

April 30, 2020

Via electronic submission – www.regulations.gov

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
System
20th Street and Constitution Ave NW
Washington, DC 20551

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable John C. Williams
President and Chief Executive Officer
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

RE: Request for Support of new-issue CMBS and Single-Asset/Single-Borrower CMBS in TALF

Dear Sirs:

We appreciate that the Federal Reserve System and U.S. Department of the Treasury took immediate and extreme steps to shore up confidence in, and the stability of, the financial system and commercial and multifamily real estate markets when events related to COVID-19 began to severely impact financial markets and the economy. On behalf of the commercial and multifamily real estate finance industry, we are grateful for the announcement on April 9, 2020, to include outstanding private-label commercial mortgage-backed securities (CMBS) in the Term Asset-Backed Securities Loan Facility (TALF).

The commercial and multifamily property markets represent an important and significant component of the U.S. economy, contributing \$1.14 trillion to U.S. GDP in 2019, which translates into 18.1% of total U.S. GDP.¹ Given the size and breadth of this market in terms of job creation and economic growth generation, the importance of the commercial and multifamily lending community and its role in providing the lifeblood – liquidity – to commercial and multifamily property owners suggests that further steps should be taken.

We ask that new-issue CMBS and single asset / single borrower (SASB) CMBS be included as eligible collateral in TALF. This should include previously issued and new-issue SASB CMBS that are rated AAA at the time they become eligible for TALF.

SASB

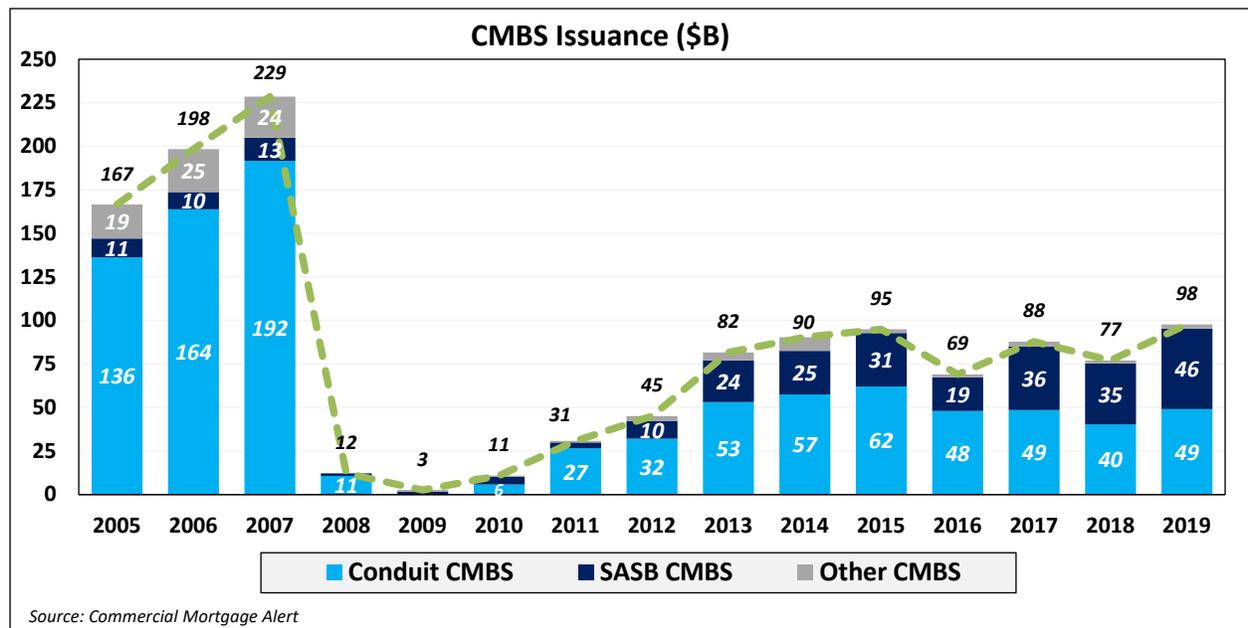
¹ Source: NAIOP, "Economic Impacts of Commercial Real Estate, 2020 U.S. Edition." Assumes a multiplier effect on the total value of goods and services generated directly and indirectly as a result of construction and related expenditures within the U.S.

