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

Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Request for Views on Effective Dates and Transition Methods

Dear Sir/Madam:

We are pleased to submit this comment letter in response to the International Accounting Standards Board's (IASB) and the Financial Accounting Standards Board's (FASB) joint Request for Views on Effective Dates and Transition Methods ("the Request for Views"). We are submitting these comments on behalf of the members of the Real Estate Equity Securitization Alliance (REESA). These members include the following real estate organizations:

Asia Pacific Real Estate Association (APREA)
British Property Federation (BPF)
European Public Real Estate Association (EPRA)
National Association of Real Estate Investment Trusts (NAREIT)® (U.S.)
Property Council of Australia (PCA)
Real Property Association of Canada (REALpac)

Members of the organisations identified above would be pleased to meet with the Boards or staff to discuss any questions regarding our comments.

We thank the IASB and the FASB (collectively, the Boards) for the opportunity to comment on the proposal with respect to transition arrangements for a number of important projects. If you would like to discuss our comments, please contact Ion Fletcher, Policy Officer at the BPF, on +44 207 802 0105, or ionfletcher@bpf.org.uk.

Respectfully submitted,

Comment Letter Submitted by the

British Property Federation (BPF)

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)® (U.S.)
Property Council of Australia (PCA)
Real Property Association of Canada (REALpac)

In response to the

Request for Views

Effective Dates and Transition Methods

Issued by the International Accounting Standards Board and
Financial Accounting Standards Board
October 2010

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

Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Request for Views on Effective Dates and Transition Methods

Dear Sir/Madam:

REESA is the global representative voice for publicly traded real estate companies and Real Estate Investment Trusts (REITs). Members of REESA organisations are real estate companies and other businesses throughout the world that primarily develop, own, operate and finance investment property, as well as those firms and individuals who advise, study and service those businesses.

REESA strongly supports the harmonisation of global accounting and financial reporting and understands the importance of achieving a high quality universal set of accounting standards. We have been fully engaged in the Boards' discussions on major convergence projects and have actively participated in meetings with the Boards and their staff with respect to these projects. REESA greatly appreciates the opportunities to express our global views through these meetings and comment letters.

Preparing a response to the Boards' Request for Views has given REESA organisations an opportunity to take a holistic view of the projects that the Boards have been working on over the past 36 months. These projects will fundamentally change the way that businesses around the world prepare their financial statements and also enable greater comparability between the accounts of businesses in different jurisdictions.

REESA believes that it is of utmost importance that the accounting standards arising from the Boards' projects are robust, clear, and accurately reflect economic transactions. These qualities must not be sacrificed in the name of speedy implementation, and we therefore urge the Boards to allow themselves sufficient time to carefully consider the detailed implications of the changes they propose, and indeed whether those changes are truly needed.

Executive Summary

REESA's key comments in response to the Boards' Request for Views are summarised below:

- Significant transitional costs will be incurred in complying with the revised leasing standard by those real estate businesses which account for their investment property under the cost option in IAS 40 or whose local GAAP does not allow fair value reporting. Accordingly, we urge the FASB to proceed expeditiously with its project to develop an “IAS 40 equivalent” accounting standard and would be happy to assist the FASB in this regard.

- In principle we favour a single date approach for the implementation of the new accounting standards proposed by the Boards as we believe this should minimise the disruption caused by changes to the accounting systems of preparers. However, given the uncertainty as to when some of the standards will be finalised and also their eventual content and requirements, it is hard to be sure whether that approach would be possible.
- Due to the number of new accounting standards to be adopted at the same time, we believe that a generous transition period is required. The *earliest* application of the proposed standards should be for periods beginning on or after 1 January 2015. As much flexibility as possible should be given to preparers who would like to early adopt the revised standards.
- We agree with the proposed implementation methods suggested by the Boards in respect of the new accounting standards.
- We believe that the IASB and FASB should require the same effective dates and transition methods for their comparable standards.
- The IASB should permit flexibility regarding adoption of the new standards to preparers in jurisdictions adopting IFRS for the first time in the next two years.

Detailed comments

The accounting standards referred to in the Request for Views will all, to some extent, affect the way in which real estate businesses prepare and disclose their financial statements.

Our response will focus only on the following proposed accounting standards, which will entail noticeably increased cost and effort for preparers of real estate financial statements:

- Fair value measurement
- Joint arrangements
- Leases

Fair value measurement (measurement uncertainty analysis)

The proposed measurement uncertainty analysis disclosure requirements could potentially affect property investment businesses in a significant way to the extent that, when finalised, they mandate the separate analysis and disclosure of the inter-dependencies between unobservable inputs in the calculation of the fair value of investment property.

Unfortunately there is currently some uncertainty as to the detailed implications of these proposals, such as whether disclosure of sensitivity analysis and valuation techniques should be applied at property portfolio level or individual property level. That makes it difficult to calculate the cost and effort required to transition from the existing disclosure requirements to the proposed ones outlined above.

Nevertheless, it is clear that the cost and effort required by preparers to comply with this standard will depend upon to the level of disclosure and analysis mandated by the standard. The greater the required level of detail to be disclosed, the higher the cost of transition will be.

