



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 or George Yungmann at 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 DETAILS PROVIDED 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 DETAILS PROVIDED 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

Name	Organisation	Email
John Lutzius, Mike Kirby	Greenstreet Advisors	CONTACT DETAILS PROVIDED 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	