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Infrastructure, Housing & Cities

Our industry is at the forefront of efforts to expand the supply of affordable housing. The ongoing affordability crisis is a direct result of chronically low housing production of all types, which has not kept pace with rising housing needs.

Confronting this crisis requires a national transformation in housing policy, and commercial real estate is a critical partner in developing solutions. RER has and will continue to champion policies that bolster the availability of safe, affordable housing and the health of our cities.

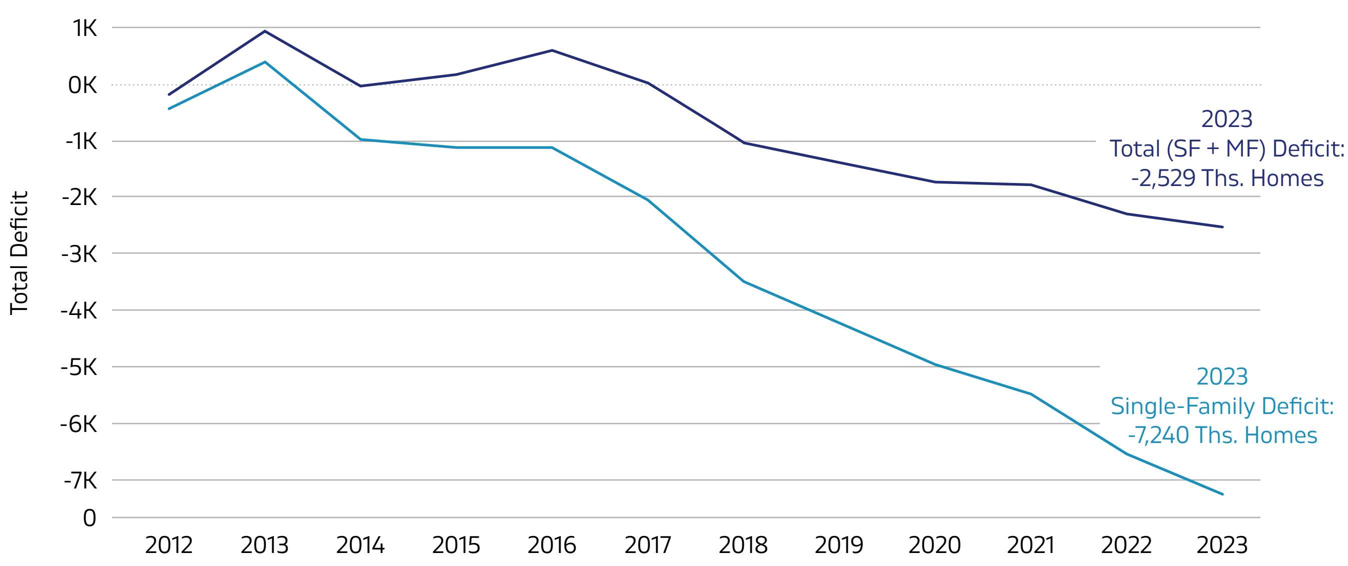
Expanding America's Housing Infrastructure

RER has long been an advocate for a national plan to bridge the underbuilding gap, which now amounts to more than 5.5 million housing units. Recent events, including the COVID-19 pandemic, have exacerbated the supply crisis and heightened the need to build more housing of all types.

While construction of single-family homes and apartment units has risen since the pandemic, the underbuilding gap remains wide. Even at the current pace, the annual production of an estimated 1,515,000 units, including approximately 1 million single-family units, 440,000 multifamily units, and 75,000 manufactured homes, does not come close to meeting the nation's housing needs.

Cumulative Shortage of New Home Supply 2012-2023[22]

Running Sum of Single-Family and Total Housing Starts - Running Sum of Households Formed



7.5 years At last year's construction pace, it would take **7.5 years** to close the housing gap and solve a supply shortage that has been the main driver of the housing affordability crisis.

Source: Realtor.com

As a result, a quarter of American renter households spend more than **50 percent** of their income on housing expenses, and more than 10 million low-income households spend more than half of their monthly income on rent, according to a report by Harvard's Joint Center for Housing Studies.

RER will continue to work with our 18 national real estate partner organizations to advocate for policies that expand the supply of housing, including:

1. **Federal Yes In My Backyard (YIMBY) legislation,** like the *YIMBY Act*, to help eliminate discriminatory land use policies and remove barriers to the production of affordable housing.
2. **Property Conversion incentives,** such as the bipartisan *Revitalizing Downtowns and Main Streets Act of 2025* (H.R. 2410), to create a market-based tax incentive for converting older commercial buildings to residential use.
3. **Zoning and permitting reform** to address exclusionary and prohibitive barriers that hinder affordable housing construction.
4. **Opportunity Zone tax incentives** to mobilize private investment in historically underserved communities.
5. **Expansions to the Low-Income Housing Tax Credit (LIHTC)** to maximize the impact of the program.
6. Passing the ***Housing Affordability Act*** to increase supply of affordable housing and expand access to affordable loans for new apartment and other multifamily construction by modernizing the Federal Housing Administration's (FHA) outdated multifamily loan limits.
7. **Streamlining the bureaucracy surrounding the housing choice voucher program,** so multifamily owners can more quickly deliver healthy and safe homes to families in need of rental assistance.
8. **Easing Davis-Bacon prevailing wage requirements** that place inordinately high costs on construction projects and inhibit access to federal loan and other housing construction incentives.
9. **Expanding foreign investment opportunities** to help finance more U.S. housing and create jobs for American workers, such as through targeted improvements to the EB-5 visa program.

