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NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS®

July 29, 2010

The Honorable Joseph Crowley
U.S. House of Representatives
2404 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Crowley:

The National Association of Real Estate Investment Trusts (NAREIT) strongly supports H.R. 5901, the “Real Estate Jobs and Investment Act,” as introduced on July 28, 2010. At a time when the challenges facing commercial real estate markets are well known, this proposal provides incremental and common-sense changes to established tax law that would help domestic publicly traded real estate companies access additional equity capital, enabling them to reduce their debt burden and reinvest in U.S. real estate.

While current law requires foreign investors to pay capital gains tax on the sale of their U.S. assets only in their country of residence, an additional layer of tax is levied on foreign investments in U.S. real estate - including minority investments in shares of publicly traded companies, like REITs, that primarily own and manage real estate. Not only is this policy, enacted under the Foreign Investment in Real Property Tax Act (FIRPTA) of 1980, unfair, it also has created a barrier to a viable source of equity capital at a time when \$1 trillion or more of debt must be refinanced over the coming years and domestic capital is less available.

By making targeted changes to FIRPTA consistent with existing U.S. policy on the purchase of debt by foreign investors, H.R. 5901 would enable new investments in publicly traded U.S. real estate companies. Specifically, it would increase the ownership stake a foreign investor may have in a publicly traded REIT without being subjected to FIRPTA from 5% to 10%. Importantly, the dividends of REITs (historically constituting 2/3 of total return) paid to non-U.S. shareholders would remain subject to U.S. withholding (but not FIRPTA) tax. And, in countries where it is consistent with United States tax treaties, when applying this ownership test, H.R. 5901 would look-through to the individual investors in foreign mutual funds that in turn invest in U.S. REITs.



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H.R. 5901 would encourage the flow of additional capital into the United States commercial real estate market, allowing for REITs to reduce leverage, increase liquidity and better position themselves in the face of ongoing economic difficulties. These changes would in turn benefit the hundreds of thousands of U.S. shareholders of U.S. REITs.

NAREIT strongly supports H.R. 5901 and thanks you for your leadership on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "S.A. Wechsler", with a stylized flourish at the end.

Steven A. Wechsler
President & CEO

