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Ms. Leslie F. Seidman  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update – “Real Estate – Investment Property Entities (Topic 973)

Dear Chairman Seidman:

RICS appreciates the opportunity to provide our views on the FASB’s Proposed Accounting Standards Update; *Real Estate – Investment Property Entities (Topic 973)*.

RICS is the world’s leading professional body for qualifications and standards in land, property and construction. We include over 100,000 qualified members in 140 countries, with specializations that represent the entire life cycle of real property. This includes land management and measurement, planning and design, environmental impact assessment, efficiency analysis, construction management, valuation, investment analysis and marketing.

Our review and comments were viewed from the perspective of international-oriented valuation professionals and real estate analysts who both provide, and rely on, fair value appraisals of real property.

The Board has asked whether “all entities” or only “investment property entities” should be required to measure their investment properties at fair value.

RICS believes that the move toward harmonization with international reporting requirements is critical, inevitable in the long term, and that acceptance of fair value measurement is a necessary component in understanding the true financial status of the property owner.

The Board’s current proposals and prior requirements for use of fair value measurements of real property reflect your concerns that requiring broad use of fair value estimates will be too burdensome for many business situations. That many companies may not see cost benefits in this requirement is obviously a relevant issue you must consider. However, as in the case of all professional standards, the ultimate test of appropriate and fair standards is the degree to which they add necessary accountability, clarity, understandability and uniformity to financial reporting. For this reason, *we believe the broadest possible utilization of fair value measurement requirements is preferable and necessary.*

We believe that using Fair Value on all property types protects investors and strengthens public trust in the system. Fair Value measurement in financial reporting provides a more accurate picture of the worth of a company than depreciated book value.

It is a concern to us that the requirements for utilization of fair value measurement are being narrowly prescribed to selected businesses, using certain types of real property in restrictive ways. This can be a slippery slope of exceptions and is highlighted by the extensive number of questions within the Exposure Draft which deal with whether the definition of “investment property entity” is correct and clear. This concern is certainly being reiterated in initial comment letters where specific businesses are lobbying for exclusions or clearer standards that confirm they are not required to comply with this requirement.





It is the nature of a business to attempt to avoid expenses whenever possible, or to avoid an unnecessary disclosure of information that might not shed the best light on their status. We are concerned both with the inherent complexities created by establishing different reporting requirements for different real property based not on the property but the ownership. We also believe this differentiation in reporting real property at cost, or current value, will be lost on, or confusing to the general population of investors who are relying on subsequent financial reports.

Finally, we are unconvinced that an excessive financial burden would be created by a broad requirement for fair value measurements. In the United States most real property is assessed for purposes of property taxation. Assessed value review by property owners is a component of any responsible program of expense management. Financing activity, in-house valuations and other activities which are consistently used in the operation of business also require estimates of real property market values that provide a reliable initial source for reporting uses. Regardless of a property's use, as investment property or within the constraints of business use, real property is viewed by investors as a valuable underlying asset. It is our belief that it should be measured as such.

Sincerely,



Bruce B. Bingham, FRICS, FASA  
Chairman of RICS Americas Valuation Council

