IC Guide by real estate funds.

We thank the Board in advance for your consideration of the matters discussed above and would welcome the opportunity to discuss any related matters at your convenience.

Sincerely,

Douglas Poutasse
Executive Director
National Council of Real Estate
Investment Fiduciaries

Jeffrey J. Kiley
Chair, Real Estate
Information Standards
Council

cc: Ben Neuhausen, Chair, Accounting Standards Executive Committee