Even if the information mentioned above was not difficult to obtain (we would normally expect it to be held by the professional valuation agents that calculate the fair value of investment properties), additional costs would need to be incurred by preparers to purchase that information from valuation agents.

Joint arrangements
Due to the high value of real estate assets, property investment businesses often enter into joint ventures to develop and manage those assets. Any such businesses which currently account for their joint venture arrangements under the proportional consolidation method will be affected by the requirements of the new joint arrangements accounting standard.

Affected businesses will need to recalculate the value of their joint venture participations and may need to run extensive reconciliations to ensure that accuracy is maintained. The time and effort required to do this could potentially be significant depending on the number of joint arrangements that an entity is associated with.

Leases
As set out in our response to the Boards' exposure draft on leases, we firmly support the exclusion from that standard of leases of investment property which is held at fair value under IAS 40. That exclusion means that the proposed leasing standard should not have a significant impact on many real estate businesses accounting under IFRS, the majority of which hold their investment properties at fair value.

However, there is a significant proportion of REESA members around the world which choose to account for their investment property at historic cost under IFRS or do not have an option to report their property at fair value in their local GAAP. For such businesses, and also for property tenants, who are REESA member's main customers, the costs and effort of adopting the new leasing standard will be considerable, and it is vital that these preparers are given time to adapt their accounting systems to the new rules. We would therefore recommend that the leasing standard should not come into effect until *at the earliest*, accounting periods beginning 1 Jan 2015 (although preparers should have the flexibility to early adopt the standard).

Implementation arrangements
Transition methods
We agree with the transition methods proposed by the Boards in their respective Requests for Views, when considered in the context of the Boards' broad implementation plan covering all new requirements. We believe that the proposed methods are practical, and appropriate use of the 'limited retrospective' method shows an appreciation of the difficulties which businesses could face in certain instances (e.g. under the new leasing standard) if they were required to implement accounting standards fully retrospectively.

Effective date of implementation
In principle, we support the single date implementation approach, which would see all of the proposed new accounting standards becoming effective at the same date, following an appropriate transition period.

The single date approach is likely to significantly increase the workload of preparers of financial statements in the year of implementation as all new accounting standards would have to be taken into account at once. However, we believe that this ‘shock’ is more than offset by the advantages of having to explain the changes in financial statements to users only once, and of avoiding continuous change in financial statement preparation processes. This in turn leads to smaller transition costs.

The longer the transition period for the proposed accounting standards, the more time preparers of financial statements will have to learn about them and change their accounts preparation systems accordingly. We would therefore recommend a generous transition period. Assuming that the projects noted in paragraph 18 of the Request for Views are completed by June 2011, we believe that the **earliest** application of the new accounting standards should be to accounting periods commencing on or after 1 January 2015, with early adoption permitted.

As long as the projects covered by the Request for Views are finalised by June 2011, the above application date would give preparers three full years (2012, 2013 and 2014) to ‘test run’ accounting systems in accordance with new accounting standards, such that by 2015 they are in a position to prepare their financial statements under the new rules. However, we understand that for resourcing reasons the Boards have decided to focus on a ‘priority’ subset of the projects covered by the Request for Views. The eventual application date of the new standards must reflect any delays in their finalisation beyond the June 2011 target date.

International convergence considerations

As noted above, REESA firmly supports the harmonisation of international accounting standards and welcomes the joint approach which the Boards are taking on a number of important accounting issues. We believe that IASB and FASB should require the same effective dates and transition methods for their comparable standards as this will help to ensure the comparability of financial statements of real estate companies in different jurisdictions.

As noted above, REESA supports the FASB’s efforts to develop an accounting standard which would allow businesses reporting under US GAAP to account for their investment property at fair value, and would welcome the increased harmonisation that would encourage in the accounts of property businesses around the world.

Considerations for first-time adopters of IFRSs

Jurisdictions adopting IFRS over the coming years should be allowed flexibility to implement IFRS in the way which is most efficient and causes as little disruption as possible to preparers in those jurisdictions. The decision of whether or not to adopt IFRS can entail significant costs and increased flexibility in its adoption should be an incentive for jurisdictions currently considering adopting IFRS.

Accordingly, we believe that jurisdictions that are in the process of adopting IFRS for the first time should be given the option to adopt the fully converged IFRS/US GAAP Standards as opposed to adopting IFRS now, and then enduring a second adoption of the converged standards in two to three years in the future. This approach would provide a more effective and efficient method of achieving the ultimate goal of having a companies across the globe on a fully converged set of accounting standards.

REESA appreciates the opportunity to comment on the Boards' proposed transition methods for a number of joint projects and on their potential implementation date. We welcome the Boards' questions on our comments.

Respectfully submitted,

Asia Pacific Real
Estate Association
Singapore

British Property
Federation
United Kingdom

European Public Real
Estate Association
Netherlands

National Association of Real
Estate Investment Trusts
United States

Property Council of Australia
Australia

Real Property Association of Canada
Canada