

December 27, 2001

**Association for Investment Management and Research
Professional Standards & Advocacy Department**

Reference: Real Estate Provisions of GIPS

P.O. Box 3668
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Dear Sir or Madam:

Prudential Real Estate Investors ('PREI') is an investment management business specializing in real estate, serving institutional investors accessing Prudential's expertise and position in the global capital markets to create opportunities for clients.

The following is a summary of opinions and concerns presented by PREI regarding the proposed Real Estate Provisions of the Global Investment Performance Standards (GIPS):

Do you support AIMR's effort to develop global real estate provisions to be added to the GIPS standards?

We enthusiastically support the development of global real estate provisions, which will be added to the GIPS standards. We look forward to the documented direction and support by GIPS for this asset class. We hope, however, that this direction will not be so exact as to conflict with requirements/objectives of the Funds and clients.

Do you agree with the valuation requirements and recommendations, including the eventual acceleration of the frequency of both the valuation review and independent appraisals?

Although, we agree that there should be guidelines surrounding the appraisal process, we do not believe they should override client contracts, which address both internal and external valuations.

- For instance, those client contracts, which indicate, "no independent external valuation is required" prohibit the cost of such appraisals to be paid for by the client/fund. Thus, if our goal were to continue to be GIPS compliant, as the investment advisor, we would have to bear the cost of the independent valuations.
- Additionally, in the case when a client does not require internal valuations, the investment manager may "price" their fees based on a specific level of workload. Requiring the investment advisor to arrive at internal valuations and reporting in this case would add unnecessary and "un-priced" work.

In regard to indirect real estate investments, we would appreciate additional direction regarding the valuation of private REITs and REOCs. In particular, would the valuation of these issues include an "enterprise value" of the internal management of the REIT or REOC? If so, how is this enterprise value determined? These issues need further study and debate before any conclusions are reached.

Also, similar to the paragraph above, if an investment advisor places a client in a minority ownership position of a private REOC, and that REOC does not wish to incur the cost of an independent valuation, how would the investment advisor meet the GIPS standards?

Finally, unlike the public markets where there is little or no cost to an investor to determine the value of an investment, determining the value of a private instrument is costly. In considering all of the above situations, the industry must balance the cost of compliance with the value of standardization.

We would also appreciate a discussion as to the treatment of Funds, which invest in both direct and indirect real estate investments, as this strategy is prevalent in many opportunistic real estate funds.

Do you support the additional disclosures proposed for direct and indirect real estate investments?

We support the disclosures proposed and suggest for "indirect" real estate investments to disclose the frequency of valuations when the client contract differs from the valuation requirements and recommendations suggested in this document.

Should the IPC consider including these real estate provisions in the GIPS standards as soon as possible after the public comment period or should they not be added until 2005 to allow all countries time to implement?

We support the phasing in of such provisions over time, until 2005. This will allow other countries to implement and allow the metamorphose of such provisions to evolve into consistent meaningful and relevant industry related guidance.

Respectfully submitted,

Prudential Real Estate Investors

Maria Almounir