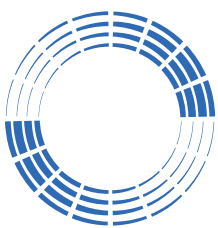


# Commercial Real Estate By The Numbers: 2023

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The Real Estate  
Roundtable

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The Real Estate Roundtable

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# About

The Real Estate Roundtable brings together leaders of the nation's top publicly held and privately-owned real estate ownership, development, lending and management firms with the leaders of major national real estate trade associations to jointly address key national policy issues relating to real estate and the overall economy.

By identifying, analyzing, and coordinating policy positions, The Roundtable's business and trade association leaders seek to ensure a cohesive industry voice is heard by government officials and the public about real estate and its role in the global economy.

## The Roundtable's Membership Represents:



3+ million people working in real estate



12 billion sq ft of office, retail, and industrial space



4+ million apartments



5+ million hotel rooms

## Who We Are:

### Owners

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67%

55% Private	12% Hotel
44% Public	11% Housing
46% Mixed	4% Industrial
14% Office	2% Other
12% Retail	

### Financial Services

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20%

58% Banks  
(Commercial & Investment)

26% Insurers

16% Mortgage Bankers

### Asset Managers

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3%

### Real Estate Trade Organizations

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10%

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**The economic strength and resiliency of America depends on the real estate industry.** The industry is consistently adapting to new demands and challenges, with commercial real estate in particular—including everything from hotels, multifamily housing, office buildings, senior and student housing, data centers, life science campuses, and self storage properties—directly contributing to the growth of our modern economy.

The following document from The Real Estate Roundtable displays the integral role the industry plays as a driving force of the American economy and as a proactive actor in helping solve some of the country's most pressing challenges.

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# Real Estate's Economic Contributions

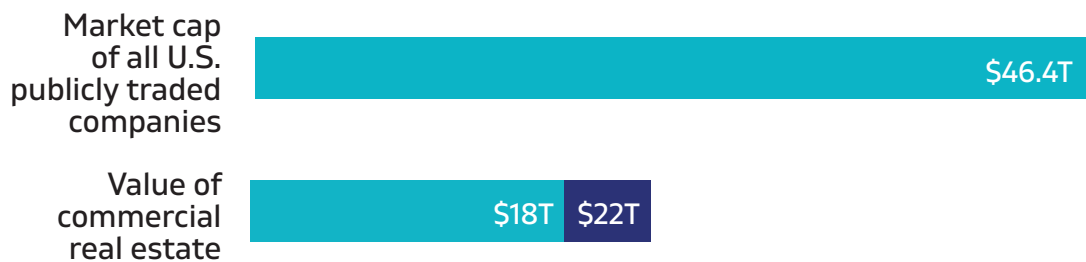
## Commercial Real Estate Market Value



**Total value of America's commercial real estate (Q2 2021).<sup>1</sup>**

To put that into perspective, the value of America's commercial real estate is nearly 39%-47% of the market capitalization of all U.S. publicly traded companies.<sup>2</sup>











## Value Of U.S. Commercial Real Estate



<sup>1</sup>Nareit, *Estimating the Size of the Commercial Real Estate Market in the U.S., 2022*.

<sup>2</sup>Siblis Research, *The total market capitalization of U.S.-based public companies traded on the NYSE, NASDAQ, and OTC markets was \$46.4 trillion at the end of Q3 2022, 2022.*

## Breakdown Of Property Value By Sector<sup>3</sup>

Sector	Value (\$ Trillions)
 Multifamily	\$3.8
 Specialty, Sports, & Other	\$3.4
 Office	\$3.2
 Retail	\$2.9
 Industrial	\$2.4
 Health Care	\$2.3
 Hospitality	\$1.6
 Towers	\$0.4
 Self-Storage	\$0.4
 Data Centers	\$0.2
Total	\$20.7



### Sector Spotlight: Multifamily

The multifamily industry represents **nearly 1/3 of all housing units** in the United States.<sup>4</sup>

