2025 ANNUAL REPORT

A New Era for America's Buildings

Policy to meet increased energy demands, new technology, and evolving living and working environments

The Real Estate Roundtable

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Our Mission

The Real Estate Roundtable (RER) brings together leaders of the nation's top publicly held and privately-owned real estate entities and the industry's major trade associations to jointly address key national policy issues relating to real estate and the overall economy. By identifying, analyzing, and advocating policy positions, RER'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 impact on the global economy. Commercial real estate plays a major role in the United States' prosperity, contributing an estimated $2.5 trillion to GDP and 14.1 million jobs to the workforce. Through advancing a strong, vibrant real estate industry, RER supports careers, communities, and opportunities.

RER's Membership

An invitation-only organization, RER's members are the Chairs, Presidents, and CEOs of real estate ownership, development, lending, and management firms, as well as the leaders of major national real estate trade associations. RER's membership also includes Managing Directors of major national and international financial, pension, and lending entities and significant local and regional real estate lenders and advisors.

3+ million people working in real estate

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

4+ million apartments

5+ million hotel rooms

Additionally, RER represents owners, managers, developers, and financiers of senior, student, and manufactured housing as well as medical offices, life science campuses, data centers, cell towers, and self-storage properties. **The collective value of assets held by RER members exceeds $4 trillion.**

Who We Are

Owners

67%

55% Private
44% Public
46% Mixed

14% Office
12% Retail
12% Hotel

11% Housing
4% Industrial
2% Other

Financial Services

20%

58% Banks (Commercial & Investment)
26% Insurers

16% Mortgage Bankers

Asset Managers

3%

Real Estate Trade Organizations

10%

American Hotel & Lodging Association (AHLA)

American Resort Development Association (ARDA)

Association of Foreign Investors in Real Estate (AFIRE)

Building Owners and Managers Association Int'l. (BOMA)

CRE Finance Council (CREFC)

CREW Network (CREW)

International Council of Shopping Centers (ICSC)

Mortgage Bankers Association (MBA)

NAIOP, the Commercial Real Estate Development Association (NAIOP)

National Apartment Association (NAA)

National Association of Home Builders (NAHB)

National Association of Real Estate Investment Managers (NAREIM)

Nareit (NAREIT)

National Association of Realtors® (NAR)

National Multifamily Housing Council (NMHC)

Pension Real Estate Association (PREA)

Real Estate Executive Council (REEC)

Urban Land Institute (ULI)

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Introduction

As The Real Estate Roundtable (RER) reflects on a year of extraordinary activity and impact across both policy and membership, this year's annual report opens with insights and perspective from RER Chair Kathleen McCarthy (Global Co-Head, Blackstone Real Estate) and RER President & CEO Jeffrey DeBoer. In this Q&A, RER's leaders share how the organization is amplifying its voice in Washington, advancing members' policy priorities, strengthening the RER community, and preparing for what lies ahead for the industry and organization.

Kathleen McCarthy | Chair, Board of Directors
Global Co-Head of Blackstone Real Estate

Upon becoming Roundtable Chair 12 months ago, you set some ambitious organizational goals—retaining and recruiting high-caliber members, increasing committee engagement, refining communications, and enhancing *Roundtable on the Road*. What has stood out to you in your first year leading the organization?

Let me begin by saying this year has been incredible. We faced countless legislative challenges and we won them all. And, after all, that is what RER is all about. Stepping back, it's been incredibly rewarding to see how our members—all of whom are extremely busy leading their own businesses—have leaned in this year to provide their personal perspective on the huge number of national policy proposals directed at our industry. This, more than anything else, is the reason these last 12 months have been so successful for us in Washington. We also focused on bringing clarity to our communications, encouraged and energized committee participation, and ensured that RER remains the home for top-tier commercial real estate industry leaders. The expansion of *Roundtable on the Road* has been especially impactful, creating new ways to connect with members across the country and hear directly from them.

What is the goal of *Roundtable on the Road*, and why is it important for members?

Roundtable on the Road is about bringing the mission of RER directly to our members and their markets. Throughout the year, we hosted small, member-exclusive gatherings across the country that connected local real estate leaders with RER leadership and policy experts for candid conversations about how federal decisions in Washington are impacting local markets. It's also been an opportunity to build deeper relationships across our membership and ensure that every region and asset class has a voice in the policy dialogue. The response so far has been incredibly positive—and we're just getting started.

