Commercial Real Estate
By The Numbers: 2023
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:

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<th>Owners</th>
<th>Financial Services</th>
<th>Asset Managers</th>
<th>Real Estate Trade Organizations</th>
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</thead>
<tbody>
<tr>
<td>67%</td>
<td>20%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>55% Private</td>
<td>58% Banks (Commercial &amp; Investment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44% Public</td>
<td>26% Insurers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>46% Mixed</td>
<td>16% Mortgage Bankers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14% Office</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12% Retail</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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).¹

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.²

Value Of U.S. Commercial Real Estate

Market cap of all U.S. publicly traded companies: $46.4T
Value of commercial real estate: $18T - $22T

²Siblis 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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value ($ Trillions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multifamily</td>
<td>$3.8</td>
</tr>
<tr>
<td>Specialty, Sports, &amp; Other</td>
<td>$3.4</td>
</tr>
<tr>
<td>Office</td>
<td>$3.2</td>
</tr>
<tr>
<td>Retail</td>
<td>$2.9</td>
</tr>
<tr>
<td>Industrial</td>
<td>$2.4</td>
</tr>
<tr>
<td>Health Care</td>
<td>$2.3</td>
</tr>
<tr>
<td>Hospitality</td>
<td>$1.6</td>
</tr>
<tr>
<td>Towers</td>
<td>$0.4</td>
</tr>
<tr>
<td>Self-Storage</td>
<td>$0.4</td>
</tr>
<tr>
<td>Data Centers</td>
<td>$0.2</td>
</tr>
<tr>
<td>Total</td>
<td>$20.7</td>
</tr>
</tbody>
</table>

### Sector Spotlight: Multifamily

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

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3[Source](#)  
4[Source](#)  
5[Source](#)
Real Estate’s Contribution To GDP

Commercial Real Estate’s overall contribution to GDP:

$2.3T

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.

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.

- 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

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9 The World Bank, GDP (Current US$)
Real Estate’s Contribution To The Workforce

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

15.1M

These jobs include new commercial building development and operations of existing commercial buildings in 2022.\(^{10}\)

9.4M

jobs in the U.S. are supported by **existing** commercial buildings\(^{10}\)

5.7M

jobs in the U.S. are supported by **new** office, industrial, warehouse, & retail construction operations\(^{10}\)

$831B

in personal earnings generated by commercial real estate\(^{10}\)

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**Sector Spotlight: Office**

For every $1 million spent on office building operations in 2015, **19.6 jobs** were supported nationwide.\(^{11}\)

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Real Estate’s Contribution To The Tax Base

Yearly property taxes paid to local governments:\textsuperscript{12} $559B

Local Tax Revenue\textsuperscript{13}

\begin{itemize}
  \item Property Taxes: 72%
  \item Other Taxes: 28%
\end{itemize}

Local Public Education Funding\textsuperscript{16}

\begin{itemize}
  \item Property Taxes: 36%
  \item Other: 64%
\end{itemize}

1.7X
commercial real estate owners pay property tax rates that are 1.7X more, on average, than the tax rates paid by homeowners\textsuperscript{15}

1.95%
the average annual tax on the value of commercial properties\textsuperscript{16}

\textsuperscript{12}Urban Institute, State and Local Backgrounders, 2019.
\textsuperscript{13}Tax Foundation, To What Extent Does Your State Rely on Property Taxes, 2021.
\textsuperscript{15}Tax Foundation, State and Local Property Taxes Target Commercial and Industrial Property, 2012.
Real Estate’s Contribution To Americans’ Retirement Savings

Amount invested by pension funds, educational endowments, and charitable foundations in real estate: $900B

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 investments¹⁸

73% of private sector pension funds contain real estate investments¹⁸

68% of insurance companies are actively invested in real estate¹⁸

Sector Spotlight: Retail

70% of shopping center tenants are small businesses.¹⁹

¹⁷Meredith Despins, Nareit Developments, The Role of Real Estate in Pension Funds, 2021
¹⁸Preqin, Pension Funds Investing in Real Estate, Real Estate Spotlight, 2016
¹⁹ICSC, Marketplace Statistics By State, 2021
Tax Laws Critical To Real Estate And The Economy

Like-Kind Exchanges

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

<table>
<thead>
<tr>
<th>Total Jobs Supported by Like-Kind Exchange Rules</th>
<th>Total Labor Income Supported by Like-Kind Exchange Rules</th>
<th>Total Federal, State, and Local Taxes Supported by Like-Kind Exchange Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>976K</td>
<td>$48.6B</td>
<td>$13B</td>
</tr>
</tbody>
</table>

Carried Interest

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate-Related Job Losses</td>
<td>1.77 Million</td>
</tr>
<tr>
<td>Reduction in Federal Tax Revenue</td>
<td>$11.22 Billion</td>
</tr>
<tr>
<td>Reduction in State/Local Tax Revenue</td>
<td>$26.74 Billion</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Value Added</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct &amp; Indirect Effect</td>
<td>9,044,356 workers</td>
<td>$518.5B</td>
<td>$896.8B</td>
<td>$1,272.2B</td>
</tr>
</tbody>
</table>

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.\(^{22}\)

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.\(^{23}\)

### Foreign Investment In U.S. Real Estate\(^{24}\)

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.

Step-Up In Basis

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

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.

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25 Ernst & Young, *Repealing Step-Up of Basis on Inherited Assets: Macroeconomic Impacts and Effects on Illustrative Family Business, 2021*
26 White House Council of Economic Advisors, *The Impact of Opportunity Zones: An Initial Assessment, 2020*
27 Novogradac, *Opportunity Resource Center, 2023*
Filling The Housing Gap

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

<table>
<thead>
<tr>
<th>Housing (in millions)</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td>Households</td>
<td>121.2</td>
<td>122.5</td>
</tr>
<tr>
<td>Vacant Units</td>
<td>17</td>
<td>18.3</td>
</tr>
<tr>
<td>Housing Stock</td>
<td>138.3</td>
<td>140.8</td>
</tr>
</tbody>
</table>

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%.

Physical Characteristics of U.S. Commercial Real Estate Infrastructure

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

97 billion ft²: Total U.S. commercial floorspace

Median Age of U.S. Commercial Buildings

- Built before 1960: 21%
- Built between 1960-1999: 54%
- Built since 2000: 25%

Median age of U.S. Commercial Buildings: 36 years

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Buildings By Size

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%.

Over 97% of the U.S. commercial building stock is 100K ft² 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 up 6%  
- Total floorspace up 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 ft² to 97 billion ft²).
- Buildings larger than 100,000 ft² account for less than 3% of commercial buildings, but 34% of commercial floorspace.

U.S. Real Estate Climate Impacts

U.S. Energy Consumption By Sector, 2021

Total U.S. Greenhouse Gas Emissions By Economic Sector In 2020

Overall, commercial buildings consumed 12% less energy per square foot of floorspace in 2018 than in 2012.

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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.

**CDP Global, Scoping Out: Tracking Nature Across the Supply Chain. Global Supply Chain Report 2022, 2023.**
What Powers U.S. Real Estate?\textsuperscript{35}

<table>
<thead>
<tr>
<th>Power Source</th>
<th>Commercial</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Electricity Sales</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Coal</td>
<td>&lt;1%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Renewable Energy Mix For The Commercial And Residential Sectors\textsuperscript{35}

\begin{itemize}
\item Wind: 27%
\item Solar: 12%
\item Geothermal: 2%
\item Hydroelectric: 19%
\item Biomass: 40%
\end{itemize}