REIS for the Investor

Accomplishments benefitting the Investor Community and Challenges Ahead
What is REIS?

Mission:

to establish and implement information standards ✓
for the real estate market ✓
to facilitate informed investment decision making. ✓
Mission Statement:

To establish and implement information standards for the real estate market to facilitate investment decision making

- The Standards provide financial information and performance data that is universally transparent, consistent and comparable
- The Standards apply to all property types, geographies, investment styles and investment strategies*
- The Standards exist for open-end funds, closed-end funds, and single client (“separate”) accounts
- The Standards are consistent with relevant GIPS® standards, U.S. GAAP and USPAP

* Except when reported and explained as “not applicable”
What is REIS background?

• History
  – Borne in the 1990s valuation crisis
  – Joint effort of PREA, NCREIF, and NAREIM
  – 1995 – REIS standards first published
  – Organized around NCREIF committees until 2007
  – 2007 – REIS Board created; PREA/NCREIF sponsors
  – 2008 fair value accounting required
  – 2008 – Fund Reporting chapter issued
### What does REIS do?

- **Interpretation**: GAAP, GIPS, USPAP
- **Consensus building**: Task force action
- **Standard Setting**: REIS Vols. I and II
- **Advocacy**: FASB
- **Partnering**: INREV, AREV
REIS addresses the gaps!

- GAAP
- GIPS
- USPA

Interpretation

- Fund Managers
- Reporting Standards
- Investors

REISus.org
Real Estate Information Standards
Purpose and goals

GIPS
Principles on how to calculate and report investment results

GAAP
Standards, conventions, and rules accountants follow in recording and summarizing transactions, and in preparation of financial statements

USPAP
Quality control standards applicable for real property, personal property, intangibles, and business valuation appraisal analysis and reports

GAPS

- Transparency
- Consistency
- Integrated accounting and valuation
- Performance measurement
- Reporting
- Guidance on initiatives
- Develop and refine standards
- Increase awareness and compliance

Purpose

Goals

REISus.org
Real Estate Information Standards
REIS links to many participants

- Sponsors
- REIS Team
- FASB
- CFA Institute
- Appraisal Foundation
- Advisors
- Investors
- Consultants
- Global Partners
  (IFRS, INREV, ANREV, IVSC)
What has REIS done recently?

Key Publications

• REIS Handbook Volume I (update: March 2014)
  – Standards, Compliance, Checklists

• REIS PERFORMANCE AND RISK MANUAL
  (update: March 2014)
  – Manuals, Guides, Adopting Releases
Report Metrics: Leverage Risk

• **Required Quarterly: All Accounts**
  – Total Leverage
  – Loan to Value Ratio

• **Recommended Quarterly: All Accounts**
  – Debt to NOI multiple
  – Wtd. Avg. cost of debt
  – Wtd. Avg. remaining term, fixed rate debt
  – Wtd. Avg. remaining term, floating rate debt

• **When presented, certain disclosures are required**
Report Metric – “REFER”

• **Real Estate Fees and Expenses Ratio**
• **Recommended Quarterly: All Accounts**
• **Total Fund Fees and Expenses/Wtd. Avg. NAV**
  – rolling 4 quarters
• **REFER includes:**
  – Fund Expenses
  – Advisory and management fees
  – Performance-based (incentive) fees
  – Other
• **When presented, certain disclosures are required**
Primary Sources of Leverage?

- On Balance Sheet Debt
- Off Balance Sheet JV Debt
- Leased Fee: Ground Rent?
- Preferred Equity?
- Forward Purchase Commitments?
- Investor Notes?
- Debt Senior to Mezzanine and Subordinate Debt?
- Total Return Swaps?
How can you help?

• Share your thinking
  – Respond to the exposure drafts
  – Respond to the surveys

• Volunteer!
  – Task forces: focused, issue-oriented, transitory
  – Workgroups: permanent, mission-oriented
Who are REIS participants?

- Sponsorship
- Governance
- Action

NCREIF
PREA

- REIS Board
- REIS Council

Volunteer Task Forces