The value of multifamily housing across the U.S. alone is **\$3.8 trillion**, or more than the value (market cap) of Microsoft, Google, and Amazon combined.<sup>5</sup>



Microsoft



amazon

<sup>3</sup>Nareit, *Estimating the Size of the Commercial Real Estate Market in the U.S., 2022.*

<sup>4</sup>National Association of Home Builders, *Multifamily, 2023.*

<sup>5</sup>Siblis Research, *Total Market Value of U.S. Stock Market, 2022.*

# Real Estate's Contribution To GDP

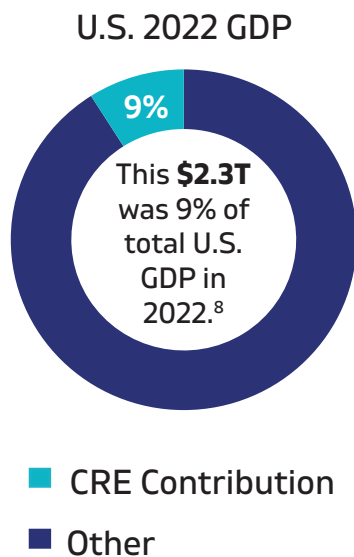
## Commercial Real Estate's overall contribution to GDP:<sup>6</sup>



The combined economic contributions of new commercial building development and the operations of existing commercial buildings contributed an estimated \$2.3 trillion to GDP and generated **\$831.8 billion** in personal earnings in 2022.<sup>7</sup>

Commercial real estate plays a large and important role in supporting the U.S. economy.

If U.S. CRE was a country, it would have the 8th largest economy in the world as measured by GDP.<sup>9</sup>



-  U.S. GDP: \$23T
-  China GDP: \$17T
-  Japan GDP: 4.9T
-  Germany GDP: \$4.2T
-  India GDP: \$3.17T
-  United Kingdom GDP: \$3.13T
-  France GDP: \$2.9T

**CRE Contributes \$2.3T to GDP**

<sup>6</sup> Brian Lewandowski, Adam Illig, Michael Kercheval, Ph.D., Richard Wobbekind, Ph.D., NAIOP Research Foundation, *Economic Impacts of Commercial Real Estate, 2023*.  
<sup>7</sup> Brian Lewandowski, Adam Illig, Michael Kercheval, Ph.D., Richard Wobbekind, Ph.D., NAIOP Research Foundation, *Economic Impacts of Commercial Real Estate, 2023*.  
<sup>8</sup> U.S. Bureau of Economic Analysis, *Gross Domestic Product, Fourth Quarter and Year 2022 (Advance Estimate, 2023)*.  
<sup>9</sup> The World Bank, *GDP (Current US\$)*

# Real Estate's Contribution To The Workforce

U.S. jobs supported by the real estate industry:



These jobs include new commercial building development and operations of existing commercial buildings in 2022.<sup>10</sup>

9.4M

jobs in the U.S. are supported by **existing** commercial buildings<sup>10</sup>

5.7M

jobs in the U.S. are supported by **new** office, industrial, warehouse, & retail construction operations<sup>10</sup>

\$831B

in personal earnings generated by commercial real estate<sup>10</sup>



## Sector Spotlight: Office

For every \$1 million spent on office building operations in 2015, **19.6 jobs** were supported nationwide.<sup>11</sup>



<sup>10</sup> Brian Lewandowski, Adam Illig, Michael Kercheval, Ph.D., Richard Wobbekind, Ph.D., NAIOP Research Foundation, *Economic Impacts of Commercial Real Estate, 2023.*

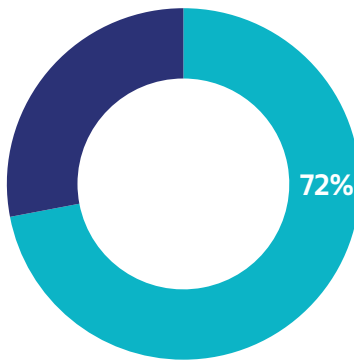
<sup>11</sup> Building Owners and Managers Association International, *Economic Impact Study, 2016.*

