Attn: Technical Director, File Reference No. 1850-100

December 15, 2010

FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

International Accounting Standards Board/Financial Accounting Standards Board

Re: Leases – Exposure Draft Comments

Dear Board Members and Staff:

We appreciate the opportunity to comment on the August 2010 Leases Exposure Draft, (the “Exposure Draft”).

About the Company
Since its inception over 50 years ago, General Growth Properties, Inc. has been an owner/operator of rental properties, primarily retail shopping centers. Currently, GGP operates as one of the largest real estate investment trusts in the United States, with ownership and management responsibility for more than 180 retail shopping centers in 43 states, as well as joint venture ownership of shopping centers in Brazil. We have been publicly held since 1993 and have a current stock valuation in excess of $15 billion. Although certain of our properties are located on land that we lease, the substantial majority of our land and buildings are owned and leased to multiple tenants as we currently are the lessor to more than 24,000 retail stores nationwide.

Since we operate as a real estate investment trust (“REIT”), our operations are limited by the IRS REIT rules to the purchase, operation and ultimate sale of real estate properties. We are further required by such rules to distribute the proceeds of operations and sale of our real estate properties to our investors. Therefore, we consider our properties to be held for investment purposes, for the benefit of our investors, and we would consider ourselves to be an investment company.

Responses to the Exposure Draft
In general, we are opposed to the proposals in the Exposure Draft as it appears to us that, despite certain well-documented short-comings of lease accounting, particularly for lessees, the current financial community has adapted and can compute valuations of companies with significant numbers and exposure to leases and leased assets. The current accounting models use disclosures, rather than additional intangible assets and liabilities, to illustrate the cash flows associated with amounts to be collected, or paid out, with respect to lease contracts. Changing the fundamental accounting model will create additional uncertainty and confusion about the financial statements within the real estate community and with our statements in particular, with significantly increased preparation costs. It is certainly not clear to us that these costs will lead to additional clarity for users and analysts. To be quite frank, we are not aware of a significant perceived deficiency in the ability of analysts to value our business based on insufficient information being available with respect to the future cash flows expected from our portfolio of operating lease “receivables”.

There are many individual questions posed in the exposure draft. The questions relating to lessors are most critical to us but our responses may apply to certain of the lessee questions as well as we do have a number of ground leases to which this new accounting model would apply.

Question 2 (b): Lessors
Do you agree with the boards’ proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?

Comment:
We have no conceptual objection to the proposed accounting for leases that would qualify for derecognition as such treatment is not dissimilar to current GAAP for capital leases. However, the vast majority of our leases to tenants would use the proposed performance obligation model with which we have a fundamental and conceptual difficulty. GAAP has historically defined assets and liabilities as rights to probable future economic benefits, or probable future sacrifices with respect to liabilities, both as a result of past transactions or events. A lease contract is an exchange transaction whereby the lessor provides the lessee with the right to use an asset and the lessee agrees to compensate the lessor for this right. If either party does not fulfill their part of this exchange, at any point in time, the contract, generally, is voidable by the other party. Accordingly, we do not believe that the exchange of future rights or benefits that are called for
by the lease contract is a result of past transactions or events. Therefore, the rights and the obligations should be recognized in the financial statements when the exchange has taken place, that is, when the lessee actually uses the space in the applicable time period. This would imply an approach that yields as-you-go recognition, not dissimilar to what current GAAP provides for operating leases.

The Exposure Draft makes the assertion that it would be inconsistent for lessees to have a right to use asset recognition if lessors do not have performance obligation liabilities. We believe that the rights and obligations of lessees and lessors are different and therefore the world being "out-of-balance" is not troubling. A lessee’s rights are generally assignable, saleable and separable assets. A lessee can typically assign their rights under a lease to another party and, if that third-party performs as per the original agreement, the lessor would usually be indifferent as to this assignment. A lessor, however, typically cannot assign its obligation to perform to a third party independent of the transfer of the underlying asset. No lessor can individually sublease its obligations as its ability to perform on the lease depends on the control of the entire asset and all the related leases. Therefore, although the lease contract has certain elements for the lessor that are separately calculable, such elements do not constitute a separate liability that can be fully transferred independently of the underlying asset. We believe this is a flaw in the Exposure Draft and a flaw within current accounting (for example, above and below market lease intangibles resulting from a business combination that are tracked and reported separately from the leased asset).

As the request for comment asks that respondents supply alternatives to the proposed models if they reject the models suggested, we believe that enhanced disclosure of future lease cash streams would be appropriate. The model used in IAS 17 is a reasonable approach with some additional disclosure requirements to address the Boards’ concerns with "off-balance-sheet" leasing.

Question 3(b): Short-term leases
At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in profit or loss over the lease term.
Do you agree that a lessor should account for short-term leases in this way?

