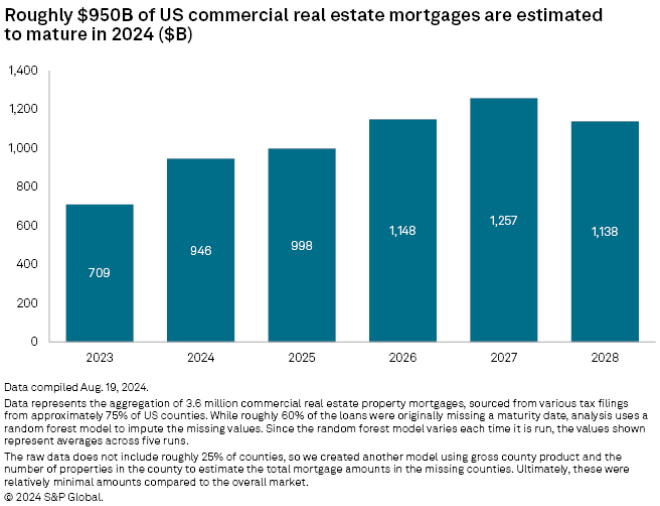
Addressing the Wave of Maturing CRE Debt and Pro-cyclical Regulatory Policy

Issue



Data compiled Aug. 19, 2024.

Data represents the aggregation of 3.6 million commercial real estate property mortgages, sourced from various tax filings from approximately 75% of US counties. While roughly 60% of the loans were originally missing a maturity date, analysis uses a random forest model to impute the missing values. Since the random forest model varies each time it is run, the values shown represent averages across five runs.

The raw data does not include roughly 25% of counties, so we created another model using gross county product and the number of properties in the county to estimate the total mortgage amounts in the missing counties. Ultimately, these were relatively minimal amounts compared to the overall market.

To help rebalance the wave of maturing loans, it is important to advance measures that will encourage additional capital formation and loan restructuring and avoid pro-cyclical regulatory actions such as Basel III Endgame.

A policy statement issued by regulatory agencies encouraging financial institutions to work constructively with creditworthy borrowers on CRE loan workouts has been supported by the Roundtable and will help to see loans through the current environment.

Many of these loans will require additional equity, and borrowers will need time to restructure this debt. Capital formation is vital when credit markets tighten to help restructure maturing debt and fill the equity gap.

It is also important to bring more foreign capital into U.S. real estate by lifting legal barriers to investment, as well as repealing or reforming the archaic Foreign Investment in Real Property Tax Act (FIRPTA).

The original Basel III Endgame proposal would have increased capital requirements for the largest banks by as much as 20%. Concerns remain that any increase in capital requirements will have a pro-cyclical impact on credit capacity and carry a cost to commercial real estate and the overall economy, increasing the cost of credit and constraining capacity. Former Fed Vice Chair Randy Quarles warned it is a “mistake,” saying, “It will restrict the ability of the financial system to provide support for the real economy.”

Addressing the Wave of Maturing CRE Debt and Pro-cyclical Regulatory Policy

Proposed regulations come at a significant economic cost without clear benefits to economy.

In a Jan. 12 letter, The Roundtable raised industry concerns about the negative impact of the *Basel III Endgame* proposal, including the increased cost of credit and diminished lending capacity, and requested that the proposal be withdrawn.

A Sept. 10 address by Fed Vice Chair Barr on Basel III previewed latest revisions to the Basel III Endgame capital requirements. An open Board meeting was expected to review the revised proposal, but regulators remain at an impasse.

The revised proposal would increase Tier 1 capital requirements for global systemically important banks by roughly 9%—half of what would have been required in the original proposal. The proposal reduces risk weights for certain residential mortgages and retail exposures, extending this reduction to low-risk corporate debt. However, commercial real estate risk weights remain unclear. The Fed and other regulators remain deadlocked on advancing the revised proposal.

Non-Recourse Bank Lending Challenged by Endgame

The original Basel III *Endgame* proposal would change how a defaulted mortgage is defined, including exposure to borrowers. Most CRE lending is structured on a non-recourse basis, permitting lenders to seize only collateral specified in the loan agreement, even if its value does not cover the entire debt.

Under the *Endgame* proposal, banks must analyze overall exposure to borrowers beyond the specific loan; they typically assign a 150% risk weight to any defaulted loan and essentially all other loans to the same borrower, even if those loans are current. This raises concerns about maintaining the integrity of non-recourse lending agreements.

