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ASA
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Property Economics Professionals



June 23, 2009

CFA Institute
Center for Financial Market Integrity
Reference: Global Investment Performance Standards
PO Box 3668
Charlottesville, VA 22903

To Whom It May Concern:

On behalf of the more than 35,000 members of our professional appraisal organizations, we are writing to express our strong support for the Global Investment Performance Standards (GIPS) 2010 revisions, in particular, the proposal to require real estate investments to be appraised by an external party at least once every 12 months. We believe these changes will strengthen GIPS and promote sound real estate investment management. Further, we offer the services of our organizations as the 2010 revisions are finalized to help address any remaining questions or concerns or promote public awareness through guidance and other channels.

The provisions of GIPS that relate to real estate apply where returns are primarily derived from the holding, trading, development, or management of real estate assets. Real estate includes land, buildings under development, completed buildings, and other structures or improvements held for investment purposes. The standards apply to firms managing real estate regardless of the level of control the firm has over management of the real estate investments. Further, the provisions apply irrespective of whether a real estate investment is producing revenue and also apply to real estate investments with leverage or gearing.

We have been strong supporters of the GIPS standards, particularly because they promote sound risk management in real estate investments. The current version of GIPS requires that real estate investments have an internal valuation at least quarterly and for all investments to be valued externally by a professionally designated, certified, or licensed commercial property appraiser at least once every 36 months. The proposed revisions to GIPS would increase the frequency of external valuations to require their performance at every 12 months, at a minimum.

The circumstances within the real estate and financial services sector illustrate the importance of this proposed revision. Many real estate markets are facing rapidly deteriorating conditions; and, in the case of commercial real estate, a downturn in the economy that increases bankruptcies and vacancy rates can have a dramatic impact on real estate values. While internal valuations are important, it is critical that real estate values be analyzed by external professionals on a regular and ongoing basis to protect investors and promote transparency in the marketplace.

Members of our organizations stand ready to provide these services in a cost effective and efficient manner including, if requested, providing the CFA Institute with an explanation of the range of services - in addition to formal appraisal reports - that can be provided by professional appraisers under the Scope of Work rule of the Uniform Standards of Professional Appraisal Practice (USPAP). These additional range of services may be an important tool for use by asset managers in the coming years. In essence, the Scope of Work rules give great flexibility to the appraiser to tailor an assignment to address the needs of the client, given the intended use and jurisdiction of the assignment. Real estate appraisers today frequently conduct recurring valuations, as part of a single engagement, which might involve updates of a previous appraisal under a limited scope of work assignment. This flexibility enables our members to

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provide cost effective and efficient services in accordance with the needs of the client and the intended use of a valuation.

The GIPS 2010 revisions also propose to require firms to value all portfolios at “fair value” rather than market value, which is currently referenced in GIPS. While market value is the most traditional definition used by real estate appraisers, our members are fully capable of valuing real estate assets in accordance with any value definition, whether it be market value, liquidation value, or fair value. Our organizations are actively offering education and training to the appraisal community on issues relating to financial reporting and fair value, and we stand ready to disseminate information to our respective membership on the importance of GIPS 2010 and all changes that affect real estate valuations.

Thank you for the opportunity to comment on the proposed revisions to GIPS 2010. Should you have any questions or require additional information, contact Bill Garber, Director of Government and External Relations, Appraisal Institute, at 202-298-5586 or bgarber@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
National Association of Independent Fee Appraisers