# Real Estate's Contribution To The Tax Base

Yearly property taxes paid to local governments:<sup>12</sup>



Local Tax Revenue<sup>13</sup>

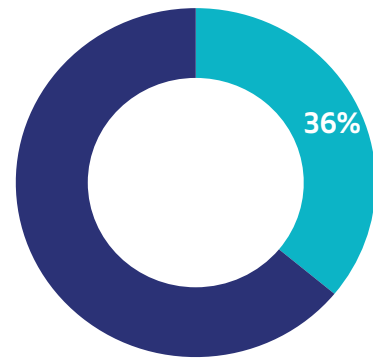


■ Property Taxes  
■ Other Taxes

1.7X

commercial properties pay 1.7X more in taxes compared to taxes associated with a home<sup>15</sup>

Local Public Education Funding<sup>14</sup>



■ Property Taxes  
■ Other

1.95%

the average annual tax on the value of commercial properties<sup>16</sup>

<sup>12</sup>Urban Institute, *State and Local Backgrounders*, 2019.

<sup>13</sup>Tax Foundation, *To What Extent Does Your State Rely on Property Taxes*, 2021.

<sup>14</sup>Lincoln Institute of Land Policy, *The Future of U.S. Public School Revenue from the Property Tax*, 2017.

<sup>15</sup>Tax Foundation, *State and Local Property Taxes Target Commercial and Industrial Property*, 2012.

<sup>16</sup>Lincoln Institute of Land Policy & Minnesota Center for Fiscal Excellence, *50-State Property Tax Comparison Study*, 2021.



# Real Estate's Contribution To Americans' Retirement Savings

Amount invested by pension funds, educational endowments, and charitable foundations in real estate:<sup>17</sup>



Real estate plays an important role in investment portfolios to build diversified portfolios and manage risk. Real estate demonstrates valuable and distinct investment characteristics that have made it a staple in pension investment portfolios.

87%

of **public** sector pension funds contain real estate investments<sup>18</sup>

73%

of **private** sector pension funds contain real estate investments<sup>18</sup>

68%

of **insurance companies** are actively invested in real estate<sup>18</sup>



## Sector Spotlight: Retail

70% of shopping center tenants are small businesses.<sup>19</sup>



<sup>17</sup>Meredith Despina, Nareit Developments, *The Role of Real Estate in Pension Funds*, 2021.

<sup>18</sup>Pregin, *Pension Funds Investing in Real Estate*, *Real Estate Spotlight*, 2016.

<sup>19</sup>ICSC, *Marketplace Statistics By State*, 2021.

# Tax Laws Critical To Real Estate And The Economy

## Like-Kind Exchanges<sup>20</sup>

Like-kind exchanges (LKEs) are fundamental to the health and financing of commercial real estate. They catalyze capital investment, particularly during market corrections and shortages. Here is how LKEs bolster the U.S. economy:

### Economic Activity Supported by Like-Kind Exchange Rules in 2021

**976K**

total jobs supported by like-kind exchange rules

**\$48.6B**

total labor income supported by like-kind exchange rules

**\$13B**

total federal, state, and local taxes supported by like-kind exchange rules

## Carried Interest<sup>21</sup>

Carried interest provisions are critical to the development of new housing, to the jobs of millions, and to the budgets of states, cities, and towns across the country. Proposed changes would reduce risk-taking and broader economic development.

### Long-Run Economic Impact of Carried Interest Legislation

Real Estate-Related Job Losses	1.77 Million
Reduction in Federal Tax Revenue	\$11.22 Billion
Reduction in State/Local Tax Revenue	\$26.74 Billion

<sup>20</sup>Ernst & Young, "An update to the "Economic contribution of the like-kind exchange rules to the US economy in 2021", 2022.