Instead, regulators should focus on additional measures to help restructure and transition the ownership and financing of commercial real estate from a period of low rates and robust markets to a time of higher rates, declining credit capacity and uncertain economic growth.

As requested in The Real Estate Roundtable's March 17, 2023[1] letter, the June 30, 2023, *Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts* has reestablished a program similar to prior programs that **calls for** "financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress."

[1] Roundtable Urges Federal Bank Regulators to Reestablish CRE Troubled Debt Restructuring Program, March 17, 2023, https://www.rer.org/policy-issues/policy-comment-letters/detail/roundtable-urges-federal-bank-regulators-to-reestablish-cre-troubled-debt- restructuring-program

Addressing the Wave of Maturing CRE Debt and Pro-cyclical Regulatory Policy

The Roundtable's Position

- By renewing the flexibility for banks to work constructively with their borrowers during times of economic stress, this measure has led to billions of dollars of loan restructurings.
- While this policy statement is helpful, additional steps are called for to help restructure and transition the ownership and financing of commercial real estate from a period of low rates and robust markets to a time of higher rates, declining credit capacity, and uncertain economic growth. Additional capital is an essential element to this restructuring, and enacting policies that will encourage robust capital formation is imperative.
- In a January 12 comment letter, The Roundtable raised concerns about the proposed *Basel III Endgame* measure. The potential significant increase in capital requirements for large banks' capital market activities due to the proposal could materially reduce the depth of banks' products and services offerings to the real estate sector, which will in turn lead to an increase in hedging risk and the cost of raising capital in the industry.
- As a result, we anticipate that the industry could encounter difficulties in their access to liquidity and affordable funding to fuel growth and create jobs.
- The largest U.S. banks' capital and liquidity levels have grown dramatically since the original Basel III standards were implemented in 2013 in response to the 2008 Global Financial Crisis. Since 2009, Tier 1 capital has increased by 56 percent and Common Equity Tier 1 capital has tripled. Today, as the Federal Reserve recently observed, the U.S. "banking system is sound and resilient, with strong capital and liquidity."[2]
- While well-intentioned, we are concerned that the proposals could increase the cost of credit, diminish lending capacity, and undermine the essential role banks play in lending and financial intermediation for real estate. The proposed increases in capital requirements come at a significant economic cost without clear benefits to the resiliency of the financial system.
- Policymakers should consider additional measures to restore liquidity and encourage constructive restructuring and new lending on solidly underwritten assets.

[2] https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf

Capital and Credit

Commercial Insurance Coverage in an Evolving Threat Environment

Issue

The proliferation of natural catastrophe threats has raised concerns about commercial insurance coverage for commercial real estate. As economic losses caused by disasters increase, changing exposures around the world must be addressed in order to effectively manage natural catastrophe risk. These concerns have highlighted the lack of—and need for—insurance capacity and various lines of commercial insurance. Expanding coverage gaps and increased costs present challenges for businesses across many industries, including real estate. A lack of adequate coverage will lead to economic uncertainty, harm stakeholders, and undermine the growth of communities.

- Real estate insurance rates have spiked, with consecutive quarterly increases in overall premiums.
- The nation has seen years of atypical weather patterns and historic losses from natural catastrophies attributed to climate change – economic damages have tripled in cost from just 10 years ago.
- High reinsurance costs and a lack of reinsurance capacity also contribute to higher premiums.
- The U.S. insurance industry is regulated at state-level, with no central federal regulation.

Risks from natural disasters like floods, hurricanes, wildfires, hail, tornadoes, and drought cost the U.S. billions of dollars each year. Even if policyholders are able to find coverage for these various lines, prices are increasing dramatically, raising economic concerns.

Without adequate coverage, the vast majority of these natural catastrophe losses are likely to be absorbed by policyholders. These widening coverage gaps and price hikes raise serious economic concerns about protection gaps, coverage capacity, and increased costs from natural catastrophes and business interruption losses. The budget debate in Congress has raised concerns about the future of the National Flood Insurance Program (NFIP), which is subject to temporary funding extensions and now must be reauthorized by December 20, 2024.

It is important to find solutions—either market-based or with the partnership of the federal government—to fill these commercial insurance gaps across changing threat patterns, and provide the economy with the coverage it needs to address catastrophic events.

Commercial Insurance Coverage in an Evolving Threat Environment

The Roundtable, along with its industry partners, continues to work constructively with policymakers and stakeholders to address this market failure and enact a long-term reauthorization of an **improved National Flood Insurance Program (NFIP)**.

