

Comments on GIPS Real Estate Proposal

I would like to preface my comments by saying the draft that is out for public comment is an excellent document and an important and valuable tool for real estate investment advisors. I support the concept of Global Investment Performance Standards and can appreciate the work involved, by the subcommittee, to establish such an undertaking.

Valuation Review of Real Estate Assets

Quarterly valuation has received a high level of support from many firms in our industry. The quarterly valuation adds credibility to the real estate asset class as a whole. The GIPS proposal calls for real estate investments to be valued at least quarterly. Since there is some public confusion as to what a "Quarterly Valuation" entails, perhaps the language could be amended to require real estate investment values to be reviewed at least quarterly.

Independent Appraisals for Real Estate Assets

Many firms are opposed to the proposed twenty-four month independent appraisal frequency. A thirty-six month frequency is consistent with many existing client contracts mandates. I believe there is no measurable significant benefit in requiring an independent valuation more frequent than thirty-six months.

Disclosure Requirements

As a firm, we currently compute and present component returns. Despite this current position, views have been presented in favor of a single component return (total return). While I don't see us changing our current practice, some believe that by showing components, the presentation isolates the real estate asset class from other investment vehicles. Having said this, most clients and plan sponsors require us to provide separate component returns.