What motivated you to take on the role of Chair, given your demanding schedule, and why do you believe other industry leaders should remain engaged?

The real estate industry faces complex policy challenges and significant risks, but also enormous opportunities. I took on this role to help guide an organization that ensures our industry's voice is heard at the highest levels of national policymaking. For any CEO, there's real value in being part of a respected, engaged community that drives impact in Washington. One way we reinforce our messages is through REALPAC—RER's bipartisan political action committee—which remains a highly effective tool for supporting candidates who understand our industry and advocate for commonsense, pro-growth solutions. In today's environment, any CEO not paying attention to Washington isn't fully managing their business risk, and REALPAC offers an opportunity to amplify their impact.

Overall, membership and policy committee participation are the backbone of RER. How are you approaching member engagement and ensuring the right voices are at the table as the industry evolves?

Maintaining a membership that is inclusive and reflective of a constantly evolving industry remains a top priority. This past year, we've worked to identify rising voices, align committees more strategically, and simplify how we communicate our value so busy executives can plug in more easily.

Jeffrey DeBoer | President & CEO
The Real Estate Roundtable

The past year brought an intense pace of legislative activity and leadership change. How has RER navigated this environment, and what role have members played in that effort to date?

Yes, what a year it's been! The pace and complexity of policy this past year has been unprecedented. It required a rapid, well-coordinated response. Thanks to the engagement and expertise of our members, policy advisory committees, and our 18 national real estate organization partners, we have responded to each of the legislative challenges and opportunities with a combination of substance, speed, and credibility that defines our effectiveness.

We have a long history of policy success in D.C. but I believe the past 12 months have been our most challenging and most successful.

Our members' active relationships, our partners, and our vast network continue to be key to engaging with policymakers. RER members bring extensive industry expertise and credibility that strengthen the impact of our advocacy. Armed with the practical realities of how policy changes would affect the development, financing, and management of commercial real estate assets, our policy staff are able to advocate with a unique, trusted perspective and shape the course of policy debates in Washington.

What sets RER apart as a respected and bipartisan advocate in Washington?

It comes down to the quality of our research, the depth of our relationships, and our nonpartisan, solutions-oriented voice. We're engaging both established leaders and new members of Congress, as well as key decision-makers in the administration to make sure that commercial real estate is part of every major conversation—from housing and infrastructure to tax, energy, capital markets, and security.

What are some of the most impactful policy debates and outcomes RER has helped shape this year?

This year has been one of the most consequential in recent memory. RER has been at the forefront of policy discussions and negotiations surrounding the One Big Beautiful Bill Act, ensuring that key positive tax provisions were preserved, enhanced, and that negative proposals that would discourage investment in all real estate, but especially housing, were rejected. Both actions served to protect and advance the interests of commercial real estate, and our ability to support local budgets, create jobs, increase housing supply, and help expand the overall economy.

One of our most significant actions was preserving the full deductibility of state and local business property taxes—an issue that quickly became one of our top priorities earlier this year. Just imagine if a business's expenses, which average about 40 percent of a typical business's total expenses, were no longer deductible in measuring income. Unbelievably, this was a serious threat. We mobilized our members and partners, elevated credible economic data, and directly engaged senior policymakers. As a result, this harmful proposal was excluded from the bill.

We also played a leading role once again in defending long-standing tax treatment of carried interest, capital gains, like-kind exchanges, and Opportunity Zones (OZs), which have proven effective and vital to driving investment, job creation, and long-term economic growth. One final area of focus was the proposed changes to partnership taxation, where we again prevailed and achieved a positive outcome.

Beyond tax, we pushed back strongly against the Fed's proposed *Basel III Endgame* regulations, which would have raised bank capital requirements by 20 percent and undermined the availability of real estate credit. Our coalition advocacy contributed to the Fed revising and now pausing that effort. We also supported the removal of burdensome reporting mandates under the Corporate Transparency Act (CTA).

We continued our longtime support for the EPA's ENERGY STAR program (which is under attack), and advanced energy policy priorities that promote grid reliability and permitting reform. On housing, we championed expanded incentives for affordable housing (some of which are included in the new law) and property conversions, including the *Revitalizing Downtowns and Main Streets Act* and the Low-Income Housing Tax Credit (LIHTC).