Together, these policies will help to increase housing availability, create jobs, and modernize our nation's critical infrastructure.

Housing Tax Incentives

Affordable Housing

Housing tax incentives like LIHTC and the proposed *Revitalizing Downtowns and Main Streets Act of 2025* are key tools for addressing the shortage of affordable housing.

LIHTC is widely recognized as one of the most successful public-private partnership programs in history. It has increased the nation's stock of affordable, workforce housing. Since its inception in 1986, LIHTC has financed the development of nearly 4 million affordable rental homes and supported over 8 million low-income households.

In 2024 and 2025, RER worked closely with organizations such as the National Multifamily Housing Council to build support for the *Affordable Housing Credit Improvement Act*, a bill to expand and improve LIHTC.

The final OBBB Act includes a meaningful expansion of LIHTC, permanently increasing the allocation of low-income housing tax credits to states by 12 percent and permanently lowering the requirement for private activity bond financing for LIHTC projects without a state credit allocation from 50 percent to 25 percent.

Property Conversions

Property conversion incentives, in particular, are a win-win for local communities, residents, and commercial real estate assets.

The office sector remains under significant stress due to long-term impacts of the pandemic on cities and workplace norms, including the rise of remote work arrangements. While return-to-office efforts for federal employees and many businesses have gained momentum, vacancy rates—especially for older, Class B buildings—have remained substantially higher than pre-pandemic levels.

This has had noticeable, and sometimes severe, effects on local tax revenues in major cities like Washington, D.C., which saw revenue drop by $464 million in 2023 and forced budget cuts. Analysis shows that in 47 major cities across the U.S., commercial property taxes accounted for 20 percent or more of general revenue.

(R-L): RER's Tax Policy Advisory Committee (TPAC) Chair Josh Parker (Chairman & CEO, Ancora Group Capital) and Rep. Mike Carey (R-OH) joined RER members at the TPAC Meeting to discuss expiring provisions in the TCJA, and his bipartisan property conversion legislation, the Revitalizing Downtowns and Main Streets Act.

Enacting incentives to convert older, under-utilized buildings to housing will create jobs, expand the housing supply in high-demand markets, and generate critical sources of local property tax revenue. It will also have a tremendous impact on improving the built environment and rejuvenating business activity in downtowns still dealing with the effects of the post-pandemic world.

Property conversion projects gained significant momentum in 2024, but more needs to be done to help make these projects financially feasible. *The Revitalizing Downtowns and Main Streets Act of 2025* is strongly supported by RER and a broad coalition of pro-housing and real estate-related organizations to strengthen incentives for commercial-to-residential property conversions.

