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April 28, 2020

VIA ELECTRONIC SUBMISSION

Ms. Vanessa Countryman
Secretary
File No. S7-01-20
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. S7-01-20: Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information

Dear Ms. Countryman,

This letter is submitted by Nareit in response to the Securities and Exchange Commission's (SEC, or, Commission) proposal, Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information¹ (the Proposal).

Nareit serves as the worldwide representative voice for real estate investment trusts (REITs)² and real estate companies with an interest in U.S. income-producing real estate. Nareit's members are REITs and other real estate companies throughout the world that own, operate, and finance income-producing real estate, as well as those firms and individuals who advise, study, and service those businesses.

This letter has been developed by a task force of Nareit members, including members of Nareit's Best Financial Practices Council. Members of the task force include financial executives of both Equity and Mortgage REITs, representatives of major accounting firms, law firms, institutional investors, and industry analysts.

Nareit Perspective on the Proposal

Nareit and its members appreciate the opportunity to participate in this phase of the SEC's Disclosure Effectiveness Initiative. Nareit and its members have long understood the critical importance of communicating accurate and material business and financial information to REIT investors and have

¹ Management's Discussion and Analysis, Selected Financial Data, and Supplementary Information, Release No. 33-10750; 34-88093; File No. S7-01-20 (2/28/2020) available at <https://www.federalregister.gov/documents/2020/02/28/2020-02313/managements-discussion-and-analysis-selected-financial-data-and-supplementary-financial-information>

² Through the properties they own, finance and operate, REITs help provide the essential real estate we need to live, work and play. All U.S. REITs own approximately \$3 trillion in gross assets, public U.S. REITs account for \$2 trillion in gross assets, and stock-exchange listed REITs had an equity market capitalization of over \$1 trillion as of Dec. 31, 2019. In addition, more than 87 million Americans invest in REIT stocks through their 401(k) retirement and other investment funds.

previously submitted comments supporting proposals developed by the SEC pursuant to this Initiative,³ Nareit fundamentally believes that reducing duplicative disclosure and focusing on material information improves the effectiveness and usefulness of the information presented to investors and analysts while also decreasing the costs of preparing that information, which ultimately benefits shareholders.

As an initial matter, Nareit endorses the principles-based approach to disclosure reflected in the Proposal, which affords registrants with flexibility to tailor disclosures to the facts and circumstances of material transactions that impact their respective businesses. Nareit believes it is best suited to the constantly evolving business environment in which REITs and other businesses operate. Nareit also endorses key aspects of the Proposal and respectfully offer two recommendations, as described below.

Nareit Supports Key Aspects of the Proposal

Nareit generally supports these key elements of the Proposal:

- Item 301, *Selected financial data* – The Proposal would no longer require registrants to provide 5 years of selected financial data.

Nareit understands that this information is readily available through multiple avenues on registrant websites, SEC filings on EDGAR, and through data aggregator services. We concur that the ready availability of prior quarterly and annual reports available on EDGAR, renders this item unnecessary and duplicative.

- Item 302(a), *Supplementary financial information* – The Proposal would no longer require registrants to provide 2 years of selected quarterly financial data.

Similar to the elimination of Item 301, Nareit concurs that this information is readily available through multiple avenues on registrant websites, SEC filings on EDGAR, and data aggregator services.

³ See, Nareit comment on SEC Concept Release on Business and Financial Disclosure Required by Regulation S-K; 17 CFR Parts 210, 229, 230, 232, 239, 240 and 249; Release Nos. 33-10064, 34-77599; File No. S7-06-16; RIN 3235-AL78 (July 21, 2016) available at <https://www.sec.gov/comments/s7-06-16/s70616-268.pdf>; Nareit comment on SEC Proposed Rule on Disclosure Update and Simplification (17 CFR Parts 210, 229, 230, 239, 240, 249, and 274; Release No. 33-10110, 34-78310; IC32175; File No. S7-15-16; RIN 3235-AL82) (Oct. 28, 2016) available at <https://www.sec.gov/comments/s7-15-16/s71516-39.pdf>; Nareit Comment on Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities Release; No. 33-10526; 34-83701; File No. S7-19-18 (Nov. 29, 2018) available at <https://www.reit.com/sites/default/files/Nareit-Submission-on-Financial-Disclosures-Guarantors-and-Issuers-of-Guaranteed-Securities-011292018.pdf>; Nareit Comment on Amendments to Financial Disclosures about Acquired and Disposed Businesses, Release No. 34-85765, File No: S7-05-19 (July 29, 2019) available at <https://www.sec.gov/comments/s7-05-19/s70519-5879059-188747.pdf>; Nareit Comment on Modernization of Regulation S-K Items 101, 103, and 105, File No. S7-11-19 (Oct. 22, 2019) available at <https://www.sec.gov/comments/s7-11-19/s71119-6323150-194592.pdf>.