And, the security of people, buildings, and data continues to be a high level focus and drives our information sharing work with Homeland Security and the FBI.

Across all of these issues, our ability to act quickly with clear, fact-based messaging, supported by long-standing credibility and consistent engagement with decision-makers in Washington, ensured that our industry's priorities were not just considered, but ultimately reflected in the legislation.

Looking Ahead

How is RER ensuring real estate's voice is represented in fast-moving policy discussions?

Kathleen: From the Board's perspective, one of our core responsibilities is ensuring that RER has the strategic focus and member alignment to respond quickly and effectively to fast-moving policy debates. That means drawing on the insights of our members, engaging through policy committees, and empowering our staff to act decisively when legislative opportunities—or threats—arise. The past year has shown that when we work together with clarity and purpose, backed by our fact-based approach, we can shape outcomes that matter to the entire real estate ecosystem.

Jeff: What differentiates RER is our ability to communicate the real public benefits that a vibrant real estate industry brings to the country. Our industry plays an enormous role in not only supporting millions of jobs and driving growth, but also contributing to local budgets, growing Americans' retirement savings, and building strong communities.

That's coupled with RER's trusted reputation on both sides of the aisle that we've built over years of consistent, credible engagement. Policymakers and their staff know that when they hear from us, they're getting fact-based insights that reflect a unified industry perspective. That trust matters, especially when policy is moving quickly. Our unified, respected voice is what gives us a seat at the table when the most consequential decisions are being made.

What do you both see for CRE in the year ahead?

Kathleen: We will keep evolving and improving how we communicate our mission, aligning our membership with the future of the industry, and focusing our energy on the most urgent current issues. Real estate is critical to how and whether people and businesses achieve their dreams—it's where people live, work, shop, travel and dine. It anchors our communities and touches every part of American life. As the nation faces a housing crisis and urgent energy challenges, public policy must support a strong, resilient real estate sector that drives solutions, fuels economic growth, and improves quality of life and opportunity for all.

Jeff: Kathleen says it well, we intend to continue to work on all issues, but especially in the areas of federal housing and energy policy. Both are sure to be at the top of the national agenda, and we're planning to play a big role in shaping those debates.

I also need to underscore that our successes this past year are a testament to Kathleen's proactive leadership, who has done an exceptional job this year leading the Board, and the expert advocacy work and top-tier professionalism of our incredible staff and policy committees. We are the envy of many other industries.

Thank You

These accomplishments and our mission are no small task, and we couldn't have done it without you, our members. We want to extend our tremendous gratitude and appreciation for your continued support and active participation in our policy committees, events, advocacy efforts, and Roundtable communications. We are indebted to you for your tireless commitment to our community. Thanks to you, our lean and mighty team can continue doing what they do best: ensuring that real estate continues to thrive for generations to come.

RER board Chair Kathleen McCarthy.

RER President & CEO Jeffrey DeBoer.

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Policy Outreach

July 2024

President & CEO Jeffrey DeBoer spoke at a national real estate organizations (NREO) event at the Republican National Convention with POLITICO

August 2024

Jeffrey DeBoer spoke at a NREO event at the Democratic National Convention with POLITICO

SVP Duane Desiderio featured as a guest on *The Weekly Take* podcast hosted by CBRE

September 2024

Jeffrey DeBoer honored with the Lamplighter Award by the American Friends of Lubavitch (Chabad) for his leadership and dedication to community and service

SVP Ryan McCormick participated in the Association of Foreign Investors in Real Estate's Annual Meeting

Duane Desiderio spoke at the BX Building Decarbonization Summit during Climate Week NYC

October 2024

Pre-Election Town Hall Session with Jonathan Martin (POLITICO)

Ryan McCormick spoke at the Pension Real Estate Association (PREA) Research Affinity Group meeting

RER President & CEO Jeffrey DeBoer receives the Lamplighter Award from the American Friends of Lubavitch (Chabad).

SVP & Counsel Duane Desiderio.

SVP Clifton E. (Chip) Rodgers, Jr.

