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**VIA EMAIL**

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**Re: Comments on Proposed Amendments to NASAA Statement of Policy Regarding  
Real Estate Investment Trusts (March 25, 2025)**

Dear Chairs Beatty, Houston, and Anderson:

This firm represents Blackstone, Inc. (“Blackstone”), the world’s largest alternative asset manager. Blackstone manages \$1.2 trillion of assets across global investment strategies focused on real estate, private equity, infrastructure, life sciences, growth equity, credit, real assets, secondaries, and hedge funds. Through its extraordinary team and flexible capital, Blackstone helps strengthen the companies, real estate assets and other investments in its portfolio, equipping them to thrive in the global economy.

As part of its investment offerings, Blackstone manages Blackstone Real Estate Income Trust, Inc. (“BREIT”), the largest non-listed real estate investment trust (REIT) in the U.S., with a \$106 billion portfolio diversified across rental housing, industrial, data centers, and other real estate assets.<sup>1</sup> Blackstone also manages Blackstone Private Credit Fund (“BCRED”), a non-exchange-traded business development company (BDC) with investments valued at over \$70 billion.<sup>2</sup> Both BREIT and BCRED register their shares with the U.S. Securities and Exchange Commission (SEC) and state securities regulators.

We appreciate the opportunity to comment on NASAA’s proposed amendments to the Statement of Policy Regarding Real Estate Investment Trusts (“Proposed Guidelines”). BREIT

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<sup>1</sup> See <https://www.breit.com/performance/>.

<sup>2</sup> See <https://www.bcred.com/portfolio/>.

supports NASAA's mission to protect individual investors from harm caused by bad actors and to promote diversification as a means of reducing investment risk. BREIT shares these goals and welcomes the opportunity to collaborate with NASAA to achieve them.

Our comments focus on the proposed concentration limit in the Proposed Guidelines. While BREIT believes that imposing a concentration limit unnecessarily restricts investor choice and access to alternative investments, we recognize NASAA's intent to safeguard retail investors. If NASAA decides to implement a concentration limit, BREIT strongly supports a uniform exemption for accredited investors, as defined by the SEC,<sup>3</sup> as a step toward creating a consistent regulatory framework.

Unfortunately, the draft language in Subsections III.D.3 and III.D.4 of the Proposed Guidelines does not align with NASAA's stated intent in the Request for Public Comment, which indicated that accredited investors would be exempt from the concentration limit.<sup>4</sup> Instead, the Proposed Guidelines leave this exemption to the discretion of individual administrators.<sup>5</sup> This discretionary approach is not the same as a default accredited investor exemption. It undermines uniformity and creates unnecessary regulatory fragmentation. BREIT urges NASAA to adopt a default accredited investor exemption, as described in the Request for Public Comment, to promote consistency across jurisdictions.

An accredited investor exemption strikes a reasonable balance between protecting retail investors and allowing financially sophisticated individuals, in consultation with their financial professionals, to make informed investment decisions. This approach is consistent with NASAA's 2016 Proposed Guidelines,<sup>6</sup> as well as the practices of six jurisdictions that currently apply concentration limits to BREIT.

## Key Concerns with the Proposed Guidelines

### 1. The Proposed Guidelines Do Not Reflect NASAA's Stated Intent

The Request for Public Comment explicitly states that accredited investors would be exempt from the concentration limit. However, Subsections III.D.3 and III.D.4 of the Proposed Guidelines fail to establish this exemption as a default standard. Instead, they allow administrators to decide whether to exclude accredited investors, creating further inconsistency across jurisdictions.

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<sup>3</sup> See 17 C.F.R. §230.501.

<sup>4</sup> Section IV of the Request for Public Comment states that "new Subsection III.D.4 [of the Proposed Guidelines] would specify that the concentration limit **would not apply to investments made by accredited investors** as defined under Rule 501(a) of SEC Regulation D." (emphasis added)

<sup>5</sup> Subsection I.A.2. of the Proposed Guidelines state: While applications not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown, **certain guidelines may be modified or waived by the Administrator**. (emphasis added). See also Subsection I.A.2. of the NASAA 2007 Guidelines.

<sup>6</sup> <https://www.nasaa.org/wp-content/uploads/2016/07/Notice-for-Public-Comment-REIT-Concentration-Limit-07272016.pdf>. ("[t]his standard shall not be applied to Accredited Investors under income or net worth standards according to Regulation D, Rule 501").