<sup>21</sup>Center for Capital Markets Competitiveness, *Impact on Jobs, Tax Revenue, And Economic Growth of Proposed Tax Increase on Carried Interest, 2021.*

## Partnerships

Closely-held partnerships and pass-through businesses are a strength of the U.S. tax system, contributing to the American entrepreneurial culture and a competitive and dynamic economy. Here is the impact that partnerships have on the U.S. economy:

### Estimated Employment, Income, and Output Effects of Real Estate Industry Partnerships and LLCs in the U.S.

Impact Type	Employment	Labor Income	Value Added	Output
Direct & Indirect Effect	9,044,356 workers	\$518.5B	\$896.8B	\$1,272.2B

Real estate partnerships have contributed to the employment of over **9 million workers, \$518 billion of labor income, and \$897 billion of value added to the U.S. GDP.**<sup>22</sup>

Nearly **2 million** U.S. partnerships with more than **8 million** partners are engaged in leasing and other real estate-related activities, such as brokerage and construction.<sup>23</sup>

### Foreign Investment In U.S. Real Estate<sup>24</sup>

Foreign investment in U.S. commercial real estate totaled **\$92 billion** in 2021-2022, including **\$27.3 billion** in multifamily housing.

The *Foreign Investment In Real Property Tax Act (FIRPTA)* imposes a discriminatory capital gains tax on foreign investors in U.S. real estate. The Roundtable supports measures to repeal *FIRPTA* to increase capital formation and investment in U.S. real estate and infrastructure.

<sup>22</sup>Center for Capital Markets Competitiveness, "Impact on Jobs, Tax Revenue, And Economic Growth of Proposed Tax Increase on Carried Interest", 2021.

<sup>23</sup>Internal Revenue Service, "SOI Tax Stats - Partnership Statistics - Rental Real Estate Income", 2019.

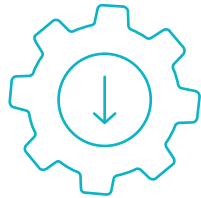
<sup>24</sup>CBRE, *Foreign Capital Flows*, 2023.

## Step-Up In Basis<sup>25</sup>

Recent proposals for adding a second layer of tax on one's assets at death would be punitive, confiscatory, and would force many family-owned and closely-held real estate businesses to liquidate rather than grow and continue from one generation to the next.

The economic implications:

### Impact of Repealing Step-Up in Basis



**40,000 jobs** would be lost every year in the first 10 years from enactment



GDP would decrease by **\$50 billion** over 10 years

## Opportunity Zones<sup>26, 27</sup>

Opportunity Zone (OZ) investments qualify for reduced capital gains taxes. By promoting long-term investment, economic development, and job growth in low-income areas, OZs are having a positive impact on local communities:

In 2020, the Council of Economic Advisors estimated that Opportunity Funds had raised

↑ **\$75 billion**

in private capital in the first two years following the incentives' enactment, including

**\$52 billion**

that would not have otherwise been directed to these communities. The Council projected this capital could lift

**1 million**

people out of poverty and decrease poverty in Opportunity Zones by 11%.

**Housing is leading the way:** Through March 2023, Opportunity Funds focused on building much-needed housing—either entirely or as a component of their business strategy—have raised over **\$28 billion** in equity from investors, outraising other categories such as commercial, hospitality, and renewables.

<sup>25</sup> [Ernst & Young, Repealing Step-Up of Basis on Inherited Assets: Macroeconomic Impacts and Effects on Illustrative Family Business, 2021.](#)

<sup>26</sup> [White House Council of Economic Advisors, The Impact of Opportunity Zones: An Initial Assessment, 2020.](#)

<sup>27</sup> [Novogradac, Opportunity Resource Center, 2023](#)

# Filling The Housing Gap<sup>28</sup>

The affordable housing shortage is one of the most important and complex political problems in America.

The underbuilding gap in the U.S. is an estimated **3.8 million** housing units.