Comment:
This is good idea. Our company and similar large real estate operators have thousands of short-term leases (twelve months or less) active at any time. The incremental cost of recognizing thousands of assets and liabilities for these leases will be significant and such assets and liabilities would only be in existence for a short period of time. Since the period these assets and liabilities are in existence is short, the related values of such items will be comparatively small, yielding an adverse cost to benefit relationship for these short-term items. In a similar vein, current GAAP provides that all lease payments from a short-term lease should be recognized on a straight-line basis over the lease term. This similarly has a skewed cost/benefit relationship for the straight-line rent receivable and, if short-term leases have a simplification exception that "reverts back to existing GAAP", this exception will not be a significant benefit. An exception for short-term leases should apply to all elements of such leases, not just the for the right-to-use or performance obligation inherent in such leases.

Question 8: Lease term
Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

Comment:
A lessor does not have reliable information to determine the probability of a lease option being exercised in the future. There are many factors involved beyond the lessor’s control including the state of the economy, retailers’ responses to shifts in market trends, retailer consolidations, etc. In addition, the decision by a lessee to exercise its option to extend is a function of qualitative and quantitative elements. At best, the lessor could only estimate the longest possible lease term as described in the discussion draft. This subjective estimate would require corrections over time which would create additional fluctuations in the lessor’s financial statements. To reduce this uncertainty, we would recommend using the stated lease term (without options), or, at a minimum, the current "reasonably assured" threshold should be used.

Question 9: Lease payments
Do you agree that contingent rentals and expected payments under term, option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and
liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term, option penalties and residual value guarantees and why? Do you agree that lessees should only include contingent rentals and expected payments under term, option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be measured reliably? Why or why not?

**Comment:**
Most of our retailer leases include some sort of sales-based contingent rent. The leases are all different, many with unique calculation methods, breakpoints and sales reporting periods. A lessor does not have reliable information to estimate a retailer’s future sales over the lease term, and applying these methods would add complexity and additional uncertainty to the present value calculation. Lessor should exclude contingent rentals from the calculation of assets and liabilities and recognize contingent rentals in income when the event that generates the rent occurs. To do otherwise would, in effect, recognize a contingent asset before it is realized, at variance with existing GAAP with respect to contingencies.

**Question 10: Reassessment**
Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term, option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?

**Comment:**
For a lessor the size of General Growth, thousands of leases would have to be checked and recalculated each reporting period to comply with this requirement. A significant fraction of our leases are amended, extended and/or modified every month. Almost any change in the lease option exercise assumptions or contingent rent assumptions could be considered “significant” at the lease level. In addition, many leases terminate before the lease term expires. Under the proposed accounting, there would need to be a mechanism to adjust the balance sheet each month for these modified or terminated leases. Depending on what is considered to be a “significant change”, this could be a major time and cost expenditure for a large real estate lessor such as ourselves.

**Question 12: Statement of financial position**
(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totaling to a net lease asset or liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

**Comment:**
Our response assumes that the Board has rejected our view that the performance obligation approach should be rejected. If the model proposed in the Exposure Draft is mandated, we believe that these assets and liabilities should be presented separately from the underlying tangible assets and liabilities so that they can be easily excluded, if desired, by financial statement users. Assets and liabilities created by the approach suggested by the Exposure Draft should be netted to reduce the overall inflow of aggregate assets and liabilities that would result from a gross or broad presentation. This being said, we continue to believe that the net of two present value numbers being amortized on the balance sheet would not provide these financial statement readers with useful information. The current disclosure of future rent streams in the footnotes presents the real estate investor with information that is more relevant to the decision-making process. Accordingly, we believe that continuing with the present footnote disclosure is preferable to the proposed methodology.

**Benefits and costs**
**Question 17**
Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?

**Comment:**
The main benefit of this exposure draft seems to be the elimination of “off-balance-sheet” lease financing by lessees. For a real estate lessor, we do not believe there are many benefits. From our experience, financial statement users are not interested in yet another artificial balance sheet account netting two estimated present value amounts (the right to receive payments against a liability to perform, both of which originate from the same contract but do not amortize into income at the same rate). The real estate investor is focused on future cash flows from leases, which can be derived from the present footnote disclosure of
future collections and lease expirations. The proposed accounting yields intangible assets and liabilities that are similar in concept to the GAAP current requirement to record future lease payments on a “straight-line” basis (as first provided by SFAS 13) or above or below market lease rental income (as first provided by SFAS 141). Most investors and analysts disregard straight-line rent or SFAS 141 rent contained in a real estate lessor’s operating financial statements as such amounts do not correspond to the cash flows the lessors receive from such leases.

For a large real estate lessor with thousands of leases, the costs of expensive software applications and in-house accounting processing would be a major burden. Calculating lease term estimates, contingent rent estimates, periodic reassessments and obtaining the audit firm’s sign-offs will involve a significant increase in the time required for the current lease accounting. In addition, the changes in revenue recognition and recognized assets and liabilities under the proposed accounting may cause inadvertent violations of operating or lender covenants that will require renegotiation or modification. We don’t see where the benefits to a major real estate lessor, or to their investors, justify the costs, especially in today’s economy where retailers and landlords are struggling with the recession and the sluggish recovery from it. Similarly, we do not hear a significant dissatisfaction with our current reporting from analysts or other users of our financial information.

Yours truly,

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