Condominium Construction

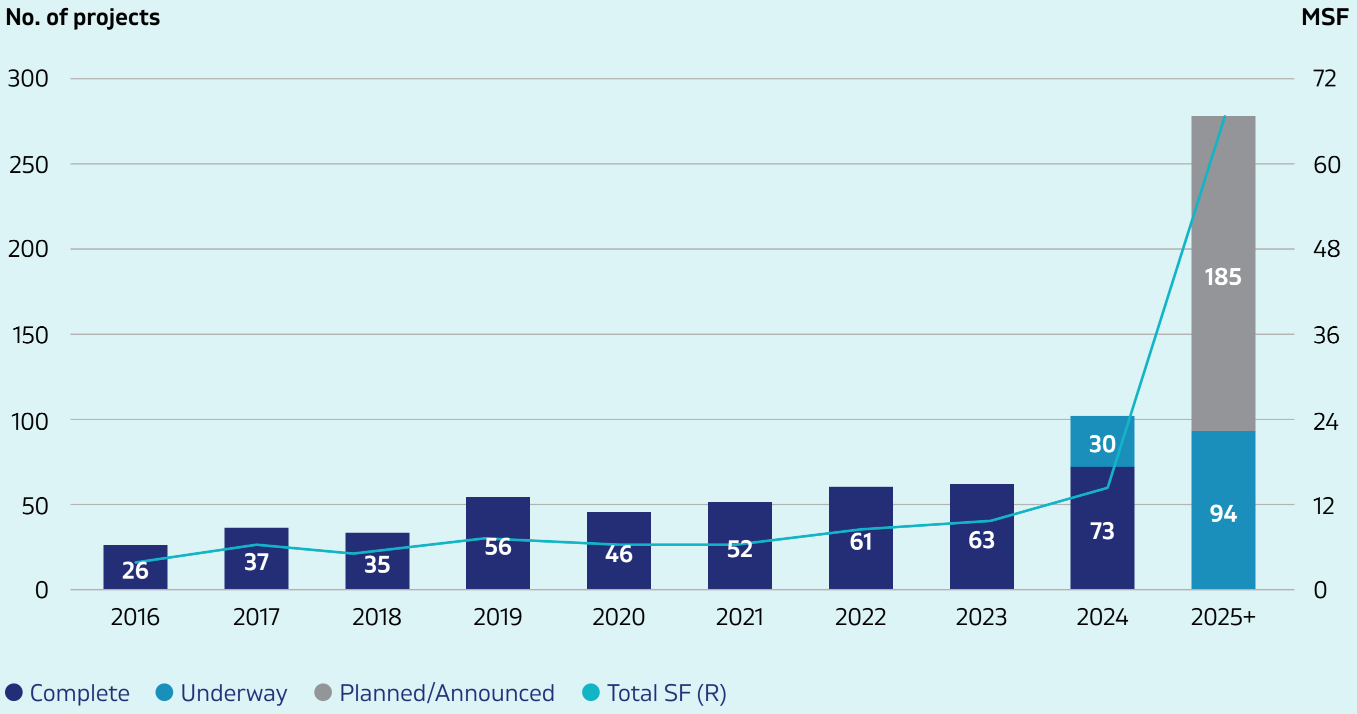
Since 2015, RER has sought to promote housing construction by repealing a discriminatory tax accounting rule that unfairly creates phantom income for condo developers.

Residential condominiums are an important source of housing supply, especially in land-scarce, high-cost urban markets where new housing is most needed. Condominiums allow for greater density, less strain on local infrastructure and public services, and environmental/energy savings.

New condominium developments can regularly require two or three years to complete. Developers will often market units to the public prior to completion and accept deposits from prospective buyers in order to secure construction financing. State law and contractual commitments typically restrict the developers' access to deposits. The current percentage-of-completion tax accounting method requires developers to recognize income and pay tax on the expected profit as construction is ongoing, well before a sale closes. The rule creates a mismatch of cash flow and tax liability.

The final OBBB Act will allow developers to use the completed contract method of accounting, thereby aligning tax liability with actual receipts and ending the problem of phantom income. The Act closely tracks stand-alone legislation, the *Fair Accounting for Condominium Construction Act*, long-advocated by RER.

Office Conversions by Construction Status & Estimated Year of Completion[23]



Source: CBRE

As of Q3 2024:[24]

71M	sq. ft. or 1.7 percent of U.S. office inventory was planned for or already undergoing conversion
~75%	Office-to-multifamily accounted for nearly three-quarters of planned or underway conversion projects in Q3, up from 63% in Q1
73	projects have already been completed and another 30 scheduled for delivery by year-end—the most since CBRE began tracking conversion projects in 2016
+38K	Since 2016, office-to-multifamily conversions have increased U.S. multifamily supply by 28,000 units. Another 38,000 will be added if all projects currently planned are completed

GSE Reform and the Housing Finance System

The Trump administration has restarted discussions on various reform proposals for the government-sponsored enterprises (GSEs), commonly known as Fannie Mae and Freddie Mac. The GSEs have been in conservatorship under the oversight of the Federal Housing Finance Agency (FHFA) for more than 17 years since the Global Financial Crisis (GFC).

U.S. Department of Housing and Urban Development (HUD) Secretary Scott Turner, FHFA Director Bill Pulte, and Treasury Department Secretary Scott Bessent have expressed a desire to end the conservatorship. Though the current administration has not yet proposed concrete plans, policymakers have increasingly discussed various reform proposals, including full privatization, hybrid models, and continued government backing with additional safeguards. However, there are a number of complicating factors—among which are concerns about how such changes would impact mortgage rates.

Fannie and Freddie play a vital role in supporting the single-family and multifamily housing finance system, making mortgage financing available for a wider range of borrowers, including first-time and low-income buyers. The GSEs support around 70 percent of the mortgage market, and in the first half of 2024, were responsible for 48 percent of newly originated apartment loans. Any plan to release the GSEs from government control must carefully assess the potential effects on mortgage rates and ensure sufficient market liquidity.

RER will continue to champion sensible reforms that preserve a well-functioning housing finance system and educate policymakers on the important role that the GSEs play in supporting homeownership, expanding the affordable housing supply, and sustaining economic growth.

HUD Secretary Scott Turner spoke about reducing regulatory burdens, increasing housing supply through public-private partnerships, and extending Opportunity Zones at RER's Spring Roundtable Meeting.