SASB CMBS are securitizations backed by a single loan secured by either a single commercial or multifamily asset or a portfolio of assets owned by a single borrower. Much of the SASB CMBS universe is generally secured by high-quality properties in major metropolitan markets across the U.S. SASB is a core component of many institutional investor portfolios – including mutual funds, ETFs, life insurance companies, pension funds, endowments, regional and money-center banks, and retail investors.

Importantly, SASB CMBS accounts for much of the lending in the large-loan CRE and multifamily space. And, in many ways, CMBS lenders are the only practical lending source for these larger, institutional assets as they provide the means of stratifying the risk across a number of investor types, from those focused on high investment-grade securities offered by senior AAA SASB CMBS and those focused on the most junior bonds of these transactions and any sub-debt offered.

The structural integrity of SASB CMBS is extremely high, with conservatively underwritten mortgage loans and significant credit enhancement at the bond level. As a result, the credit performance of this sector has been stellar over time and over many economic cycles, with only one investment-grade SASB CMBS bond taking a de-minimus loss and the sector boasting an overall delinquency rate of around 1% since 2000. Following the last financial crisis, it was a SASB CMBS transaction issued under TALF in late-2009 that served as a harbinger to CMBS issuers and investors alike that it was ‘safe’ to return to the CMBS marketplace.

As of March 2020, there was approximately \$156.3 billion in SASB CMBS outstanding. SASB constituted between 11% and 32% of annual total private-label CMBS issuance from 2011 to 2016. However, starting in 2017, SASB began to garner an increasing share, representing 42% of total U.S. CMBS issuance, 45% in 2018, and 47% in 2019. This is also true on an absolute basis, with SASB setting an all-time record for issuance in 2019 of \$46 billion.



In 2019, the sponsors (property owners) of SASB CMBS included such high profile names as Beacon Capital Partners, Blackstone, Brookfield Properties, Carr Properties, Dune Real Estate Partners, Extell Development, Hines, Related Companies, Silverstein Properties, Tishman Speyer, and Vornado.

As of March 2020, the office and hotel property sectors represented the largest percentages of the outstanding universe of SASB transactions at 33% and 23%, respectively. The next largest property type was retail at 18%. While office properties are insulated in large part by longer-term leases, hotels are the most highly exposed asset classes with effectively single-day lease terms. TALF support of the hotel CMBS sector would serve to soften the COVID-19 blow to the overall economy as well as to the numerous small- to mid-sized operators of hotels across the country, whose presence in turn supports communities and employment at the local level.

We respectfully request that the Board of Governors of the Federal Reserve, the Federal Reserve Bank of New York, and the Department of the Treasury act quickly and decisively to restore liquidity in commercial mortgage markets by including We ask that new-issue CMBS and single asset / single borrower (SASB) CMBS be included as eligible collateral in TALF. This should include previously issued and new-issue SASB CMBS that are rated AAA at the time they become eligible for TALF. Thank you for considering this urgent request.

Sincerely,

American Hotel & Lodging Association
American Seniors Housing Association
Asian American Hotel Owners Association
Building Owners and Managers Association (BOMA) International
The CCIM Institute
CRE Finance Council
The Institute of Real Estate Management
International Franchise Association
Mortgage Bankers Association
NAIOP, the Commercial Real Estate Development Association
National Apartment Association
National Association of Convenience Stores
National Association of Home Builders
National Association of REALTORS®
National Multifamily Housing Council
National Retail Federation
Retail Industry Leaders Association
The Society of Industrial and Office REALTORS®