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November 10, 2017

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam:

We are submitting this comment letter in response to the International Accounting Standards Board (IASB) Agenda Paper 21A for the November 14, 2017 IASB meeting that addresses presentation of an investing category in the statement(s) of financial performance.

This letter expresses the Real Estate Equity Securitization Alliance's (REESA's) concerns regarding some of the staff recommendations included in Issue 3 of Agenda Paper 21A in relation to the placement of share of profit or loss of associates and joint ventures that are integral to the entity's business (i.e. its main operations) below operating profit or EBIT.

This submission is provided on behalf of the Real Estate Equities Securitization Alliance (REESA), which includes the following real estate organizations:

- Asia Pacific Real Estate Association (APREA)
- British Property Federation (BPF)
- European Public Real Estate Association (EPRA)
- Nareit (USA)
- Property Council of Australia (PCA)
- Real Property Association of Canada (REALPAC)

REESA is a global alliance of representative real estate organizations and seeks to promote equity investment in real estate on a securitized basis. Together, the members of REESA represent the vast majority of constituent companies included in the FTSE EPRA/Nareit Global Real Estate Index.

REESA members represent major operating real estate companies (including REITs) – companies that acquire, develop, lease, manage and opportunistically sell investment property. REESA's broad mission is to improve the opportunities for investment in securitized real estate equity around the globe. The purpose and activities of REESA are discussed further in Appendix I.

REESA's Comments

REESA strongly disagrees with the staff recommendation in Issue 3 of Agenda ref 21A. To be useful to investors and other financial analysts, a performance measure, whether it be EBIT or an Alternative Performance Measure (APM), must include the company's share of such measure generated by associates and joint ventures. If the Board pursues the staff recommendation, REESA fears that the Board will not achieve one of its objectives -- to reduce the degree of non-GAAP reporting outside the financial statements.

REESA agrees with the view in Paragraph 10 (c) that including the share of the profit or loss of associates and joint ventures accounted for using the equity method in the investing category might not be appropriate for associates and joint ventures that are integral to the entity's business (i.e. its main operations). We also support the viewpoint of disaggregating between integral and non-integral activities expressed in Paragraph 30 (a) regarding the presentation of the share of the profit or loss of associates and joint ventures.

As a result of common legal structures used in many jurisdictions for real estate projects, the majority of real estate joint arrangements are classified under IFRS (and US GAAP) as joint ventures and therefore recorded as a one-line net equity investment in the statement of financial position. However, investments in joint ventures are not passive investments for real estate entities. They are actively managed as part of ongoing, operating activities. In supplementary documents, preparers include a split out of the revenue and expenses from joint ventures and consolidated entities in order for analysts to calculate operating income from real estate operations that more accurately represents the entity's operating business. Despite legal structures around the arrangements, real estate entities run the operating activities within joint operations and joint ventures the same way, and as such, both preparers and analysts view the revenues and expenses from these activities as part of the regular operating business of the entity – regardless of accounting construct.

One of the key measures used by investors and analysts for real estate entities in several jurisdictions is Net Operating Income (NOI). In supplemental documents provided by management, the proportionate share of profit and loss from joint arrangements is included in the calculation of Net Operating Income (NOI) across REESA members in Australia, Canada and the United States. In Europe, EPRA Earnings also includes the profit or loss connected to joint ventures as these structures are considered important for the operations of property companies. Both NOI and EPRA Earnings are well established and ingrained management performance metrics in the real estate industry that are used for many purposes, including purchase decisions for investment properties, monitoring ongoing operating performance, and comparing real estate entities across asset classes and jurisdictions.

Real estate entity management teams, analysts and investors around the globe agree that the proportionate share of profit and loss from joint ventures is a significant and integral part of a real estate entity's operating profit and should be presented and analyzed as such.

We thank the Board for the opportunity to provide our input on Agenda Paper 21A from the November 2017 IASB meeting. If you would like to discuss our comments, please contact Nancy Anderson, REALPAC's Vice President Financial Reporting and Chief Financial Officer, at 416-642-2700.

Respectfully submitted,

NAnderson

Nancy Anderson
Vice President, Financial Reporting and Chief Financial Officer

Comment Letter Submitted by
The Real Property Association of Canada (REALPAC)

On behalf of the following members of the
Real Estate Equity Securitization Alliance (REESA):

Asia Pacific Real Estate Association (APREA)

British Property Federation (BPF)

European Public Real Estate Association (EPRA)

National Association of Real Estate Investment Trusts (Nareit) (USA)

Property Council of Australia (PCA)

Real Property Association of Canada (REALPAC)

APPENDIX I

REESA – The Real Estate Equity Securitization Alliance

REESA is made up of seven real estate organizations around the world grounded in one or more facets of securitized real estate equity. REESA's broad mission is to improve the opportunities for investment in securitized real estate equity around the globe. The REESA member organizations are:

- Asia Pacific Real Estate Association (APREA)
- Association for Real Estate Securitization in Japan (ARES)
- British Property Federation (BPF)
- European Public Real Estate Association (EPRA)
- National Association of Real Estate Investment Trusts in the United States (Nareit) (USA)
- Property Council of Australia (PCA)
- Real Property Association of Canada (REALPAC)

REESA has responded positively to the challenges presented by the developments in the global economy and, in particular, the global real estate markets. The benefits of collaboration on a global scale are increasingly valuable on major industry issues such as the sustainability of the built environment, tax treaties, corporate governance and research.

The formation of REESA was, in part, a direct response to the challenge and opportunity presented by the harmonization of accounting and financial reporting standards around the world. Given the size and importance of the real estate industry, our view is that there are considerable benefits to be gained by both accounting standard setters and the industry in developing consensus views on accounting and financial reporting matters, as well as on the application of accounting standards.

Since its formation REESA members have exchanged views on a number of accounting and tax related projects and shared these views with regulators and standards setters. These projects include:

- IASB *Disclosure Initiative – Principles of Disclosure*
- IASB *Definition of a Business*
- IASB *2015 Agenda Consultation*
- IASB *Post-Implementation Review: IFRS 3 Business*
- FASB *Investment Companies*
- FASB *Investment Property Entities*
- IASB *Investment Entities*
- FASB *Consolidation: Principle versus Agent Analysis*
- IASB *Agenda Consultation 2011*
- FASB/IASB *Accounting for Leases*

- FASB/IASB *Financial Statement Presentation*
- FASB/IASB *Reporting Discontinued Operations*
- FASB/IASB *Revenue from Contracts with Customers*
- FASB/IASB *Effective Dates and Transition Methods*
- IASB *Fair Value Measurement*
- IASB *Income Tax*
- IASB *Real Estate Sales – IFRIC D21*
- IASB *Capitalization of Borrowing Costs – IAS 23*
- IASB *Accounting for Joint Arrangements – ED 9*
- IASB *Consolidated Financial Statements – ED 10*
- IASB *2007/2008/2009 Annual Improvements to IFRS*
- OECD developments on cross border real estate flows and international tax treaties