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SHORTENING DEPRECIABLE LIFE OF TENANT IMPROVEMENTS MAKES MORE ECONOMIC SENSE, ACCORDING TO NAREIT

Washington, D.C. -- The National Association of Real Estate Investment Trusts® (NAREIT) today expressed its support for U.S. Representative Clay Shaw's (R-FL) effort to shorten to 10 years the depreciable life of tenant improvements.

Congressman Shaw was joined by 64 co-sponsors in introducing the legislation -- H.R. 1030 -- on March 14.

NAREIT President and CEO Steven A. Wechsler said, "By abbreviating the depreciable life of tenant improvements from 39 years to 10 years, the measure would enable property owners to more easily adapt to the specific floor to ceiling needs of new occupants."

According to Wechsler, commercial leases now average less than a single decade, not four. "Shortening the cost recovery period to match the actual life span of the improvements makes more sense economically. Small businesses, in particular, would benefit because they tend to turn over rental space more frequently than large companies," he explained.

Most owners of commercial rental real estate must routinely reconfigure, change or improve their rental space to suit the needs of new or existing tenants. "The point of this legislation to correct a tax law inequity so that office, retail and other space can be readily changed and improved in a manner that satisfies tenants, without penalizing owners," Wechsler said. "Enactment of H.R. 1030 will enable REITs and publicly traded real estate companies to modernize building interiors so that tenants may occupy more efficient and effective space. And it will allow companies to make those improvements in a more cost-effective manner."

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The National Association of Real Estate Investment Trusts® (NAREIT) is the national trade association for REITs and publicly traded real estate companies. Members are real estate investment trusts (REITs) and other businesses that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service those businesses. Visit our web site at www.nareit.com.