November 2024

Fall Roundtable Meeting featuring:

- Dr. Reince Priebus – President & Chief Strategist, Michael Best & Friedrich LLP
- Sen. Tim Scott (R-SC) – Chair, Senate Banking, Housing, and Urban Affairs Committee
- Rep. Richard Neal (D-MA)
- The Honorable Tom Barkin – President & CEO, Federal Reserve Bank of Richmond

Jeffrey DeBoer spoke at Florida State University's Real Estate TRENDS Conference

Ryan McCormick spoke at the Maryland Association of Certified Public Accountants Advanced Tax Institute – Real Estate & Partnerships

Ryan McCormick spoke at the American Society of Cost Segregation Professionals

December 2024

Ryan McCormick spoke at the Association of International Certified Professional Accountants & Chartered Institute of Management Accountants Construction & Real Estate Conference

SVP Chip Rodgers spoke at the ULI McCoy Symposium

Jeffrey DeBoer featured as a guest on the *Leading Voices in Real Estate* podcast

Jeffrey DeBoer named one of the "Top Lobbyists" in Washington, D.C. for 2024 by *The Hill*

SVP & Counsel Ryan McCormick.

January 2025

State of the Industry Meeting, featuring:
- John Sitilides – Principal, Trilogy Advisors LLC; National Security Senior Fellow, Foreign Policy Research Institute
- Rep. Darin LaHood (R-IL)
- Rep. Tom Suozzi (D-NY)
- Rep. French Hill (R-AR) - Chair, House Financial Services Committee
- Rep. Mike Carey (R-OH)

Jeffrey DeBoer featured as a speaker on a Marcus & Millichap 2025 Economic & CRE Outlook Webcast

February 2025

Duane Desiderio spoke at the International Council of Shopping Centers Conference

Roundtable on the Road Meeting in Charlotte, NC

March 2025

Duane Desiderio spoke at NYU Schack Institute Conference on Sustainable Real Estate

April 2025

Spring Roundtable Meeting, featuring:
- Jonathan Martin – Politics Bureau Chief and Senior Political Columnist, POLITICO
- The Honorable Scott Turner – Secretary, U.S. Department of Housing and Urban Development
- The Honorable Howard Lutnick – Secretary, U.S. Department of Commerce
- Sen. Todd Young (R-IN)
- Sen. Mark Kelly (D-AZ)
- Rep. Bill Huizenga (R-MI) – Vice Chair, House Financial Services Committee
- Rep. Jason Smith (R-MO) – Chair, House Ways & Means Committee

Jeffrey DeBoer spoke at the University of Wisconsin – Graaskamp Spring Conference

Duane Desiderio spoke at ACREL 2025 Advanced Commercial Leasing Institute

Roundtable on the Road Meeting in San Francisco, CA

Jeffrey DeBoer featured as a speaker on a Marcus & Millichap Special Webcast

May 2025

Ryan McCormick spoke at the Spring ABA Real Estate Tax Committee Meeting

Jeffrey DeBoer was a featured speaker at the ULI Spring Meeting

RER Chair Kathleen McCarthy and Jeffrey DeBoer named in Commercial Observer's "Power 100" List of 2025 Most Influential Leaders in CRE

Annual Meeting featuring:
- Kevin Hassett – Director, National Economic Council, The White House
- Ray W. Washburne – Chairman, Gillon Property Group
- John Sitilides – Principal, Trilogy Advisors LLC; National Security Senior Fellow, Foreign Policy Research Institute
- Martha Gimbel – Executive Director, The Budget Lab, Yale University
- Jonathan Pollack – President, Starwood Capital Group
- Hessam Nadji – President & CEO, Marcus & Milichap

June 2025

Ryan McCormick spoke at the 2025 NYU Federal Real Estate and Partnerships Tax Conference

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Commercial Real Estate By The Numbers

Breakdown of Investable Universe By Property Sector[1]

Single-Family Rental	$6.3T
Multifamily	$5.8T
Office	$3.3T
Retail	$3.8T
Industrial	$3.3T
Health Care	$1.2T
Hospitality	$.8T
Self-Storage	$.3T
Data Centers	$.2T
Cold Storage	$.06T

U.S. Commercial Real Estate Investable Universe

$26.8T

U.S. Commercial Real Estate Investable Universe[2]

$26.8T

As of H1 2024

To put that in perspective, the U.S. CRE investable universe is approx. 52 percent of the market capitalization of the U.S. stock market.[3]

Real Estate's Contribution To GDP[4]

$2.5T

Commercial Real Estate's overall contribution to GDP

The combined economic contributions of new commercial building development and the operations of existing commercial buildings contributed an estimated $2.5 trillion to GDP and generated $881.4 billion in personal earnings in 2023.

