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July 9, 2009

Congresswoman Carolyn Maloney, Chair
Joint Economic Committee
United States Congress
Washington, DC 20510

Dear Chairperson Maloney:

On behalf of the more than 70,000 members of the International Council of Shopping Centers, I applaud your leadership in conducting today's hearing to examine the current problems being experienced by the retail real estate industry and our nation's communities as a result of the ongoing credit crisis.

ICSC member companies are experiencing a lack of credit capacity from any source. Many banks simply are not making commercial real estate loans and there is no secondary market for commercial mortgages. The \$900 billion CMBS market is locked up, despite a relatively low delinquency rate.

ICSC members and other commercial borrowers face a tremendous growing challenge of refinancing maturing debt due to lack of liquidity. This year we estimate that more than \$300 billion in commercial real estate loans will mature from a variety of sources. Over the next few years these maturities will increase.

A special survey of retail real estate owners was conducted by ICSC on debt maturity and refinancing between March 2 and 10, 2009. According to this ICSC survey, which represented a cross section of the industry, 62.7% of respondents cited little or no confidence in refinancing company debt during 2009 and 53.9% held that same opinion for 2010. The survey measured four types of debt—commercial mortgage-back securities (CMBS), corporate bonds, bank loans and all other debt.

Cumulatively, over the next five years, these shopping-center owners and senior-level managers see a need to refinance about \$51.6 billion of company debt of all types. Based on this sample, ICSC estimates this represents about \$400 billion of total debt for the retail real estate industry as a whole, of which this represents about \$165 billion in maturing CMBS debt over those five years through 2013. In 2009, ICSC estimates that industry wide maturing debt will be \$60 billion with maturing CMBS debt at about \$21 billion and another \$8 billion in corporate bond refinancing.

Looking into 2010, the retail real estate industry appears to face an even larger amount of debt maturity, estimated to be about \$110 billion, compared with 2009's estimated \$60 billion. The need for access to the free-flowing credit markets for commercial real estate will continue to remain strong with the retail real estate industry alone having a projected credit need of \$95 billion in 2011, \$85 billion in 2012 and about \$60 billion by 2013.

About a third of the estimated share of debt maturing for the retail real estate industry in is from the CMBS market. To date this market remains frozen. We believe that the efforts from the Federal Reserve Bank of New York (FRBNY) through expansion of the Term Asset-Backed Loan Facility (TALF) to include newly issued and legacy CMBS have been laudable, but ICSC remains concerned that these efforts may not be enough to restart the stalled CMBS market, suppress widespread commercial real estate foreclosures and bankruptcies, or contain additional and significant national economic decline.

International Council of Shopping Centers, Inc.

It is our hope that the FRBNY and Congress will, at the very least, extend the deadline for TALF subscriptions through 2010 to help encourage the capital markets to utilize this credit facility and allow appropriate time for the loan origination and securitization process to execute.

Bank held loans also supply a considerable amount of credit capacity to our members, especially to many of our smaller local/regional developers who do not have the same access to the capital markets as our larger REIT oriented members. Anecdotally, we have been told that this sector of our membership has seen an increasing decline in credit capacity from banks. The overall belief is that bank regulators are exhibiting a distinct bias against commercial real estate, increasing the pressure on many banks to decrease their commercial real estate portfolios.

In addition to restarting the credit markets through the CMBS market and lending institutions, ICSC joins several other real estate groups asking for temporary changes to the real estate mortgage investment conduit (REMIC) regulations to facilitate early review and possible modification to the terms of commercial mortgage loans that have been securitized in CMBS. We believe that allowing more flexibility in the workouts of existing loans will help stem the tide of a potential flood of commercial debt maturities.

As a side note, ICSC also represents many retailers. As ICSC owner/developers are struggling with the lack of credit, so too are many ICSC retail members. December 2008 marked the biggest decline in retail sales since record-keeping began nearly 40 years ago, against a backdrop of extraordinarily aggressive holiday price cutting. Retailers offered deep discounts (50 to 70% off) much earlier than usual and kept trimming prices.

ICSC estimates that 148,000 retail stores closed in 2008 – the most since 2001 and current projections are another 73,100 may close during the first half of 2009. This translates into an estimated loss of 625,000 to 800,000 retail jobs. As lawmakers approach the broader credit crunch issue, one consideration from a retail perspective is for the federal government to provide access to debtor-in-possession financing for those facing Chapter 11 and allow retailers time to reorganize.

ICSC members are focused on preserving shopping center-related jobs, keeping our communities' shopping centers open and vibrant, and maintaining the local sales tax base. At this time, the priority of most of our members is survival – keeping vacancy rates low and securing extensions for performing loans. From anecdotal conversations, further economic development from retail development is largely being put on hold until 2011 or later. The ability of our members to create new economic development opportunities and jobs in our communities will be directly linked to the ability of the capital markets to recover.

While Congress, the Administration, the Federal Reserve and the Treasury have undertaken significant efforts to address the problems being experienced in the commercial real estate industry and mitigate the effects of a potential second wave of real estate losses, we remain concerned that the current credit crisis will begin to spiral downward again, affecting communities across the country, unless additional measures are considered by Congress and the Administration immediately.

Thank you for your attention to this very important issue today. We stand ready to provide you with any additional information you may require.

Sincerely,



Michael Kercheval
President
International Council of Shopping Centers