A long-term reauthorization of the **National Flood Insurance Program (NFIP)** is essential for residential markets, overall natural catastrophe insurance market capacity, and the broader economy. The NFIP's commercial property flood insurance limits are low—$500,000 per building and $500,000 for its contents—so it is important to exempt larger commercial loans from the mandatory NFIP purchase requirements.

The **NFIP** is currently operating under a continuing resolution. Since the end of FY 2017, over a dozen short-term NFIP reauthorizations have been enacted.

As policymakers continue to debate potential changes and improvements to the program, their challenge is to find a balance between improving the financial solvency of the program, reducing taxpayer exposure, and addressing affordability concerns. Without congressional reauthorization, the program will sunset on September 30, 2024.

The Roundtable's Position

- Floods are the most common, costliest natural peril in the U.S. The NFIP was enacted in 1968 due to a lack of private insurance and increases in federal disaster aid.
- The Program is administered by the Federal Emergency Management Agency (FEMA) and is essential for homeowners, renters, and small businesses in affected areas.
- The level of flood damage from recent storms makes it clear that FEMA needs a holistic plan to prepare the nation for managing the cost of catastrophic flooding under the NFIP.
- The NFIP is important for residential markets, overall natural catastrophe insurance market capacity, and the broader economy. However, under the NFIP, commercial property flood insurance limits are low—$500,000 per building and $500,000 for its contents. NFIP has approximately five million total properties, only 6.7% are commercial. Nearly 70% of NFIP is devoted to single-family homes and 20% to condominiums. In the total program, 80% pay actuarial sound rates; however, in the commercial space, only 60% pay actuarial sound rates.
- Congressional hearings have illuminated numerous acute problems surrounding the NFIP, such as insolvency, increased risk of flooding across the country, and insufficient and inaccurate flood mapping. The unintended negative outcomes generated by the NFIP continue to grow and are now spreading to GSEs (government-sponsored enterprises) Fannie Mae and Freddie Mac.

Commercial Insurance Coverage in an Evolving Threat Environment

- Lenders typically require base NFIP coverage, and commercial owners must purchase Supplemental Excess Flood Insurance for coverage above the NFIP limits. The NFIP's low commercial limits make it problematic for most commercial owners. As a result, The Roundtable has been seeking a voluntary exemption for mandatory NFIP coverage if property owners have flood coverage from commercial insurers.
- The Roundtable supports increased private market participation. By permitting certain private issue insurance policies to satisfy the NFIP's "mandatory purchase requirement" for properties in flood plains financed by loans from federally guaranteed institutions, commercial property owners would have the ability to "opt out" of mandatory NFIP commercial coverage if they have adequate private coverage outside the NFIP program to cover financed assets.
- The Roundtable and its partner associations support a long-term reauthorization of an improved NFIP that helps property owners and renters prepare for and recover from future flood losses. Given the low coverage amounts provided to commercial properties, it is important to permit larger commercial loans to be exempt from the mandatory NFIP purchase requirements.
- Going forward, it is important to protect American jobs and to ensure a sustainable and speedy economic recovery from future natural catastrophe events and government-ordered shutdowns. If not remedied, these insurance gaps could hinder economic growth.

Beneficial Ownership & Corporate Transparency Act

Issue

Under the Corporate Transparency Act (CTA), many U.S. businesses are now required to disclose information on their "beneficial owners" under regulations issued (and to be issued) by the Treasury Department's Financial Crimes Enforcement Network (FinCEN). This disclosure obligation began on January 1, 2024. The stated goal of the CTA is to prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity by requiring companies to disclose beneficial ownership information, or BOI, to FinCEN, a bureau of the U.S. Department of the Treasury.

The Rule imposes heavier compliance burdens on real estate businesses with numerous legal entities that own and operate real property across all asset classes. While the CTA and its implementing regulations are not specifically targeted to real estate businesses, it will have a direct impact on the industry. As discussed below, certain types of entities will be exempt from the reporting requirements; however, these exemptions will not apply to many typical real estate limited liability companies and partnerships formed to own and operate commercial properties.

The CTA requires reporting companies to supply three categories of information: information about the entity, BOI, and information about the company applicant. Each reporting company will have to provide information on its "beneficial owners" as well as the "company applicants" involved in forming the entity. A beneficial owner refers to an individual who owns at least 25% of an entity or indirectly exercises "substantial control" over it.

