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NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

April 25, 2007

The Honorable Joseph Crowley
United States House of Representatives
2404 Rayburn House Office Building
Washington, DC 20515

Dear Representative Crowley:

Thank you for agreeing to sponsor 15-year leasehold depreciation reform legislation. The National Association of Real Estate Investment Trusts (NAREIT®), the representative voice for U.S. real estate investment trusts (REITs) and publicly traded real estate companies worldwide, strongly supports this legislation.

Because of your efforts, real estate owners placing leasehold improvements in service can benefit from fairer and more sensible tax treatment of their investment. A shorter recovery period more closely aligns the expenses incurred to construct improvements with the income they generate over the term of the lease. By reducing the cost recovery period, the expense of making these improvements has fallen more in line with the economics of a commercial lease transaction. This result helps enable the owner to provide tenants with the types of improvements most needed to make their business operations productive.

Additionally, NAREIT supports your bill's provision to amend the law to conform qualified leasehold improvement tax depreciation to depreciation for earnings and profits purposes. While qualified leasehold improvement depreciation is 15 years, currently E&P depreciation is 39 years. This discrepancy serves to the detriment to REIT shareholders who calculate the taxable amount of a REIT distribution using E&P depreciation. Without this conforming change, REIT shareholders would not benefit by the change in the tax depreciation for leasehold improvements.

We very much look forward to working with you on this legislation. We value your leadership enormously and trust in your ability to advance this important policy.

Again, thank you for your continued support of the real estate industry.

Sincerely,

Steven A. Wechsler
President & CEO

