

Statement of Opinion of the Federal Association of the Head Federations of the German Real Estate Industry (BSI)

relating to the Exposure Draft ED/2010/09 Leases

The Federal Association of the Head Federations of the German Real Estate Industry (BSI) is an association representing the major interest groups of the housing and real estate industry in Germany and campaigns on behalf of them in European political and public contexts. The objective of the association is to heighten awareness, at political and public level, of the outstanding importance of real estate property for the German national economy and to improve the political, legal and fiscal framework conditions for the German real estate industry.

The following bodies are presently members of the Federal Association of the Head Federations of the German Real Estate Industry:

German Head Federation of Private Real Estate and Housing Enterprises (Bundesverband Freier Immobilien- und Wohnungsunternehmen (BFW):

The German Head Federation of Private Real Estate and Housing Enterprises (BFW) currently has over 1,600 members and associated companies. The member companies manage a total housing stock of around 3.1 million units, housing 7.2 million people. This corresponds to approximately 14 percent of all rented accommodation in Germany. In addition, the association manages 37.8 million square metres of commercial property and employs more than 1 million people in offices, shopping centres and hotels which are part of BFW member companies.

German Head Federation of Real Estate and Housing Enterprises (GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen):

The GdW represents 3,000 housing companies nationwide with a housing stock of 6.0 million units occupied by around 13 million people.

Real Estate Association Germany IVD – Federal Union of real estate consultants, agents, condominium managers and chartered surveyors (*Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen*):

The IVD is a result of the merger that took place in 2004 between the German Federation of Real Estate Agents (*Ring Deutscher Makler (RDM*) and the Association of Real Estate Agents (*Verband Deutscher Makler (VDM*). The organisation represents 6,000 companies working as real estate agents, property managers, financial service providers, chartered surveyors, developers and other real estate consultants.

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Geschäftsführender Verband: Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen e.V. Littenstraße 10 10179 Berlin

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BFW Bundesverband Freier Immobilien- und Wohnungsunternehmen

GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen

Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen

BVI Bundesfachverband der Immobilienverwalter

Dachverband Deutscher Immobilienverwalter (DDIV)

Verband deutscher Pfandbriefbanken (vdp)

VGF

Verband Geschlossene Fonds

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German Association of Property Managers (Bundesfachverband der Imobilienverwalter (BVI):

The BVI currently has around 400 member companies, managing a total of approximately 550,000 dwellings and commercial units with total assets of around 45 billion euros.

Head Federation of German Real Estate Managers (*Dachverband Deutscher Immobilienverwalter (DDIV*):

With around 1,400 member companies, the DDIV is currently the biggest professional organisation of full-time real estate managers in Germany. The companies are organised into 10 regional associations and manage a total stock of around 1.7 million dwellings with 102 million square metres of living or commercial area.

German Federation of Mortgage Banks (Verband deutscher Pfandbriefbanken (vdp):

The vdp is one of the leading federations of the German financial credit sector. With a market share of more than 60 percent in the financing of commercial properties, and 28 percent in that of residential properties, the 36 members of the vdp are the leading mortgage banks in the German real estate financing sector.

German Federation of Closed-End Funds (*Verband Geschlossene Fonds* (*VGF*):

The VGF represents the interests of closed-end fund providers in Germany. It currently represents a total of 54 members, of which 42 are providers of closed-end funds and 12 are sustaining members. The association's members manage a total investment volume of around 134 billion euros. In terms of the entire German market, its managed fund volume of 154 billion euros means that VGF represents more than 80 percent of the closed-end funds market.

Notes:

The draft meets with considerable reservations from BSI members.

Real estate rental contracts are generally recorded as operating leases in Germany. This means that, to date, the lessee is not required to account for right of use on its balance sheet. The exposure draft proposes a right of use accounting model, which will require the lessee to show operating leases on his balance sheet. The individual requirements of this model are extremely complex and would entail unreasonable expense. This approach also raises a number of practical questions. At the same time, the benefit for the reader of the balance sheet is also to be seriously doubted, as it can be expected that



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the large number of subjective assessments necessary in future will often lack any concrete basis and thus be completely arbitrary.

The BSI not only criticizes the right of use accounting model for lessees, but also the performance obligation approach to be introduced for lessors. This is because the performance obligation approach will also be unable to create the transparency desired with respect to determining the actual financial situation surrounding the lease. Furthermore, it seems that the concepts behind the accounting models proposed for lessees and lessors have not been coordinated.

The individual aspects and the problems arising therefrom have been addressed in the comment from the German Association of Leasing Companies (Bundesverband Deutscher Leasing-Unternehmen, BDL), which is consistent with the views of the BSI. To avoid repetition, therefore, we hereby expressly and fully support the statement made by the BDL.