The Roundtable's Position

- Despite legislative efforts to secure a delay in the implementation of the effective date of the *Corporate Transparency Act's* (CTA) beneficial ownership reporting requirements, the law went into effect on Jan. 1, 2024.
- The Real Estate Roundtable, along with eleven other national real estate organizations, wrote to the Senate Banking, Housing, and Urban Affairs Committee on June 4, 2024 urging them to advance the *Protect Small Business and Prevent Illicit Financial Activity Act* (S.3625), which would **extend the deadline for companies to report ownership information** to the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). The *Protect Small Business and Prevent Illicit Financial Activity Act* (S.3625), introduced by Banking Committee **Ranking Member Tim Scott (R-SC)**, would **extend the deadline** for companies to report beneficial ownership information to FinCEN **to two years** (current regulations require the report within 1 year). The bipartisan companion to this legislation (H.R. 5119), introduced by Representatives Zach Nunn (R-IA) and Joyce Beatty (D-OH), passed the House of Representatives by a decisive vote of 420-1 on December 12, 2023.

Beneficial Ownership & Corporate Transparency Act

- On March 1, 2024, a federal judge ruled that the CTA is unconstitutional, marking a milestone in the 16-month ongoing legal battle led by a coalition of business groups, including The Roundtable. Importantly, according to a statement from FinCEN, the decision is limited at the moment to the plaintiffs—members of the National Small Business Association, a national association with 65,000 members. Given the narrow exemptions for NSBA members, unless the Treasury Department suspends enforcement of CTA for all businesses that are obligated to file, CTA beneficial ownership reports will still need to be filed. For now, FinCEN urges small business owners to continue to review the ruling with counsel to assess its implications. In the meantime, The Roundtable continues to seek delay and repeal of the law.
- There is significant concern about the CTA's far-reaching scope and its impact on many commercial and residential real estate businesses that use the LLC structure for conducting business. Our recent letter in support of a legislative delay states that Chairman McHenry's bill "offers a commonsense solution to this pending regulatory trainwreck."
- The CTA amended the Bank Secrecy Act to require corporations, limited liability companies, and similar entities to report certain information about "beneficial owners" who own at least 25% of an entity or indirectly exercise "substantial control" over it. The CTA authorizes FinCEN to collect and disclose beneficial ownership information to authorized government authorities and financial institutions, subject to effective safeguards and controls. The statute requires the submission of regular reports to the federal government that include a litany of sensitive personal identifiers of the owners, senior employees, and/or advisors of covered entities.
- Although the measure is intended to provide support for law enforcement investigations into shell companies engaged in money laundering, tax evasion, and terrorism financing, it places many costs and legal burdens on small businesses, especially those in the real estate industry. In 2021, The Roundtable and its coalition partners submitted detailed comments to FinCEN regarding the development, disclosure, and maintenance of a new federal registry that will contain beneficial ownership information.
- The real estate coalition's extensive comments emphasize the "scope of the CTA is far-reaching and will impact many commercial residential real estate businesses who are frequent users of the LLC structure for conducting business. If not implemented with a clear set of rules and regulations, the CTA could result in an outcome of confusion, missteps, and ultimately fines on law-abiding businesses."
- In 2022, The Roundtable and its coalition partners submitted comments to the U.S. Department of the Treasury (DOT) and FinCEN that support efforts to thwart illegal money laundering in real estate, while encouraging policymakers to find a balanced approach that does not unfairly burden law-abiding businesses.
- The Roundtable continues to work with industry partners to address the implications of FinCEN's proposed rules and the impact it could have on capital formation and the commercial real estate industry.

Restrictions on Foreign Investment in U.S. Real Estate

Issue

Foreign investment is a major source of capital for U.S. commercial real estate, leading to job creation and economic growth for communities throughout our nation. A number of policy measures at the national and state level seek to restrict foreign investment in U.S. real estate. A number are already in effect. Most of these measures are intended to protect the homeland and ensure that such investments may prevent a nefarious state actor from adversely impacting the nation's economic, military, or civil interests.

At the **state level,** the Florida legislature enacted Senate Bill 264 (SB 264) in 2023. SB 264 aims to limit and regulate the sale and purchase of certain Florida real property by "Foreign Principals" from "Foreign Countries of Concern." Twenty states have enacted restrictions on foreign investors in real estate and agricultural land. Eight states are considering similar measures. More are looking at the issue. So, the state-level restrictions have national implications and seem to fly in the face of the commerce clause of the Constitution in that they interfere with the free flow of interstate and foreign commerce.