## Targeted and Actual U.S. Housing Stock

Housing (in millions)	2018			2020		
	Actual	Target	Gap	Actual	Target	Gap
Households	121.2	122.5	1.3	125.8	126.2	0.4
Vacant Units	17	18.3	1.3	15.4	18.9	3.5
Housing Stock	138.3	140.8	2.5	141.2	145	<b>3.8</b>

*Note: Totals may not add up due to rounding.*

These **3.8 million** units are needed to not only meet demand, but also to maintain economists' target vacancy rate of 13%.

Between 2018 and 2020 the gap in our housing stock increased by approximately 52%.

<sup>28</sup>Freddie Mac, *Housing Supply: A Growing Deficit, 2021*.

# Physical Characteristics of U.S. Commercial Real Estate Infrastructure<sup>29</sup>

There are **5.9 million** non-residential buildings in the U.S.



**1 million** warehouses & storage buildings



**972,000** office buildings



**518,000** retail buildings



**214,000** hotels and commercial lodging buildings



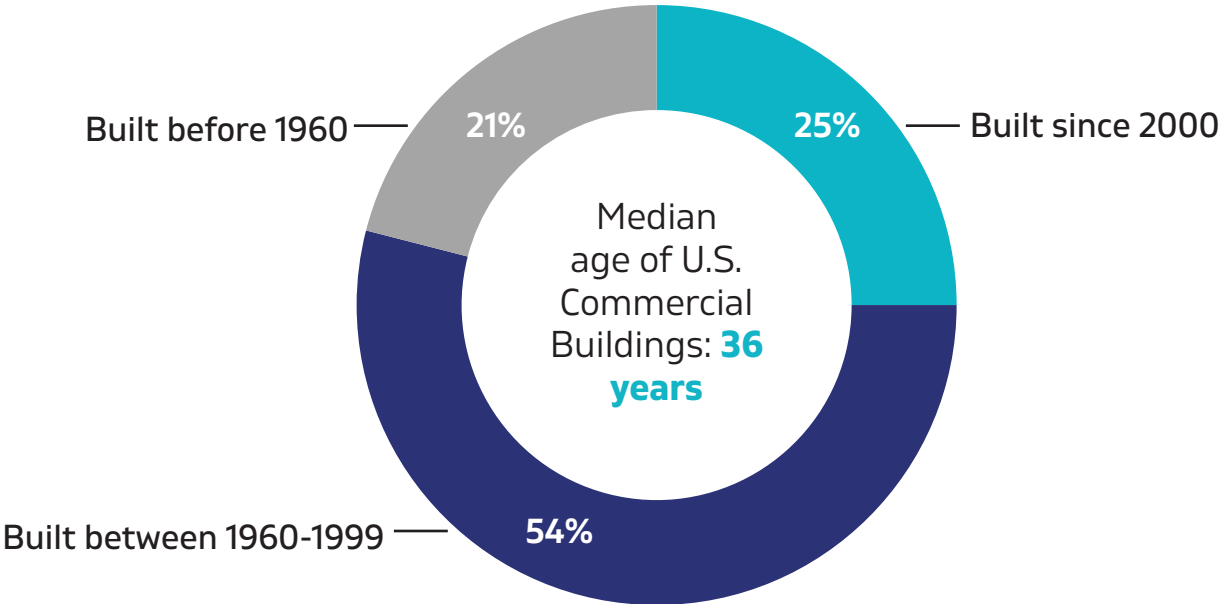
**137,000** health care buildings

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**97 billion ft<sup>2</sup>:** Total U.S. commercial floorspace

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## Median Age of U.S. Commercial Buildings



<sup>29</sup>U.S. Energy Information Administration, 2018 Commercial Buildings Energy Consumption Survey, 2021.

## Buildings By Size<sup>30</sup>

Our buildings are getting bigger. While the number of all U.S. buildings has grown by **6%**, floorspace has grown by **11%**. For commercial real estate specifically, the number of buildings has increased by **55%** from 1979-2018 and has resulted in a floorspace increase of **90%**.



