



**13 September 2013**

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

Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

**Re: FASB File Reference No. 2013-270, *Leases (Topic 842)*, a revision of the 2010 proposed FASB Accounting Standards Update, *Leases (Topic 840)* & IASB Exposure Draft – *Leases (ED/2013/6)***

Dear Sir/Madam,

We are pleased to submit this letter on the International Accounting Standards Board's (IASB) and Financial Accounting Standards Board's (FASB) (collectively "the Boards") Exposure Draft: *Leases*. We are submitting these comments on behalf of the undersigned investors and property sector analysts. As major investors into property and investment property companies (including REITs) these financial statement users have a strong interest in ensuring that the reporting related to investment property is relevant and transparent.

### **Recognition of investment property and rental income in line with current IFRS**

We are fully supportive of the conclusion reached by the Boards to allow lessors of investment property to continue to recognise the investment property on the lessor's Balance Sheet and full rental income on the lessor's Income Statement for the vast majority of leases. The proposed accounting provides decision-useful information on which to base our evaluation of the investment quality of investment properties and companies that own and operate portfolios of investment property. In addition, the proposed accounting is broadly consistent with current accounting guidance for most commercial real estate leases under both IFRS and U.S. GAAP.

As stated in our letter of November 2010, information regarding the full amount of rental income is fundamental to investors in assessing the performance and investment quality of investment property companies. That is why International Accounting Standard No 40 *Investment Property* (IAS 40) is well supported by industry financial statement preparers reporting under IFRS and industry financial statement users. It requires a property

company to disclose the fair value of its property and reports full rental income in the profit and loss account.

We acknowledge the Boards' recognition of IAS 40 in the proposed guidance for accounting by lessees that control property through leasehold interests. Under the proposed accounting, companies that lease property that qualifies as investment property under IAS 40 would be accounted for as investment property. This would include the choice to report these properties at fair value.

Finally, we want to reiterate our previously expressed view that removing the visibility over the investment property, as well as the full rental income, would represent a step backward in terms of investment property companies communicating effectively the profitability and financial position of the company to investors, analysts, and other users.

The investors identified below would be pleased to meet with the Boards or staff to discuss in more detail the views of users of the financial statements of investment property companies.

If you would like to discuss this matter with us, please contact either Andrew Saunders at [andrew.saunders@epa.com](mailto:andrew.saunders@epa.com) or George Yungmann at [gyungmann@nareit.com](mailto:gyungmann@nareit.com).

We thank the FASB and IASB for the opportunity to comment on the Boards' Exposure Drafts with respect to this very important project.

Respectfully submitted,

**Investment institutions**

| Name                   | Organisation                         | Property AUM (€million) | E-mail                                       |
|------------------------|--------------------------------------|-------------------------|--|
| John Robertson         | RREEF                                | 36,700                  | CONTACT<br>DETAILS<br>PROVIDED<br>SEPARATELY |
| Guido Bunte            | Cornerstone Real Estate Advisers     | 29,600                  |  |
| Roger Lees             | Aviva Investors                      | 28,500                  |  |
| Rafael Torres Villalba | All Pension Group (APG)              | 25,000                  |  |
| Marc Halle             | Pramerica/Prudential                 | 23,400                  |  |
| Rogier Quirijns        | Cohen & Steers                       | 22,300                  |  |
| Alex Jeffrey           | M&G Real Estate                      | 19,000                  |  |
| Simon Robson           | CBRE Clarion Securities              | 17,400                  |  |
| Hans Op 't Veld        | PGGM Investments                     | 15,400                  |  |
| Timothy Pire           | Heitman                              | 15,300                  |  |
| Patrick Sumner         | Henderson Global Investors           | 13,000                  |  |
| Theodore Bigman        | Morgan Stanley Investment Management | 12,100                  |  |

*Investment institutions contd.*

|                    |                                     |        |  |
|--------------------|-------------------------------------|--------|--|
| Bill Hughes        | Legal & General Property            | 10,900 | CONTACT<br>DETAILS<br>PROVIDED<br>SEPARATELY |
| Andrew Jackson     | Standard Life Investments           | 10,400 |  |
| Craig Mitchell     | Dexus Property Group                | 9,400  |  |
| Saker Nusseibeh    | Hermes Real Estate Inv Management   | 6,500  |  |
| Robert Oosterkamp  | AEW Global Advisors                 | 6,030  |  |
| Stephen Tross      | Bouwinvest REIM                     | 6,000  |  |
| James Rehlaender   | European Investors, Inc             | 5,100  |  |
| Jan Willem Vis     | BNP Paribas Investment Partners     | 3,000  |  |
| Jos Short          | Internos Global Investors           | 2,000  |  |
| Mark Townsend      | Asset Value Investors               | 1,800  |  |
| Frank Haggerty     | Duff & Phelps Investment Management | 1,400  |  |
| Steven Brown       | American Century Investments        | 1,400  |  |
| Matthijs Storm     | Kempen & Co                         | 1,100  |  |
| Vincent Bruyère    | Degroof Fund Management Company     | 250    |  |
| Charles Fitzgerald | V3 Capital Management LP            | 190    |  |

**Investment analysts**

| <b>Name</b>               | <b>Organisation</b>  | <b>Email</b>                                 |
|---------------------------|----------------------|--|
| John Lutzius, Mike Kirby  | Greenstreet Advisors | CONTACT<br>DETAILS<br>PROVIDED<br>SEPARATELY |
| Harm Meijer               | JP Morgan            |  |
| Bart Gysens               | Morgan Stanley       |  |
| Jan Willem van Kranenburg | ABN AMRO             |  |
| Alex Moss                 | Consilia Capital     |  |
| Nick Webb                 | Exane BNP Paribas    |  |
| Steven Sakwa              | ISI Group            |  |