

OFFICERS

Chair

Hamid R. Moghadam
AMB Property Corporation

President and CEO
Steven A. Wechsler

First Vice Chair
David E. Simon
Simon Property Group

Second Vice Chair
R. Scot Sellers
Archstone-Smith

Treasurer

Christopher J. Nassetta
Host Marriott Corporation

BOARD OF GOVERNORS

Andrew M. Alexander
Weingarten Realty Investors

Thomas F. August
Prentiss Properties Trust

Thomas D. Bell, Jr.
Cousins Properties Incorporated

Bryce Blair
AvalonBay Communities, Inc.

David C. Bloom
Chelsea Property Group, Inc.

K. Dane Brooksher
ProLogis

John Bucksbaum
General Growth Properties, Inc.

Debra A. Cafaro
Ventas, Inc.

Richard J. Campo
Camden Property Trust

Thomas A. Carr
CarrAmerica Realty Corporation

Terry M. Considine
AIMCO

Arthur M. Coppola
The Macerich Company

Thomas J. Corcoran Jr.
FelCor Lodging Trust Incorporated

Edmund B. Cronin, Jr.
Washington Real Estate Investment Trust

Anthony W. Deering
The Rouse Company

Bruce W. Duncan
Equity Residential

Thomas D. Eckert
Capital Automotive REIT

John N. Foy
CBL & Associates Properties, Inc.

John S. Gates, Jr.
CenterPoint Properties Trust

John C. Goff
Crescent Real Estate Equities Company

Rick R. Holley
Plum Creek Timber Company, Inc.

Edward H. Linde
Boston Properties, Inc.

Thomas H. Lowder
Colonial Properties Trust

Peter S. Lowy
Westfield America, Inc.

Michael Pralle
GE Capital Real Estate

Scott Rechler
Reckson Associates Realty Corp.

Nelson C. Rising
Catellus Development Corporation

Steven G. Rogers
Parkway Properties, Inc.

Steven Roth
Vornado Realty Trust

Glenn J. Ruffano
New Plan Excel Realty Trust

William D. Sanders
Sanders Partners Incorporated

Warren E. Spieker, Jr.
Spieker Partners

Martin E. Stein, Jr.
Regency Centers Corporation

Garrett Thornburg
Thornburg Mortgage, Inc.

Chris D. Wheeler
Gables Residential Trust

Donald C. Wood
Federal Realty Investment Trust

Richard S. Ziman
Arden Realty, Inc.



NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

December 22, 2003

Mr. Lawrence W. Smith
Director-Technical Applications and Implementation Activities and EITF Chair
Financial Accounting Standards Board
407 Merritt 7
Norwalk, Connecticut 06856-5116

Re: AICPA's Proposed SOP, *Accounting for Certain Costs and Activities
Related to Property, Plant and Equipment*

Dear Larry:

Once again we want to thank you and the FASB for meeting with NAREIT representatives on November 25, 2003 regarding the Association's concerns with respect to the AICPA's proposed SOP, *Accounting for Certain Costs and Activities Related to Property, Plant and Equipment*. The dialogue was very useful in terms of our understanding the Board's perspective on the proposed SOP as well as the pace of global harmonization of accounting standards. We hope the dialogue provided the Board and staff with a clearer understanding of NAREIT's concerns.

A number of questions were asked regarding NAREIT's position that the proposed SOP moves accounting for investment property in the U.S. further from IAS No. 40, *Investment Property*. This letter is intended to clarify our position.

First, it is important to understand the industry's current practice in accounting for property, plant and equipment. Most companies categorize investment property into less than six accounts. These might include land, land improvements, structure, mechanical and electrical equipment and furniture, fixtures and equipment. Each of these categories of a property's cost is depreciated on a straight-line basis over the weighted average lives of assets in each category. Cost records are generally not maintained for asset components within each category. When a component is replaced, the cost of the new component is added to the appropriate category of costs. The cost of the replaced component is not written-off at that time. This composite method of depreciation assumes that, on average, components are replaced at the end of their useful lives.

Second, the fair value model of accounting for investment property included in IAS 40 treats investment property as an integrated entity and does not require componentization of the property.

SSS

1875 Eye Street, NW, Suite 600, Washington, DC 20006-5413
Phone 202-739-9400 Fax 202-739-9401 www.nareit.com

Our position is that requiring the real estate industry to componentize hundreds of billions, even trillions, of dollars of property at this time when there is a high probability of moving to the international integrated-entity fair value model in the foreseeable future, would be a tremendous waste of resources and confusing to investors and other users of our industry's financial statements.

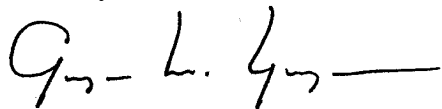
While we understand that the fair value model is but one of two choices for accounting for investment property under IAS 40, we do believe that the alternative approach, historical cost/depreciation, is largely illusory. This is because when the alternative approach is used under IAS 40, the fair value still must be measured and disclosed in a note; while, under the fair value model, fair value is reported in the balance sheet. For practical purposes, both approaches require the measurement of fair value and the inclusion of those values in the financial statements/notes.

Consequently, we would expect that most companies that expend the considerable effort to measure the fair value of investment property would choose to report these values in the financial statements under the fair value model rather than in a note under the historical cost/depreciation model. Therefore, if the Board continues to move U.S. financial standards toward international standards, we believe that eventually most investment property will be reported at fair value under global accounting standards. Given the course that the Board and IASB appear to be on, we urge the Board to exempt investment property from the componentization requirements of the proposed SOP until the accounting for investment property under U.S. GAAP and international standards is conformed.

Finally, we intend to follow-up our discussion of the industry's proposed method of more realistically measuring the depreciation of investment property under current GAAP. As we indicated, this method incorporates a realistic salvage value in the measurement of depreciation of the initial cost of investment property. We expect to deliver this proposal to FASB staff during the first quarter of 2004.

If you have any further questions regarding our position, please contact me at 202-739-9432 or gyungmann@nareit.com.

Sincerely,



George L. Yungmann
Vice President, Financial Standards

CC: Robert H. Herz, Chairman, Financial Accounting Standards Board
Steven A. Wechsler, President and CEO, NAREIT
Bernard Winograd, President, Prudential Investment Management
Stephen M. Briggs, Sr. Vice President & CAO, Equity Office Properties Trust