**9,000**  
buildings over  
500K ft<sup>2</sup>



**40,000**  
buildings  
201K ft<sup>2</sup> to  
500K ft<sup>2</sup>



**93,000**  
buildings  
100.1K ft<sup>2</sup> to  
200K ft<sup>2</sup>

**Over 97%** of the U.S. commercial building stock is 100K ft<sup>2</sup> or smaller.

**Growth in building size continues to outpace increases in the absolute number of U.S. buildings.**

### Since 2012:

■ Number of all U.S. buildings  **6%** Total floorspace  **11%**

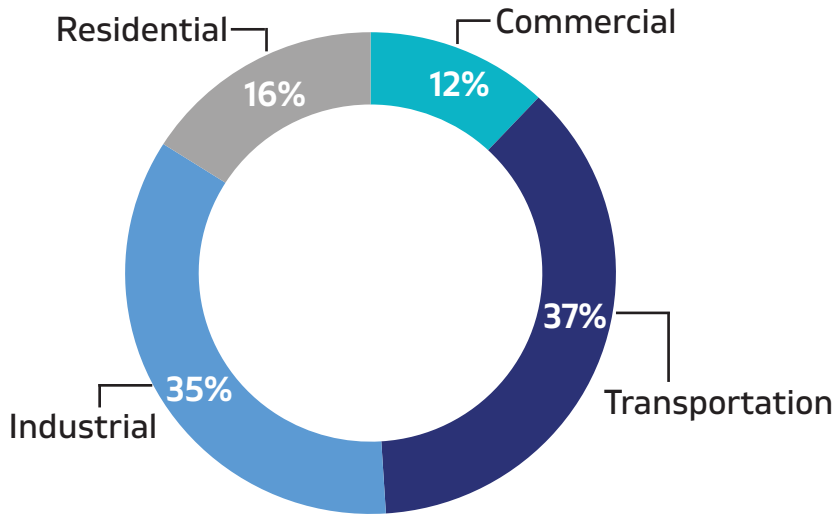
### From 1979-2018:

- The number of commercial buildings has increased **55%** (**3.8 million** buildings to **5.9 million** buildings).
- Amount of commercial floorspace has increased **90%** (**51 billion ft<sup>2</sup>** to **97 billion ft<sup>2</sup>**).
- Buildings larger than **100,000 ft<sup>2</sup>** account for less than **3%** of commercial buildings, but **34%** of commercial floorspace.

<sup>30</sup>U.S. Energy Information Administration, 2018 Commercial Buildings Energy Consumption Survey, 2021.

# U.S. Real Estate Climate Impacts

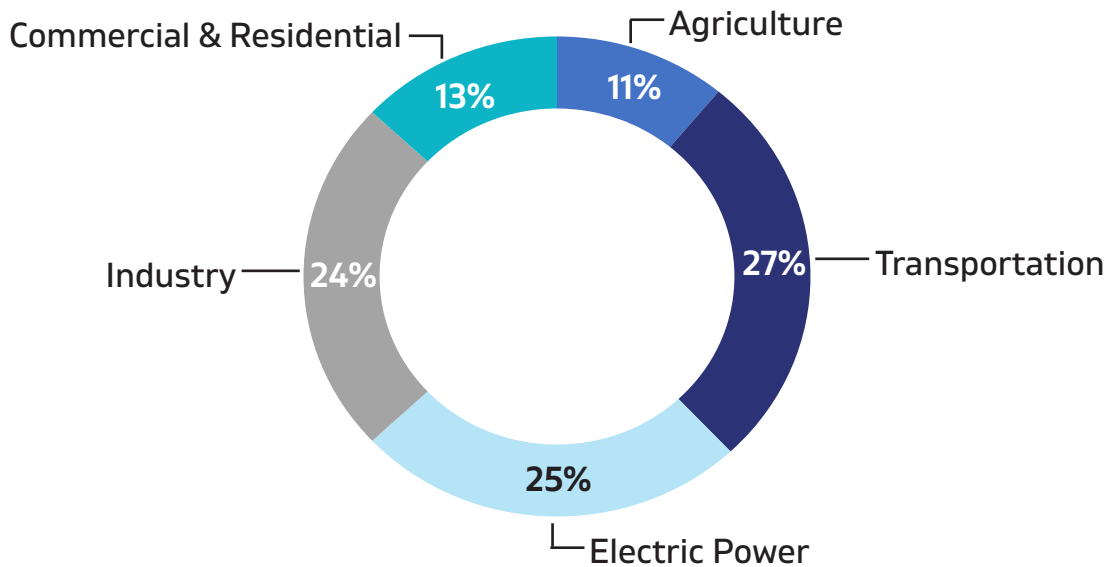
## U.S. Energy Consumption By Sector, 2021<sup>31</sup>



