

The National Association of Realtors®, “The Voice for Real Estate,” is America’s largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

**Remarks Prepared for
Jim Helsel, Jr.
2009 NAR Treasurer
At the
IREM Delaware Valley Chapter Meeting
Delaware Valley, New Jersey
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Introduction

- **Glad to be here today to speak with friends and colleagues at the Delaware Valley chapter of IREM.**
 - **Summer is turning out to be a very busy time for NAR.**
 - **We’re working hard to address issues in the commercial market, and reforms in the health care system.**

Commercial Market Overview

- **No matter how you look at it the commercial market is hurting.**
 - **Commercial credit market is frozen.**
 - **There appears to be some easing in the credit situation with LIBOR rates falling and banks beginning to make a profit.**
 - **But, commercial real estate loans and jumbo residential mortgages, unlike FHA and Fannie/Freddie backed loans, carry much higher interest rates due to lack of government backing.**
 - **10 year treasury notes have risen lately from near 2 percent at the beginning of the year to now close to 4 percent.**
 - **Bond investors are getting nervous over very high federal budget deficit.**
 - **CMBS being issued has stalled.**
 - **2007 a record high of \$230 billion CMBS issued.**
 - **2008 only \$12 billion CBMS were issued.**
 - **So far in 2009 none have been issued.**
 - **Commercial real estate debt matures at an alarming rate.**

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- In 2008 and 2009 \$410 billion of commercial debt is due to mature.
- In 2011, we hit \$500 billion.
- 2012 and beyond the number skyrockets to \$1.8 trillion.
- Distressed commercial property sales rising.
 - 1st quarter 2008 there were \$4 billion in distressed commercial sales.
 - 1st quarter 2009 the number grew to \$73 billion.
- Every commercial sector is suffering.
 - Office investment has dropped from a high in the first quarter of 2007 of more than \$70 billion to less than \$5 billion.
 - Retail investment reached a record in first quarter 2007 of more than \$18 billion. By first quarter 2009 it decreased to less than \$2 billion.
 - Industrial investment market fell off from a high of \$14 billion in third quarter 2007 to less than \$2 billion in first quarter 2009.
 - Multifamily investment reached a high in the fourth quarter of 2007 at \$35 billion which has now fallen to less than \$2 billion in first quarter of 2009.

Reviving the Commercial Market

Addressing the Problems

- NAR moved quickly to address problems in the commercial market.
 - In December 2008, commercial leaders met to develop a commercial economic stimulus plan.
 - Make mark-to-market accounting rules more flexible.
 - Extend TALF terms of loans from 3 to 5 years.
 - Expand TALF to purchase CMBS.

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- **NAR’s efforts have already been successful.**
 - **Right before Midyear Meetings, U.S. Treasury Department announced:**
 - **TALF terms of loans would be extended from 3 to 5 years.**
 - **TALF would be expanded to purchase CMBS.**
 - **These provisions will increase liquidity to the commercial market and reduce commercial debt obligations.**

More work to be done

- **We understand that more work needs to be done. One important thing is to ensure that CMBS are fairly valued.**
 - **Recently rating agency Standard & Poors released a report that recommends dramatically downgrading commercial bonds for the past three years from 2008 to 2005.**
 - **The report recommends the following downgrades:**
 - **2008 CMBS downgraded 80 percent.**
 - **2007 CMBS decreased 95 percent.**
 - **2006 CMBS downgraded 85 percent**
 - **2005 CMBS downgraded 50 percent.**
 - **The consequences of this proposed move would keep commercial markets frozen and extend the commercial credit crisis.**
 - **NAR, along with the leading commercial organizations, has written a letter to Standard & Poors asking that their methodology be re-evaluated in light of this issue.**
 - **We’ll keep you apprised of our efforts as they occur.**

- **Another issue affecting the commercial market is mark-to-market accounting rules.**

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- **This is a very important issue to us.**
- **In December, when we drafted the commercial economic stimulus we included making mark-to-market rules more flexible.**
- **Since December the issue as evolved, especially as the commercial market has remained frozen.**
- **We know how important this issue is to our members, and NAR is being very aggressive in working towards a solution.**

Commercial Summit

- **Because of issues like mark-to-market and its affect on the commercial market, NAR is bringing together a wide-array of commercial leaders to discuss the best ideas to move the market forward.**
 - **Commercial Summit is being held today in Washington, DC.**
 - **Commercials organizations attending include:**
 - **IREM and CCIM**
 - **Large brokers such as Coldwell Banker**
 - **Associations whose businesses are dependent on the commercial market such as International Council of Shopping Centers**
 - **I am confident that both short and long term solutions will be discussed and we’ll keep everyone updated.**

Health Care Reform

- **Health care is another important issue affecting REALTORS who practice in the commercial sector.**
 - **We have heard from a lot of members about NAR’s efforts to provide more affordable health care for REALTORS.**

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- With the new administration making it a priority, things are heating up on the issue this summer.
- The Senate has introduced the first of two draft bills. We expect the House to follow shortly.
- NAR is turning up the heat on Congress to make sure REALTORS get what we need and that homeowners don’t have to pay for it.
 - First, NAR is working directly with lawmakers to ensure that small business and the self-employed are included.
 - Second, we continue to push two health care bills that focus on small businesses, the Small Business Health Options Plan Act and the Choice Act.
 - Third, make sure that homeowners are not stuck paying the bill by trimming the Mortgage Interest Deduction.
- Comprehensive reform is our goal, but these small business bills will provide an important benchmark of support in the Congress.
 - They can also be viable alternatives if comprehensive reform fails.
 - For more information, please go to www.realtor.org/healthreform.

Conclusion

- NAR is doing everything we can to ensure that our commercial members have the tools and resources to be profitable in your businesses.
 - We know that members are facing once-in-a-generation challenges in the current market.
 - From the Commercial Summit, to health care reform, to the Right Tools, Right Now initiative, NAR’s focus is our members.
 - Most importantly, we need to keep a positive attitude about our situation.

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- We will get through this market, we will be wiser for it, and we will offer better services to our client because of it.**
- Thank you.**