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## **IREM reps. 18,000 individual and 535 corporate members**

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The Institute of Real-Estate Management (IREM) is affiliated with The National Association of Realtors and represents 18,000 individual members and 535 corporate members. There are 80 chapters the United States and 13 international chapters world wide. IREM members manage \$2 trillion of real-estate assets including 11.4 million residential units and 10.4 billion s/f of commercial space.

IREM's success as an origination is largely due to its coveted management designations and highly rated education programs and networking events. However, IREM is very active in legislative issues that affect the real-estate industry both at the state level and nationally.

Nationally

Members of IREM Boston Chapter number 4 joined with more than 347 IREM® members representing 38 states, the District of Columbia and Puerto Rico during our 11th annual Leadership and Legislative Summit in Washington, DC in April. At this important summit IREM members teamed up with members of the CCIM Institute and held more than 263 meetings with their respective senators, and congress- men on Capitol Hill to raise awareness of key issues affecting the commercial real estate industry. Attendance this year was up 31% from 2010.

Members of the Boston Chapter, met personally with senators Jeanne Shaheen, Kelly Ayotte and congressman Charlie Bass of New Hampshire as well as senator Scott Brown and congressman Michael Capuano of Massachusetts. They also met with high ranking staffers for senator John Kerry and Congressman Edward Markey of Massachusetts.

Washington D.C. is an exciting place where it is not unusual to witness the presidential motorcade or Marine one unexpectedly pass by. IREM members toured the Capital and witnessed first hand debates on the budget stand off in the Senate and House galleries and toured the White House and Pentagon. The location of the summit at The JW Marriott, 1300 Pennsylvania Avenue, places the summit a couple of blocks from the White House at the heart of the nation's capital.

The topics of discussion included two major issues facing the real-estate industry energy efficient buildings and Commercial market liquidity.

Energy Efficient Buildings

The Obama administration has made energy a top priority and Congress is expected to pass legislation leading to a reduction in greenhouse gas emissions. IREM recognizes the serious concerns of climate change and supports the development of voluntary standards to reduce greenhouse gas emissions. The organization also supports the use of sustainable materials in the construction of buildings, and programs that reduce the "carbon footprint" of real estate assets. However, requirements to retrofit existing buildings must take into consideration the needs of these buildings as well as the costs associated with such changes. The organization strongly supports energy tax credits and voluntary programs like Energy Star and LEED.

## Commercial Market Liquidity

While the overall economy is starting to turn around, the commercial real estate sector continues to struggle due to reduced operating income, property values, and a drop in equity. Additionally, commercial practitioners continue to experience difficulty in obtaining construction and land development loans, small business loans, short-term loans for capital improvements, financing and refinancing for mortgages. IREM expressed its positions on four aspects of market liquidity on the hill; term extensions, lease accounting, covered bonds and credit union lending.

### 1. Term extensions

Currently, lenders are not offering term extensions because they are wary of oversight and regulatory concerns. For properties that can support their current debt, a simple loan extension is a reasonable and practical solution. As most commercial loans are short term, these loans refinance frequently. Lenders that extend the term of the current loan (instead of refinancing at the end of the loan term) avoid an equity gap—which is mutually beneficial for borrower and lender. IREM is urging Congress to hold hearings on federal guidance to encourage more usage of term extensions within the banking industry. IREM circulated a letter for congressional members to sign onto in favor of term extensions.

### 2. Lease Accounting

The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have proposed new accounting rules that would force many companies to capitalize commercial leases onto their balance sheets. Larger balance sheets would force lessees to shorten lease terms to minimize costs. Since lessors raise financing by using the leases and the value of the property as collateral, the amounts they can borrow in the future could be reduced if lease terms are shortened.

IREM is opposed to lease accounting standard changes that would treat the income producing real estate business as a financing business on company balance sheets. Such a step would not accurately depict the unique characteristics of the investment real estate sector and in turn discounts the usefulness of the industry's financial statements.

### 3. Covered bonds

Covered bonds are securities created from loans, including mortgage loans. They are similar to mortgage-based securities (MBS), but with one major difference. The loans backing the bond remain on the balance sheets of the issuing banks. Covered bonds have long been an important sector to strengthen financial markets in other countries. IREM urged Congress to pass H.R. 940 that will allow for the development of a covered bond market in the United States.

### 4. Credit Union Lending

Credit unions have been providing business loans for more than 100 years. Today, credit unions have a business lending cap of 12.25% of total assets. Many commercial real estate professionals have reported having strong, long-lasting relationships with credit unions, which could help them refinance and sustain their properties but find the lending cap presents an obstacle. IREM is in favor of increasing the cap to from 12.25% to 25%. Legislation introduced last year to increase the cap on credit unions is being opposed by the bankers. Credit Unions are not taxed the same way as banks and the bankers feel increasing the cap is an unfair competitive advantage for Credit Unions.

## Local Legislation

Massachusetts entered a new two year legislative session in January 2011. Hundreds of bills are filled at the beginning of the session. IREM is currently reviewing about 40-60 proposed bills that

affect the real-estate industry in the state.

Moving north to N.H., IREM held a net working event in Concord that included a tour of the N.H. State House followed by a buffet and net working at Tandy's Top Shelf. During the tour IREM members ran into several state representatives and the first lady of NH Dr. Susan Lynch. The tour included insight into the legislative workings of NH as well as the history of state house.

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