Overall, commercial buildings consumed **12%** less energy per square foot of floorspace in 2018 than in 2012.<sup>32</sup>

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## Total U.S. Greenhouse Gas Emissions By Economic Sector In 2020<sup>33</sup>



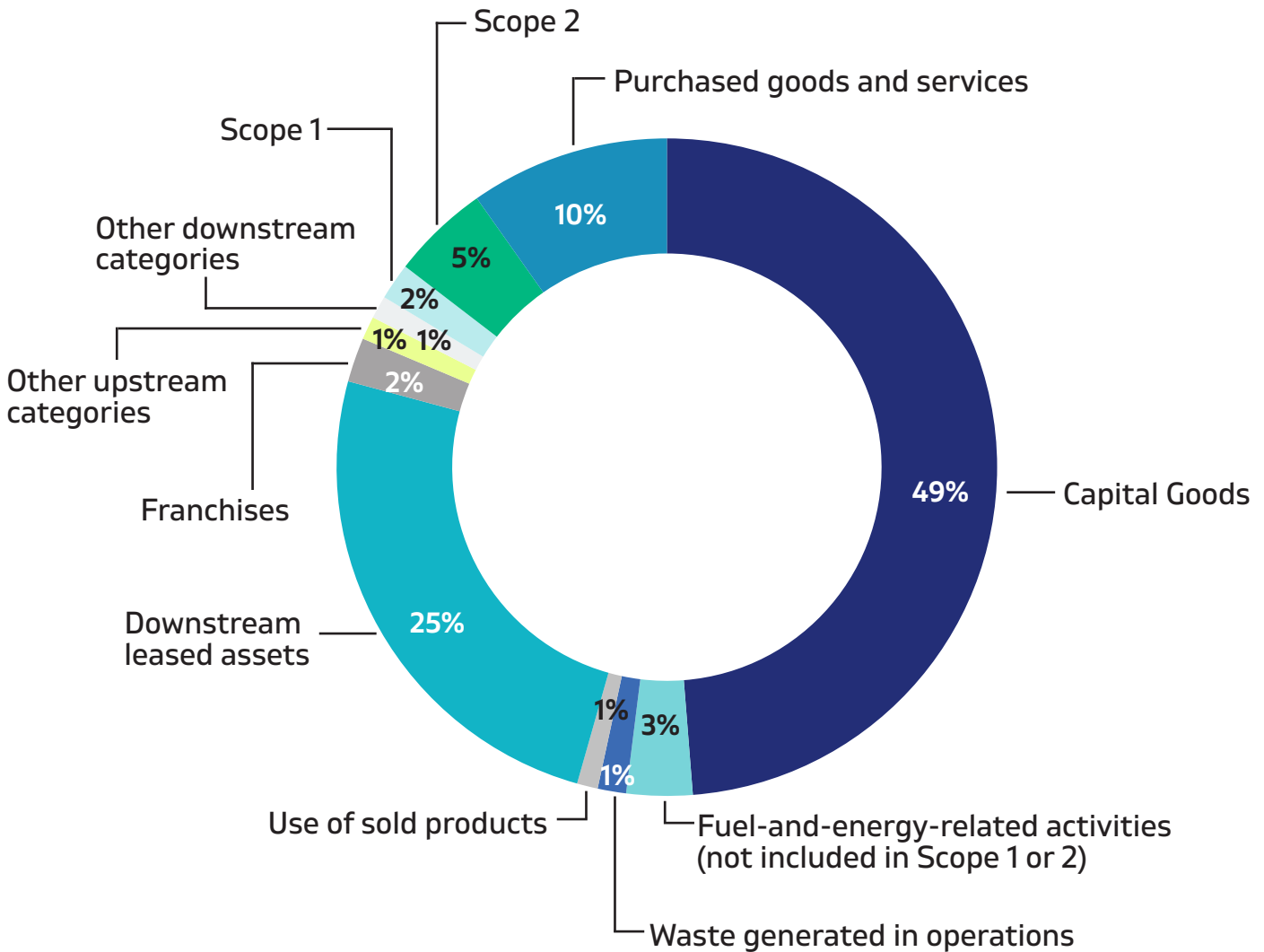
<sup>31</sup>[U.S. Energy Information Administration, U.S. Energy Consumption by Source and Sector, 2021.](#)

