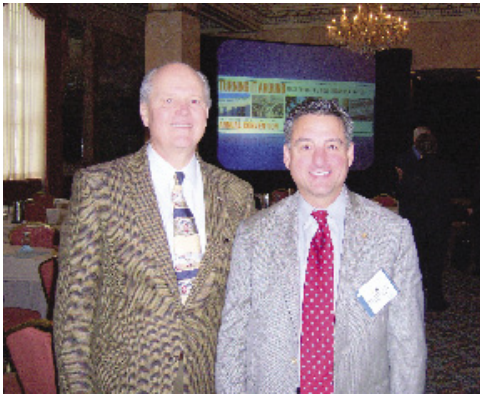


Real Estate Journal

THE LARGEST WEEKLY COMMERCIAL/INVESTMENT NEWSPAPER IN THE WORLD

Rodgers of RER at New Orleans CRE Convention



Shown (from left) are: Jon Avery and Robert Nahigian



The Counselors of Real Estate held its national meetings at Hotel Monteleone in New Orleans from October 11th-14th. On Monday, Oct. 11th, Chip Rodgers of The Real Estate Roundtable in Washington, D.C. gave a legislative update in real estate and stated that "we still have a lot of issues." He felt that the political climate was shifting in D.C. as the President's rating has declined but that congress's approval rating has declined as well. 53.6% of the U.S. surveyed also feel that the country is going in wrong direction. This is a backdrop to three issues:

1. The economy
2. Carbon footprint
3. War and international issues.

In his review of the 2008 commercial real estate, Rodgers stated that 50% of the commercial real estate value in with debt issuance. The CMBS market peaked in 2007 with \$237 billion and shrunk to \$12 billion by 2008. Today there is no volume. In June 2008, the total commercial real estate market was valued at \$3.5 trillion with approximately 50% as debt. Commercial debt maturities will mount to \$400 billion per year until 2012 and there is no place to refinance this debt.

Rodgers looked at the foreign investments of commercial real estate in the U.S. with following statistics: 2003: \$11 billion; 2004: \$17 billion; 2005: \$23 billion; 2006: \$ 31 billion; 2007: \$38 billion; 2008: \$ 12 billion; 2009 to date: \$2 billion estimated.

Rodgers felt that there is approximately \$500 billion of new equity that will be needed and the source had to be foreign investors.

Additionally, cap rates are now 300 BP higher while rents have declined 15% and there have been limited transactions since Sept. 2008. The securization market is critical to help commercial real estate. \$1.2 trillion of private RMBS was issued in 2005 and '06. It peaked in 2007 with \$237 billion issued in the CMBS market. Now renewed liquidity is needed. The Federal Reserve really helped calming the markets with their actions last fall and lent money into the panic. They also did not raise interest rates and focused on the credit market and restored public confidence. They assured solvency and took giant steps to address crisis. The Feds liquidity program total eleven to solve the failure of all aspects of the economy. The treasury has completed a great deal as well with \$700 billion for TARP

with \$250 billion going to banks, Home Affordable Modification Program, etc. most important were the actions the Feds took to before any loan defaults. Recent accomplishments by the Feds now include the extension of TALF through June 2010. The TALF total \$1 trillion program had \$100 billion of TARP money encourage AAA investors to buy AAA rated loans. So far that has been an early success.

The CMBS spreads have declined as well from 1400 BP to 200 BP which is good but still needs improvements. Unfortunately the money is still directed to the best deals and that leaves a gap for other real estate. The program runs out June 2010 and it can take a few months to do complete a CMBS transaction and so it has to be extended.

REITS are now more active as real estate is seen as a risk worth taking. REITS have raised \$23.3 billion in equity for purchasing properties in 2009. Rodgers believe that TALF needs a 5 point- plan from congress.

1. Extend TALF for the CMBS market.
2. Establish federally-sponsored credit facilities for originated new loans and expanding programs.
3. Revise FIRPTA so that the foreign investment market can enter the U.S. more easily and with equity and foreign debt.
4. Encourage banks and service providers to extend performing loans.
5. Reject new anti-real estate investments taxes; and
6. Push for credit facility concept.

In conclusion, Rodgers felt that \$400 of expiring debt would not be refinanced (or 30% minimum of the total). There will be another shift of wealth in the U.S. history as a great deal of money is now inactive and on the "side lines" waiting for the bottom and feeling more comfort with risk.

Robert Nahigian FRICS, CRE, is the 2009 CRE chairman of CRE/NE and president of Auburndale Realty, Co., Newton, Mass.

Tentative 2009 Calendar of Events

* November 16, 2009: CoreNet/CRE TBD

* December 16, 2009: Algonquin Club, Holiday Evening Reception, Boston

2009 Chapter Officers

* Robert J. Nahigian, Auburndale Realty Co., Chapter Chair

* Emmet T. Logue, NAI Hunneman, Vice-President

* Robert E. Costello, Capital Crossing Bank, Secretary/Treasurer

* William B. Norton, Norton Asset Management, Membership Chair