Congress of the United States
Washington, DC 20515

September 9, 2022

Melanie Senter Lubin
Maryland Securities Commissioner
President, North American Securities Administrators Association (NASAA)
750 First Street, N.E., Suite 1140
Washington, D.C. 20002

Dear Commissioner Lubin,

I am writing to express my concerns with the North American Securities Administrators Association (NASAA) revisions to its Statement of Policy Regarding Real Estate Investment Trusts (the "Proposal").

The Proposal may have a profound impact on the real estate industry and may cause unintended and unnecessary risks to the strength and stability of the U.S. real estate market. Federally regulated, public, non-listed, real estate investment trusts (REITs) are a growing source of capital for the development of affordable housing, commercial properties used by small businesses, and other types of real estate that support economic growth and employment.

Non-listed REITs have proven to be a reliable source of capital in recent years. In 2021, non-listed REITs raised over $36.5 billion, and in the first half of 2022 raised another $21.3 billion. Additionally, recent surveys of non-listed REITs indicated that approximately 63 percent of their investments are in support workforce housing which is defined as multifamily housing that offers rent below 25 percent of mean family income in the surrounding area.

The proposed concentration, net worth, and gross income limits may prevent many investors from attaining desired portfolio diversification or wanted exposure by investing in non-listed REITs. Real estate investments can provide investors with portfolio diversification, inflation protection, and long-term growth. For example, an investor with the resources and liquid investments needed to reasonably meet foreseeable needs could be prevented from investing in a non-listed REIT due to the proposed concentration limits. This is just one example of an impediment to investment in federally regulated non-listed REITs, which could result in larger unintended consequences by encouraging migration into less regulated products.

Many small and medium sized businesses lack access to the deep capital markets that finance the activities of large corporations. The inclusion of affiliated products, including investment companies and business development companies, in the proposed concentration limits may severely limit access to capital for these companies, including minority-owned, women-owned, and veteran-owned businesses that do not have access to traditional sources of capital. Furthermore, the affiliate language extends even beyond these products to listed funds, mutual funds, and exchanged-traded funds offered by experienced asset managers.

As you know, non-listed REITs are regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), subject to the reporting requirements of any public company, and distributed to investors through federally regulated broker-dealers and registered investment advisers. The federal government has established standards of conduct for these investment professionals, who are familiar with their customers' financial situation, liquidity needs, and investment objectives. However, this Proposal would establish new, additional standards of conduct on broker-dealers and investment advisers that may conflict with the federally established obligations and interfere in the relationship with their customer.

Thank you for considering my concerns with the Proposal. I encourage you to address these concerns prior to adopting the Proposal.

Sincerely,

Trey Hollingsworth
Member of Congress

Warren Davidson
Member of Congress

Cc:
NASAAComments@nasaa.org
NASAA Section Chair, Andrea Seidt, Ohio Securities Commissioner
(Andrea.Seidt@com.ohio.gov)
NASAA Project Group Chair, Mark Heuerman
(Mark.Heuerman@com.ohio.gov)