PRESS RELEASE

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REIT Policy Improvements Become Law As Part Of Housing Bill

NAREIT Comments On RIDEA Provisions

Washington, D.C. – Policy steps long awaited by the real estate investment community focused on REITs became law on July 30, 2008. The Housing and Economic Recovery Act of 2008 contains a number of tax-related REIT provisions supported by the National Association of Real Estate Investment Trusts (NAREIT) through RIDEA.
The REIT-related provisions:

- Reduce the holding period under the "dealer" sales safe harbor test from four years to two years;
- Change the measurement of the 10 percent of sales permitted under the safe harbor test from current tax basis to either tax basis or fair market value (at the REIT's annual option);
- Increase the size ceiling for taxable REIT subsidiaries from 20 percent to 25 percent of assets;
- Permit health care REITs to use taxable subsidiaries in the same manner as hotel REITs;
- Exclude most real estate-related foreign currency gains from the computation of the REIT income tests;
- Provide the Treasury Department with clear authority to rule on whether a variety of items are "good" REIT income.

"NAREIT appreciates the support of policy-makers in Congress and the administration for improvement of the REIT rules. These important policy steps provide more flexibility for REITs to manage their property portfolios, something of critical importance in today's market," said NAREIT Executive Vice President and General Counsel Tony Edwards.

The new law is aimed to help thaw the frozen credit and housing markets and to help strengthen major financial institutions. Through this legislation, the Federal Housing Administration is now authorized to guarantee up to $300 billion in new 30-year fixed rate mortgages for subprime borrowers. Additionally, the law seeks to improve the health of Fannie Mae and Freddie Mac by strengthening regulations and injecting capital into the two largest suppliers of U.S. mortgage funding.

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