- Item 303(a)(5), *Contractual obligations* - The Proposal would no longer require registrants to provide a contractual obligations table.

Nareit concurs with the SEC's reasoning to eliminate the contractual obligations table in Management's Discussion and Analysis (MD&A) due to the overlap with disclosure requirements imposed under U.S. GAAP.

- Item 303(b), *Interim periods* – The Proposal would permit registrants to compare their most recently completed quarter to either the corresponding quarter of the prior year or to the immediately preceding quarter. The Proposal would also permit registrants that are subject to Rule 3-03(b) of Regulation S-X to be afforded the same flexibility.

Nareit concurs that providing registrants with the flexibility to compare quarterly results with the same period from the prior year, or to the preceding quarter will provide users of financial statements with better information from which they can make capital allocation decisions. Some members of our task force reasoned that a requirement to only disclose information in one manner could mislead investors if a company had a material transaction that was not reflected in the comparative period presented.

Nareit Recommendations

Clarify Item 303(b)(3)(ii), *Results from Operations*

Item 303(b)(3)(ii), *Results of Operations* would require registrants to disclose known events that are *reasonably likely* to cause material change in the relationship between costs and revenues, such as known or reasonably likely future increases in costs of labor or materials or price increases or inventory adjustments.

While, as noted above, Nareit appreciates the SEC's principles-based approach to MD&A disclosure, Nareit is, however, seeking further guidance on what the Commission intends by "reasonably likely" changes in the relationship between costs and revenues in Item 303(b)(3)(ii). The proposed language also appears to expand the circumstances that would require disclosure. The current rule requires disclosure of trends and uncertainties that the registrant "reasonably expects *will have*" a material impact. Nareit respectfully requests that the Commission clarify whether it intends for the new language to expand the scope of required disclosure. The change in wording from "reasonably expects *will have*" to a "reasonably likely" standard could put registrants at greater risk for litigation.

Additional guidance with respect to the time frame from which management should consider in its outlook, would be of value to issuers and would lead to more consistent interpretation by registrants and comparability across companies for users of financial statements.



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Defer the Compliance Date in light of COVID-19 Market Disruption

Given the COVID-19 global pandemic, much of our members' focus has been on providing management with the information it needs to operate its business in the context of exceptionally stressed market conditions while still meeting SEC reporting deadline requirements. In that vein, Nareit respectfully requests that the SEC defer the compliance date of this Proposal, beyond the proposed 180 days after the effectiveness of any final rule. The prospect of instituting new financial reporting policies, procedures, and internal controls would likely place undue pressure on registrants. Therefore, at minimum, Nareit recommends that the SEC defer the effective date of this Proposal to filings made on or after Sept. 30, 2021. Additionally, Nareit recommends that this date be revisited to the extent that the global pandemic continues into 2021.

Conclusion

Nareit appreciates the opportunity to participate in this additional rulemaking related to the SEC's ongoing Disclosure Effectiveness Initiative and would be pleased to discuss our comments, or any related questions that the SEC or its staff may have. Please contact: Christopher Drula, Senior Vice President, Financial Standards (cdrula@nareit.com); Victoria Rostow, Senior Vice President, Regulatory Affairs & Deputy General Counsel (vrostow@nareit.com); or George Yungmann, Senior Vice President, Financial Standards (gyungmann@nareit.com), if you would like to discuss these issues in greater detail.

Respectfully submitted,

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