To promote uniformity and align with the intent of the Request for Public Comment, NASAA should adopt a default accredited investor exemption. This would not limit an administrator's ability to deviate from the guidelines, when necessary, as their authority to do so is already preserved in Subsections I.A.2 and III.D.3.<sup>7</sup>

## **2. The Guidelines Overlook Significant Industry and Regulatory Advancements**

The non-listed REIT industry has evolved significantly since NASAA's last adoption of REIT guidelines in 2007. Today's REITs, including BREIT, offer lower fees, greater liquidity, enhanced transparency, and regular net asset value ("NAV") reporting. These improvements, combined with the adoption of Regulation Best Interest and fiduciary standards for financial professionals, have strengthened investor protections.

Despite these advancements, the Proposed Guidelines impose stricter limits than NASAA's 2016 Proposed Guidelines, which included a 10% concentration limit but exempted accredited investors and applied only to REITs and their affiliates. The current draft fails to account for the industry's progress and imposes unnecessary restrictions on modern, transparent investment products.

## **3. Including Direct Participation Programs (DPPs) in the Concentration Limit Harms Investor Choice**

The inclusion of all DPPs within the 10% concentration limit is overly broad and risks limiting investor access to high-quality, uncorrelated investment products. DPPs encompass a wide range of vehicles, including BDCs, which serve distinct purposes within a diversified portfolio. Restricting an investor's ability to allocate across these products may force them into less suitable or lower-performing alternatives.

The 2016 Proposed Guidelines recognized this issue by applying the concentration limit only to REITs and their affiliates. NASAA should adopt a similarly tailored approach to avoid unintended consequences and preserve investor choice.

## **4. The Proposed Guidelines Are Inconsistent with Current Practices**

Of NASAA's 53 member jurisdictions, only 17 currently impose concentration limits on REITs, and six of those already exempt accredited investors – Iowa, Nebraska, New Mexico, Ohio, Tennessee, and Vermont.<sup>8</sup> The largest states, including California, Texas, Florida, Illinois, and New York, do not impose such limits. The Proposed Guidelines would create further fragmentation rather than uniformity, contrary to NASAA's stated goals.

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<sup>7</sup> *Id.* Subsection III.D.3. of the Proposed Guidelines state "[u]nless the ADMINISTRATOR determines that the risks or other factors in III.D associated with the REIT would require lower or higher standards...."

<sup>8</sup> The following jurisdictions impose some form of concentration limit on BREIT: Alabama; Iowa; Kansas; Kentucky; Maine; Massachusetts; Missouri; Nebraska; New Jersey; New Mexico; North Dakota; Ohio; Oregon; Pennsylvania; Puerto Rico; Tennessee; and Vermont.

## **5. Penalizing Registered Products Discourages Transparency**

State-registered REITs are subject to robust disclosure, governance, and oversight requirements, including SEC reporting, FINRA regulation, and independent board oversight. By imposing stricter limits on these transparent products, NASAA risks further incentivizing sponsors to pursue Regulation D private placements, which lack comparable investor protections.<sup>9</sup>

## **6. Existing Regulatory Frameworks Already Protect Investors**

Broker-dealers and investment advisers are already bound by stringent suitability and fiduciary obligations under Regulation Best Interest, FINRA rules, and analogous state laws. These frameworks ensure that investment recommendations align with an investor's financial profile and goals, making blanket concentration limits redundant and potentially counterproductive.

### **Conclusion**

The non-listed REIT industry has made significant strides in transparency, cost reduction, liquidity, and investor protection. The Proposed Guidelines fail to reflect these advancements and risk undermining investor choice and regulatory consistency.

While BREIT believes that concentration limits are unnecessary, we urge NASAA to adopt a uniform accredited investor exemption as the default standard if such limits are implemented. This approach aligns with NASAA's stated intent, reflects current industry practices, and balances investor protection with access to high-quality investment opportunities.

Thank you for the opportunity to provide feedback. We look forward to collaborating with NASAA to support policies that protect investors while fostering responsible capital formation.

Very Truly Yours,



Christopher W. Gerold

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<sup>9</sup> See Kevin Gannon, Private Placement REITs and BDCs Expand Market Share, Surpass \$85 Billion in Combined Aggregate NAV, Stanger Privates (May 23, 2025) ("Private placement REITs and BDCs are steadily capturing a larger and larger share of the alternatives market, with private REITs now accounting for nearly 20% of NT-REITs aggregate NAV and private BDCs representing over 37% of NT-BDCs.")