Real Estate's Contribution To The Workforce[5]

14.1M

U.S. jobs supported by the real estate industry

These jobs include new commercial building development and operations of existing commercial buildings in 2023.

Real Estate's Contribution To The Tax Base[6]

$600B

Yearly property taxes paid to local governments

Commercial real estate owners pay property tax rates that are 1.7X more, on average, than the tax rates paid by homeowners.

Real Estate's Contribution To Americans' Retirement Savings[7]

$900B

Amount invested by pension funds, educational endowments, and charitable foundations in real estate

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.

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Tax Policy

RER focuses on maintaining a competitive U.S. tax code that encourages capital formation, rewards entrepreneurial risk-taking, and supports jobs and communities.

The last 12 months were a pivotal period for real estate tax policy as lawmakers drafted, debated, and passed a massive tax bill to extend the 2017 Tax Cuts and Jobs Act (TCJA). As the process unfolded, RER worked closely with policymakers and stakeholders across the industry to achieve a positive outcome on every major real estate-related tax issue that arose during development of budget reconciliation legislation.

The final One Big Beautiful Bill (OBBB) Act signed into law on July 4, 2025, reflects the culmination of months and years of research, education, and advocacy by RER on tax provisions important to U.S. real estate.

OBBB avoids tax changes that could have severely disrupted real estate investment and includes Roundtable-backed provisions that strengthen communities, expand housing opportunities, and support long-term economic growth. The legislation preserves tax parity for pass-through businesses, and will help revitalize neighborhoods and create jobs.

RER advocacy efforts over the last year emphasized the importance of longstanding tax rules related to the deductibility of state and local taxes paid by businesses ("Business SALT"), capital gains, interest deductibility, like-kind exchanges, carried interest, partnerships and REITs, foreign investment, access to foreign capital, and more.

Our external research and analysis, the gathering and synthesis of credible data from industry leaders, close collaboration with our partners, and continuous engagement with members of Congress and the administration laid the foundation for success on a range of tax issues considered in the reconciliation debate. The final bill permanently expands the low-income housing tax credit (LIHTC), permanently extends 100 percent bonus depreciation and favorable business interest rules, and permanently extends the Opportunity Zones tax incentives. It also permanently extends the 20 percent deduction for pass-through business income and modifies tax accounting rules to promote condominium housing development.

Going forward, RER will continue advocating for industry priorities that encourage capital formation and rational taxation of real estate, strong and healthy communities, and productive investment that supports jobs and broad-based economic growth.

Preserving Business Property Tax Deductions

Preserving the current tax treatment of state and local business property taxes emerged as a top priority of RER when elimination of the deduction was included on a list of potential revenue offsets developed by the House Budget Committee.

With its passage in 2017, the TCJA imposed a $10,000 cap on the deductibility of state and local income and property taxes paid by individuals. The bill retained the deductibility of state and local business taxes ("Business SALT"), including taxes on business property (property used in a trade or business, or property held for investment), state corporate income taxes, and state income taxes paid at the entity-level (state pass-through "work around" regimes).

A cap on the deductibility of business-related property taxes would have devastating consequences for commercial real estate values, rents, and the entire economy and financial system.

Eliminating or capping this deduction could raise effective tax rates to 1970s-era levels near 50 percent, discouraging investment in housing, infrastructure, and economic development projects nationwide.

In March 2025, RER issued a call to action, encouraging RER members to engage with their representatives and amplify our message about the damage that a cap on deductibility would have on commercial real estate owners, developers, and investors nationwide. RER members and staff met with lawmakers, and 17 national real estate organizations wrote to members of the House Ways & Means and Senate Finance Committees, urging them to oppose any proposal that would cap or eliminate the deductibility of state and local business property taxes.

The final OBBB Act did not include any new limits on the deductibility of state and local business property taxes.

