

February 10, 2009

The Honorable Christopher Dodd
Chairman
U.S. Senate Committee on Banking, Housing and Urban Affairs
534 Senate Dirksen Building
Washington, D.C. 20515

The Honorable Richard Shelby
Ranking Member
U. S. House Committee on Banking, Housing and Urban Affairs
534 Senate Dirksen Building
Washington, D.C. 20515

Dear Chairman Dodd and Ranking Member Shelby:

The undersigned groups, representing a broad sector of the commercial real estate industry, appreciate the opportunity to present our views regarding the liquidity crisis in the commercial real estate credit markets and the need for policy action to address this issue as part of the overall national economic recovery plan. While the commercial and multifamily real estate industry plays a vital role in the economy, it now faces its worst liquidity challenge since the Great Depression. It is estimated that the commercial real estate sector supports more than 9 million jobs and generates hundreds of millions of dollars in federal, regional and local tax revenue. Efforts undertaken by financial regulatory agencies have been extraordinary, and the economic crisis our nation faces demands no less. Along those lines, we applaud the Federal Reserve's implementation of a number of innovative lending facilities as part of a broader strategy of "sustained easing." In particular, the agency mortgage backed securities (MBS) program appears to have helped trigger a decline in residential mortgage rates, helping housing affordability. We encourage the expansion of this program to include agency multifamily MBS and ultimately commercial mortgage backed securities (CMBS) to aid the commercial real estate sector. Despite these constructive efforts, it is important to take additional measures immediately to enhance liquidity and renew credit capacity to a broad range of the economy, including commercial real estate. It is to this end, we offer our assistance and recommendations.

Over the past year, the broader credit crisis has permeated through the world's capital markets and has severely curtailed commercial lending activity. This problem is negatively impacting the \$6 trillion commercial real estate market, which is financed in part through more than \$3 trillion of debt. Currently, banks and the CMBS market represent 75% of all outstanding commercial real estate loans. However, banks have tightened their credit standards and reduced loan volume in reaction to pressure to increase reserve levels and decrease commercial real estate exposure. The CMBS market has ceased to function with respect to new issuance, and existing bonds trade at highly excessive spreads, all of which points to systemic dysfunction. In fact, the CMBS market provided approximately \$240 billion in financing in 2007 (nearly 50% of all commercial lending), but provided less than \$13 billion in issuance in 2008, despite enormous demand for capacity from borrowers. Hundreds of billions of dollars of commercial real estate loans from a variety of sources are expected to mature in 2009 and over \$1 trillion in the next few years. However, under current conditions, there is insufficient credit capacity to refinance this wave of loan maturities. With no liquidity, commercial borrowers face a growing challenge of refinancing maturing debt and the threat of rising delinquencies and foreclosures, which could result in widespread systemic damage.

We are encouraged by the establishment of the Term Asset-Backed Securities Loan Facility (TALF) program. Under the TALF program, the U.S. Treasury Department -- under the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008 -- will provide \$20 billion of credit protection to the Federal Reserve Bank of New York (FRBNY). Through this facility, the FRBNY will lend up to \$200 billion on a non-recourse basis to holders of certain highly rated securities (AAA) backed by newly and recently originated loans from eligible asset classes. No TARP funds will be ultimately spent or allocated unless losses occur. While this facility will soon become operational for a variety of securitized consumer loans, we think that that it is important to take steps immediately to expand the program to include as eligible collateral securitized newly originated secured and unsecured loans on commercial and multifamily real estate properties.

Extending the “Term Asset-Backed Securities Lending Facility (TALF)” to commercial and multifamily real estate would be a vital and proactive measure aimed at providing liquidity and facilitating lending in the private commercial mortgage market. Such a move would ease the lending crisis that has exacerbated the downturn in the U.S economy and is now negatively impacting commercial real estate market conditions. By taking this important action now, a larger impact on the real estate sector and the national economy can be prevented, forestalling the need for broader government intervention in the future.

In conclusion, having a sound and well functioning commercial and multifamily real estate sector is critical to our country’s economic growth and development, and to millions of U.S. businesses of all sizes that provide local communities with jobs and services. The expansion of the TALF program to commercial and multifamily real estate is the most effective way to immediately address the crisis in the commercial credit markets with the least exposure to the taxpayer, and it should be instituted as soon as possible to stem the tide of issues facing the real estate market.

We would encourage policymakers to work with the private sector to consider additional long term solutions to ensure the private market is able to meet ongoing commercial borrowing demands. We thank you for considering our views and we remain ready to assist Congress as it continues to consider various policy options that will restore order to the credit markets and the economy.

Sincerely,

American Hotel & Lodging Association
American Land Title Association
American Resort Development Association
Appraisal Institute
American Society of Farm Managers and Rural Appraisers
American Society of Appraisers
Building Owners and Managers Association International
The CCIM Institute
Commercial Mortgage Securities Association
The Institute of Real Estate Management
International Council of Shopping Centers
Mortgage Bankers Association
NAIOP, the Commercial Real Estate Development Association
National Association of Real Estate Investment Managers
National Association of Real Estate Investment Trusts
National Association of Realtors
National Multi Housing Council
The Real Estate Roundtable
Society of Industrial and Office Realtors
The U.S. Chamber of Commerce