While The Roundtable supports efforts to protect the nation's economic, military, or civil security as well as the integrity of commercial real estate investments, we have concerns about rules that may hinder foreign investment in U.S. real estate by legitimate enterprises and capital formation by law-abiding entities.

The Roundtable's Position

- The Roundtable's Sept. 5, 2023, comment letter encourages state regulators to ensure that Senate Bill 264 does not deter investment in real estate in the state or undermine the economic benefits of this important industry. It also raises concerns about the technical aspects of SB 264 that could have unintended and negative consequences for investment in Florida and therefore limit the freedom of Florida's future growth.
- The letter also cites the importance of foreign investment in U.S. real estate markets. In particular, many investment funds that are controlled or advised by regulated U.S. asset managers—including those that actively invest in Florida real estate—source investment capital in global capital markets.
- With approximately $1.5 trillion of U.S. commercial real estate debt coming due in the next three years, foreign equity investments in U.S. assets are often an important source of capital as commercial real estate owners seek to restructure, refinance, or sell their properties.

Restrictions on Foreign Investment in U.S. Real Estate

- The proposed rule published on Sept. 21 addresses the implementation of Florida Senate Bill 264 (SB 264), Section 203, signed into law on May 8. The new law aims to limit and regulate the sale and purchase of certain Florida real property by "foreign principals" from "foreign countries of concern." The Florida Real Estate Commission will implement the new law. (SB 264 text).
- Section 203 of the bill prohibits investment in real property near military installations and critical infrastructure. Importantly, the *de minimis* exemption has been re-drafted, which (1) fixes earlier drafting errors to the Registered Investment Advisor exemption, and (2) introduces a new category of *de minimis* interests that categorically exempts passive indirect investment. (See highlighted areas in the Notice of Proposed Rule)
- The proposed rule clarification remains subject to change during a 21-day public comment period and may include a formal hearing.

Capital and Credit

Real Estate Capital Formation Challenged by SEC Custody Proposal

Issue

On February 15, 2023, the Securities and Exchange Commission (SEC) proposed changes to require SEC-registered investment advisers to put all their clients' assets, including all digital assets like Bitcoin, with "qualified custodians".

- *Safeguarding Advisory Client Assets* – would significantly expand requirements of Custody Rule to maintain client assets with a qualified custodian for certain physical assets such as real estate

The proposal would also require a written agreement between custodians and advisers, expand the "surprise examination" requirements, and enhance recordkeeping rules. These rules were originally designed for digital assets. "Reasonable" safeguarding requirements is ambiguous as applied to real estate. The SEC's release indicates that deeds evidencing ownership of real estate can be held at a qualified custodian—this is not accurate. Deeds are recorded with a government authority. Land and buildings cannot be physically absconded. Lenders and other interested parties have an interest in ensuring no misappropriation of real estate.

- Could severely impact advisory clients' ability to invest in real estate. Roundtable seeking real estate exception
- Ample safeguards already exist to promote the safe-keeping of real estate assets held in advisory accounts or funds, which assets are not subject to high risk of loss or theft
- SEC has not coherently explained how Proposed Rule would apply to real estate – seeking exception for real estate

The Roundtable's Position

- The Roundtable sees no policy reason to impose the proposed rule on real estate—real estate cannot readily be stolen. Lenders and others have an interest in ensuring no misappropriation of real estate. Title insurance protects real estate investors against covered title defects, such as a previous owner's debt, liens, and other claims of ownership. It's an insurance policy that protects against past problems, whereas other insurances usually deal with future risks. Titles are recorded in the name of the acquiring entity by a government entity.
- The SEC's release indicates that deeds evidencing ownership of real estate can be held at a qualified custodian—this is not accurate. Deeds are recorded by a government authority. Conditions to the exemption for real assets are problematic. Auditor verification of transactions is costly and not negotiated for by fund investors.