Pass-Through Business Taxation

Real estate is generally owned through "pass-through" entities—such as partnerships, limited liability companies (LLCs), S corporations, and REITs—that allow income to pass through to individual owners rather than be taxed at the entity level. These flexible structures facilitate entrepreneurial activity that in turn drives job creation and economic growth. Half of the approximately 4 million partnerships in the U.S. are real estate partnerships, and real estate activity constitutes a large share of pass-through business activity.

The 2017 TCJA reduced the corporate tax rate by 40 percent and created a new 20 percent deduction (Section 199A) for pass-through business income to ensure that pass-through entities remain competitive with C corporations. Section 199A was set to expire at the end of 2025 and without congressional action, the effective marginal rate on pass-through business income would have risen significantly, from 29.6 percent to 39.6 percent.

This past fall, RER collaborated with a variety of small, medium, and large businesses to form the PROTECT Coalition and advocate for the preservation of our pass-through regime and extension of Section 199A. In January, RER joined other business groups in writing to lawmakers to express support for the *Main Street Tax Certainty Act of 2025*, and RER staff met with members of Congress throughout the winter and spring to discuss the importance of the provision.

The Section 199A deduction was permanently extended in the OBBB Act.

Estimated Employment, Income, and Output Effects of Real Estate Industry Partnerships and LLCs in the U.S.[8]

9,044,356 Workers Employed

$896.8B Value Added

$518.5B Labor Income

$1,272.2B Output

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 U.S. GDP.**

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.

Source: CRE By The Numbers

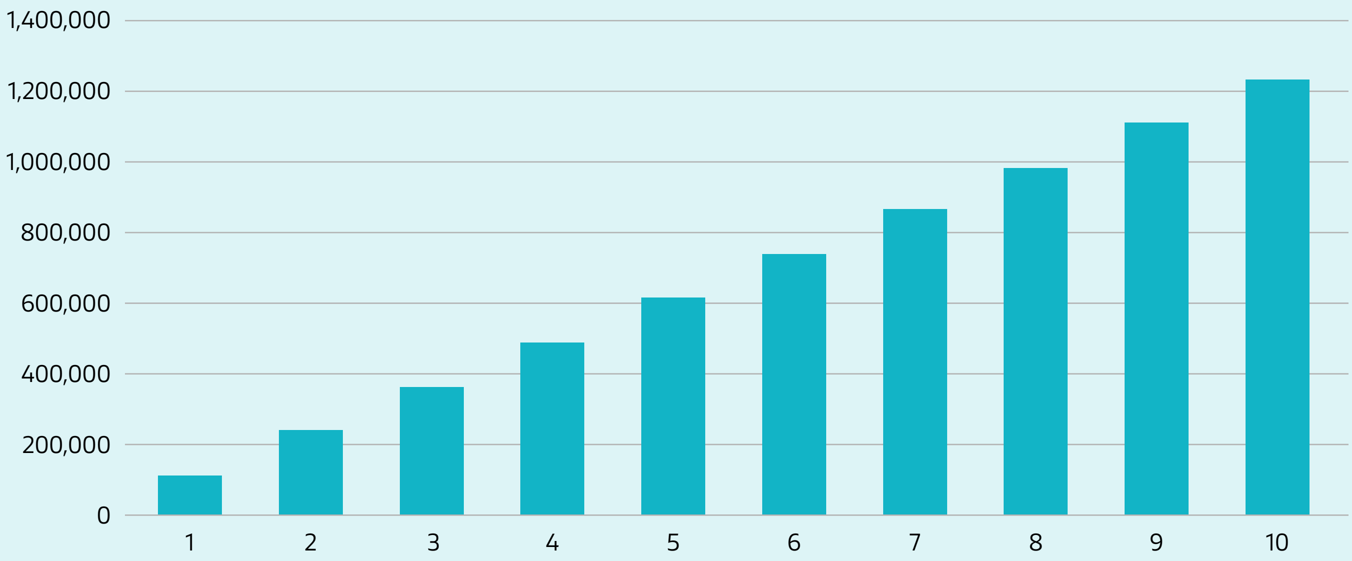
Carried Interest

A "carried" interest is the interest in partnership profits that a general partner receives from the investing partners for managing the investment and bearing the entrepreneurial risk of the venture. Carried interest may be taxed as ordinary income or capital gain, depending on the character of the income generated by the partnership. Carried interest is essential to real estate investment, supporting housing development, economic growth, and the modernization of U.S. infrastructure.

