

# COMMERCIAL REAL ESTATE BY THE NUMBERS

## REAL ESTATE'S CONTRIBUTION TO GDP

**\$1.728 trillion: Aggregate contribution of CRE (office, retail, industrial warehouse, apartments, hotels) to overall GDP.**

Operations of existing retail, office, and industrial/warehouse buildings, combined with new commercial construction, contributed an estimated \$1.14 trillion to GDP and \$396 billion in personal earnings in 2019.<sup>1</sup>

- The multifamily industry, which provides shelter to 44 million residential renters,<sup>2</sup> contributes an additional \$400 billion to GDP through apartment construction, improvements, and operational expenditures.<sup>3</sup>
- The operation of America's hotels, along with hotel construction and capital investment, generate an additional \$314 billion in direct economic output.<sup>4</sup>
- These numbers do not include the enormous indirect benefits that flow from real estate activity such as the revenue generated by retail tenants and further induced guest, employee, and supplier spending in the case of hotels.

### CRE MARKET VALUE AND LEVERAGE



**Total value  
of America's commercial real estate**

(At end of 2018; Includes multifamily residential)<sup>5</sup>

To put that into perspective, the value of U.S. commercial real estate is more than half the market capitalization of all U.S. publicly traded companies.<sup>6</sup>

Roughly two-thirds of commercial real estate debt relates to non-residential property with the remainder financing multifamily residential rental properties (five or more units).

### REAL ESTATE, JOBS, AND THE WORKFORCE



**U.S. jobs directly supported by real estate**

These include jobs in construction, planning, architecture, building maintenance, hotel operations, management, leasing, brokerage, cleaning, security, and other activities.<sup>7</sup>

In addition, real estate employs millions more indirectly in fields such as mortgage lending, accounting, legal services, investment advising, and environmental consulting.

## REAL ESTATE'S CONTRIBUTION TO THE TAX BASE

**\$547 billion: Property taxes paid to state and local governments.<sup>8</sup>**

- 31% of state and local government tax revenue derives from property taxes.

**\$509 billion: Property taxes paid to local governments.<sup>9</sup>**

- 72% of local government tax revenue derives from property taxes.
- Local property taxes provide more than a third of all money used to finance public education.<sup>10</sup>

**\$297 billion: State and local property taxes paid by businesses.<sup>11</sup>**

- An average commercial property pays 1.724 times more in taxes compared to taxes associated with a home.<sup>12</sup>
- A typical large U.S. city imposes an average annual tax of 1.92% on the value of commercial properties (land and building, combined).<sup>13</sup>

## REAL ESTATE'S CONTRIBUTION TO AMERICANS' RETIREMENT SAVINGS

**\$800 billion: Amount invested by pension funds, educational endowments, and charitable foundations in real estate.<sup>14</sup>**

- Real estate investments can be found in 87 percent of all public and 73 percent of all private sector pension funds.<sup>15</sup>
- An estimated 68 percent of insurance companies -- another critical source of retirement savings and survivor benefits -- are actively invested in real estate.

**\$600 billion: Amount of pension investments managed by America's building trades unions.<sup>16</sup>**

- \$16 billion: Funding in more than 500 real estate projects provided by the Union Labor Life Insurance Company (Ullico), organized labor's group insurance provider, since its inception in 1977.<sup>17</sup>

Source:

<sup>1</sup> Stephen Fuller, Ph.D., Economic Impacts of Commercial Real Estate (NAIOP Research Foundation 2020).

<sup>2</sup> Renter statistic through 2019, from Harvard University, Joint Center for Housing Studies, State of the Nation's Housing 2020 at p. 29).

<sup>3</sup> Hoyt Advisory Services, The Contribution of Multifamily Housing to the U.S. Economy (National Apartment Association and the National Multifamily Housing Council, 2019)

<sup>4</sup> Oxford Economics, Economic Impact of the U.S. Hotel Industry (Aug. 2019).

<sup>5</sup> Nareit, Estimating the Size of the Commercial Real Estate Market (July 2019) (ground-up estimate using CoStar data). Approximately one-third of CRE value is located in the seven "gateway" markets, half is in the next largest 47 markets, and the balance is in other markets.

<sup>6</sup> The total market capitalization of U.S.-based public companies traded on the NYSE, NASDAQ, and OTC markets was \$30.1 trillion at the end of 2018. Sibilis Research Limited (2020).

<sup>7</sup> Real estate-related "occupation codes" selected from U.S. Bureau of Labor Statistics, National Occupational Employment and Wage Estimates (May 2019). Estimate for self-employed real estate agents provided by National Association of REALTORS' monthly membership report.

<sup>8</sup> U.S. Census Bureau, Annual State and Local Government Finances Summary: 2018 (Oct. 1, 2020)

<sup>9</sup> Tax Policy Center, Urban Inst. and Brookings Inst., Local General Revenue, by Source (2017 data) (April, 27, 2020)

<sup>10</sup> Lincoln Institute of Land Policy, The Future of U.S Public School Revenue from the Property Tax (July 2017).

<sup>11</sup> Ernst & Young LLP, Total State and Local Business Taxes: State-by-State Estimates for FY18 at p. 10 (Oct. 2019)

<sup>12</sup> Tax Foundation, State and Local Property Taxes Target Commercial and Industrial Property (Nov. 21, 2012).

<sup>13</sup> Lincoln Institute of Land Policy & Minnesota Center for Fiscal Excellence, 50-State Property Tax Comparison Study (June 2020).

<sup>14</sup> Meredith Despina, The Role of Real Estate in Pension Funds, Nareit Developments (Aug. 2019).

<sup>15</sup> Preqin, Pension Funds Investing in Real Estate, Real Estate Spotlight (Sept. 2016).

<sup>16</sup> North American Building Trades Unions, NABTU Real Estate Manager Report Card (Jan. 2020).

<sup>17</sup> Ullico Bulletin, J for Jobs Adds Projects in Chicago and New Jersey (2018).