Real Estate Capital Formation Challenged by SEC Custody Proposal

- "Reasonable" safeguarding requirements is ambiguous as applied to real estate. Different jurisdictions present even more challenges. Different laws for title exist between not only states but also countries. The rule applies to registered investment advisors regardless of where the asset is located.
- For these reasons, we believe that the SEC's policy reasons for imposing the rule on real estate seem irrelevant. The Roundtable has submitted a comment letter to SEC and met with senior staff from the investment management division.
- In addition to the proposed Custody Rule, the Securities and Exchange Commission (SEC) has a number of proposed rulemaking measures that could have a chilling effect on real estate capital markets that could further impair liquidity and be a "death by a thousand cuts" for commercial real estate. Capital formation is vital when credit markets tighten to restructure maturing debt.
- Fortunately, on June 5, 2024, the U.S. Fifth Circuit Court of Appeals issued an opinion that vacated the SEC Private Fund Adviser Rules, holding that the SEC exceeded its statutory authority in adopting the Rule. Specifically, the court held that the "promulgation of the [Rule] was unauthorized … no part of it can stand."

Capital and Credit

NASAA's Proposed Revisions to its Statement of Policy Regarding REITs

Issue

On July 12, 2022, the North American Securities Administrators Association, Inc. (NASAA) announced it is seeking public comment on proposed revisions to the NASAA Statement of Policy Regarding Real Estate Investment Trusts (the "REIT Guidelines"). The Roundtable has serious concerns about the Proposal and urges NASAA to withdraw the Proposal.

The Roundtable's Position

- The Proposal could have a profound impact on the $20.7 trillion U.S. commercial and multifamily real estate market, approximately 9.4% of which is comprised of real estate investment trusts (REITs).
- It could have the unintended and unnecessary impact of impeding real estate capital formation, undercutting economic growth, and weakening the strength and stability of U.S. real estate capital markets. Investing in real estate supports economic growth; helps to grow the much-needed supply of housing, particularly in the multi-family, workforce, and affordable housing sector; enhances the infrastructure of industrial space, and supports state and local communities across the country.
- Since 1996, the Securities Act of 1933, as amended, has provided a preemption of the substantive state securities law requirements for several types of securities and offerings. However, certain securities offerings, including publicly offered REITs that do not list their securities on a stock exchange ("non-traded REITs"), remain subject to state securities law registration requirements. In addition, they remain subject to review by state securities regulators and the Securities and Exchange Commission (SEC). The REIT Guidelines have been adopted by several state securities regulators or used by their staff in reviewing such offerings.
- The REIT Guidelines were last amended in 2007 and set out requirements for REIT sponsors, advisers, and persons selling REITs, including provisions dealing with the suitability of investors, conflicts of interest, investment restrictions, and rights of shareholders as well as disclosure and marketing.
- NASAA has proposed revisions to the REIT Guidelines in four areas:
- The proposed revisions would update the conduct standards for brokers selling non-traded REITs by supplementing the suitability section with references to the SEC's best interest conduct standard.
- The proposal includes an update to the individual net income and net worth requirements—up to (a) $95,000 minimum annual gross income and $95,00 minimum net worth, or (b) a minimum net worth of $340,000—in the suitability section through adjusting upward to account for inflation occurring since the last adjustment in 2007.

NASAA's Proposed Revisions to its Statement of Policy Regarding REITs

- The proposal would add a uniform concentration limitation prohibiting an aggregate investment in the issuer, its affiliates, and other non-traded direct participation programs that exceed 10% of the purchaser's liquid net worth. Liquid net worth would be defined as that component of an investor's net worth that consists of cash, cash equivalents, and marketable securities. [NOTE: There is no carveout for accredited or other sophisticated investors.]
- The proposed revisions also include, in multiple sections, a new prohibition against using gross offering proceeds to fund distributions, "a controversial product feature used by some non-traded REIT sponsors . . . having the potential to confuse and mislead retail investors."
- In the request for comment, NASAA points out that if adopted, the revisions to the REIT Guidelines have the potential to influence updates to other Guidelines, including those for Asset-Backed Securities, Commodity Pools, Equipment Leasing, Mortgage Programs, and Real Estate Programs (other than REITs) and the Omnibus Guidelines.
- We are concerned that the Proposal appears to be substantially based on a flawed and outdated impression of the PNLR sector and PNLR products. Many of the issues that NASAA highlights to justify the Proposal—such as liquidity concerns, fee transparency, and sources of distributions—are largely, if not completely, ameliorated with respect to the NAV PNLRs[3] that are now being offered to investors.
- We are working on this issue with a number of other groups and submitted a comment letter raising concerns about the proposal.

[3] REITs that are registered with the SEC but whose shares intentionally do not trade on a national securities exchange. NAV PNLRs, which comprise the majority of PNLRs marketed today, are permanent entities that provide shareholders with regular ability to sell shares back to the REIT at the current Net Asset Value (NAV).