<sup>32</sup>[U.S. Energy Information Administration, 2018 Commercial Buildings Energy Consumption Survey, 2022.](#)

<sup>33</sup>[Environmental Protection Agency, Sources of Greenhouse Gas Emissions, 2022.](#)



## Real Estate Sector Total Scope 1+2+3 Emissions<sup>34</sup>



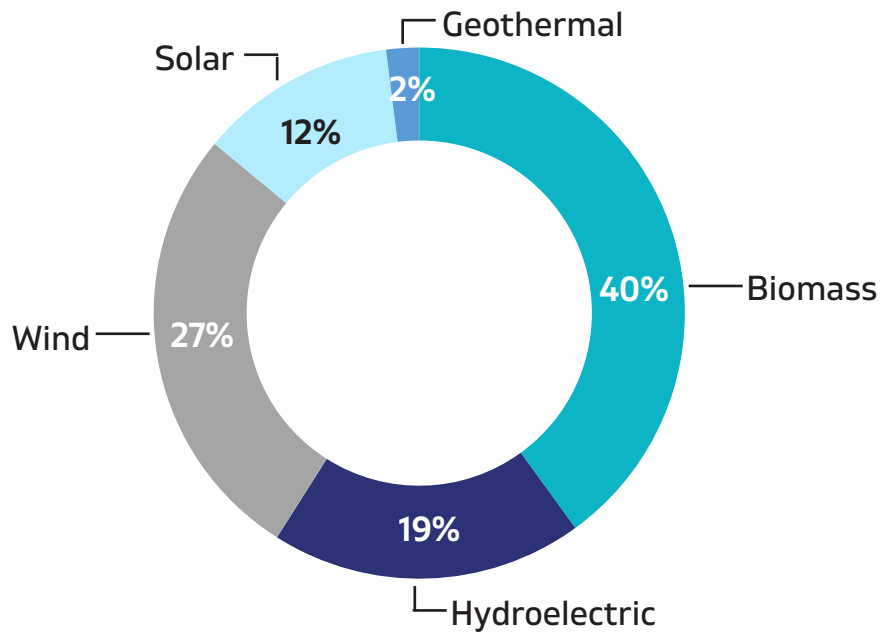
**The overwhelming majority of real estate companies' emissions are indirect Scope 3 emissions** from sources in their supply chains—such as from tenant operations in leased spaces, and carbon embodied in the manufacturing process of cement, steel, and other construction materials.

<sup>34</sup>CDP Global, *Scoping Out: Tracking Nature Across the Supply Chain, Global Supply Chain Report 2022, 2023.*

## What Powers U.S. Real Estate?<sup>35</sup>

Power Source	Commercial	Residential
Retail Electricity Sales	50%	43%
Natural Gas	37%	42%
Petroleum	10%	8%
Renewable Energy	3%	7%
Coal	<1%	N/A

## Renewable Energy Mix For The Commercial And Residential Sectors<sup>35</sup>



<sup>35</sup>[U.S. Energy Information Administration, U.S. Primary Renewable Energy Consumption by Source and Sector, 2022.](#)