

CONSENSUS PRINCIPLE-BASED POLICY STATEMENT

I. Why is Commercial Real Estate Important?

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. It is estimated that the commercial real estate sector supports more than 9 million jobs and generates billions of dollars in federal, regional and local tax revenue. State and local governments that depend upon this important tax revenue source to support important public services are currently facing budget shortfalls. The continued decline in commercial property values will undoubtedly put additional pressure on local governments, undermining the ongoing economic recovery efforts.

While the commercial and multifamily real estate markets play a vital role in the economy, they are currently experiencing the worst liquidity challenge since the early 1990's. Without additional liquidity, commercial borrowers are facing the growing challenge of refinancing maturing debt coupled with the threat of rising delinquencies and foreclosures that could cause widespread damage to the overall economy.

II. What is the Current State of the Commercial Real Estate Market?

A crisis is looming in the commercial real estate market due to a confluence of issues that include: (1) deteriorating economic conditions; (2) weakening commercial property fundamentals; (3) declining commercial property sales volume and price; (4) slowing commercial property lending; and, (5) increasing commercial loan delinquencies. These challenges, paired with the large volume of anticipated commercial mortgages maturities in 2009 and 2010, create a challenging commercial real estate finance environment.

Currently, commercial banks and the commercial mortgage-backed securities (CMBS) market represent approximately 70% of all outstanding commercial real estate loans. In response to these market conditions and regulatory pressures, banks have tightened their underwriting standards and reduced commercial real estate loan volume. Due to challenging capital market conditions, the CMBS market, which has been a key source of liquidity to the commercial sector, has ceased to produce new issuance in the past year. In addition, life insurance companies have also reduced their commercial real estate lending activity due to decreased allocations for commercial real estate lending.

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 by 2012. At the same time, there continues to be insufficient credit capacity to refinance this wave of loan maturities under current conditions.

III. How Should These Challenges Be Addressed?

The following groups, representing a broad segment of commercial real estate market participants, applaud the bold actions that have been taken thus far to address the serious problems facing commercial real estate finance. We commend Congress, the financial regulators and the Administration for the development and implementation of several innovative programs and initiatives aimed at restoring liquidity and facilitating lending and we stand ready to assist policymakers in these timely efforts.

As we look forward to the continued liquidity challenges, we offer the following as key points of consideration that MUST be a part of ongoing efforts on the part of policy makers to provide stability and encourage lending:

Securitization Markets

- Promote policies that support the securitized credit markets and do not impede economic recovery and efforts aimed at facilitating the private market (TALF, PPIP, etc.).
- Ensure that accounting policy supports, and does not undermine, the securitized credit markets, while promoting stability and confidence in our markets.

Federal Legislative and Regulatory Initiatives

- Support federal programs, such as TALF and PPIP, which seek to address the liquidity crisis and facilitate private market activity.
- Ensure that the TALF program is extended beyond its expiration date of 12/31/09.
- Ensure that current financial services regulatory reform efforts do not negatively impact the efforts underway to revitalize and stabilize the commercial real estate markets.

Tax Policy

- Promote federal tax policies that strengthen and support commercial real estate.
- Oppose any modifications to current tax rules that would result in reduced property values in an already fragile marketplace.

Building Owners and Managers Association
CB Richard Ellis
CCIM Institute
Coldwell Banker Commercial
Colliers International
Commercial Mortgage Securities Association
Grubb & Ellis
International Council of Shopping Centers
Institute of Real Estate Management
Mortgage Bankers Association
NAI Global
NAIOP, the Commercial Real Estate Development Association
National Association of REALTORS®
NAREIT, National Association of Real Estate Investment Trusts
REALTORS® Land Institute
Society of Industrial and Office REALTORS®
TCN Worldwide
Transwestern Commercial Services