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Accounting for Entity Level Transactions (revised January 2012)

RCA tracks transactions involving properties, portfolios and entities that are comprised primarily of commercial real estate properties. Entity-level transactions are included in investment volume if the primary business is real estate investment and the entity's primary value is derived from its equity interests in commercial property. In 2007, entity-level transactions accounted for 14% of global investment volume but have been less than 5% of annual volume since.

Entity-level transactions typically involve the sale of shares in a company owning the real estate as opposed to a direct purchase of property. Entities can be either listed (public) or private but must be primarily real estate investment vehicles, although they may include a small portion of ancillary businesses such as property management. Fund managers, services firms, developers and home-builders are specifically excluded. Acquisitions of non-real estate companies that may include significant real estate assets are also excluded. An example is the sale of Harrod's, the retail company whose assets included the valuable flagship location in London. However, its retail operations and brand were also conveyed, disqualifying it from being included as a valid real estate transaction.

Sales of entities that hold four or fewer properties are treated as conventional sales. Entity-level transactions must also involve the sale of or investment in the entire independent corporate entity; transactions involving a wholly owned subsidiary are typically treated as conventional portfolio transactions.

The real estate assets of the entity must be specified individually or in aggregate in order to be included as a valid transaction. Entity-level transactions are recorded as the value of the real estate portfolio, not the actual equity investment or share price. The revised partial interest accounting methodology will also apply to entity-level transactions.

Entity-level transactions are further classified as either: Public-to-Private (privatization); Private-to-Private; Private-to-Public; Public-to-Public (merger of listed firms). Initial Public Offerings are recorded as a Transfer of the properties into the new listed entity and not booked as a Sale transaction or included in volume metrics. Entity-level transactions are not used in calculating pricing statistics.