This spring, President Trump repeatedly urged congressional leaders to close the so-called "carried interest loophole" in the budget reconciliation bill. The main carried interest reform proposals would re-characterize all carried interest income as ordinary income.

In response, RER advocacy efforts emphasized the breadth and importance of carried interest in real estate markets. A new study released in April by USC Professor Charles Swenson drew on RER-provided data and estimated the economic damage that would result from increasing taxes on carried interest:

Changing the Tax Treatment of Carried Interest Capital Gains: Jobs Lost Over 10 Years[9]



$70B Lost tax revenue over 10 years

1.23M American jobs lost over 10 years

Source: Professor Charles Swenson, USC

This spring, RER and 17 national real estate organizations delivered a unified message to congressional leadership, urging preservation of current law on carried interest. The RER-led letter noted that new restrictions on carried interest would raise taxes on 2.2 million real estate partnerships and nearly 9.7 million partners, potentially stalling new housing, infrastructure, and redevelopment projects.

The final OBBB Act did not include any changes to the tax treatment of carried interest.

Protecting and Promoting Foreign Investment in U.S. Real Estate

Foreign investment is a major source of capital for U.S. commercial real estate, leading to job creation, infrastructure development, and economic growth for communities throughout our nation. However, proposed legislation, new federal regulations, and a wave of state-level restrictions threaten to deter the deployment of global capital in U.S. assets.

Section 899

Initial versions of the budget reconciliation bill included a proposal—known as Section 899—that would have had severe negative consequences on real estate values, investments, economic activity, jobs, and local communities. In short, the measure would impose higher tax rates on entities that are tax residents of foreign countries deemed to have unfair taxes.

$25B

Over the last four quarters (ending March 31, 2025), offshore capital sources have accounted for more than $25 billion of investment volume (roughly 5.6 percent of total U.S. volume).

$8B

In 2024, foreign investors invested nearly $8 billion in multifamily housing.

$4.5B

Over $4.5 billion in foreign capital was invested in the struggling office sector, accounting for 7.1% of total office investment.

$213B

Over the last five years, investment from overseas into U.S. CRE totaled more than $213 billion.

Source: MSCI Real Assets; CBRE Research[10]

Sen. Todd Young (R-IN) focused on pro-growth tax policies, the need for reducing the deficit, and his initiatives aimed at housing supply and affordability during RER's Spring Roundtable Meeting.

Section 899 would apply to interest, dividends, and capital gains earned by investors—ranging from sovereign wealth funds and insurance companies to pension funds and high-net-worth individuals. In many cases, the U.S. Treasury Department would be responsible for determining whether a foreign country imposes unfair taxes, creating significant uncertainties, where individual tax rates could change from year to year or between administrations.

RER raised concerns about Section 899's potential to disincentivize passive foreign investments in U.S. real estate assets and engaged with policymakers to explain the provision's unintended consequences. This retaliatory tax regime could disrupt global capital flows and chill passive investment in U.S. real estate and infrastructure at a time when such investment is essential to market stability.

In many cases, the economic burden of Section 899 would fall on U.S. borrowers, rather than foreign investors, because borrowers frequently agree to bear the risk of changes in tax law. Also troubling is the potential retroactive application of the tax to income derived from investments made months or years earlier—undermining global confidence in U.S. property markets.

RER developed a broad-based coalition of real estate organizations to push back against Section 899 and joined other industries in an effort to exempt passive investment from the measure. While the provision was included in the House-passed bill and the initial Senate version, it was dropped from the final OBBB Act.

FIRPTA and State-Level Restrictions on Foreign Access

Under the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), foreign investors are generally subject to U.S. capital gains tax on sales of U.S. real estate, unlike gains on other U.S. investments. However, an exemption exists for domestically controlled REITs, where less than 50 percent of the shares are held "directly or indirectly" by foreign persons.

In April 2024, the Treasury Department issued final regulations under FIRPTA that changed the previous interpretation of the phrase "directly or indirectly" and introduced a sweeping new "look-through" rule.

RER has opposed Treasury's "look-through" rule as legally unsound, economically harmful, and inconsistent with congressional intent. In March 2025, RER submitted a letter urging Treasury to withdraw the regulation and restore a stable, predictable framework for foreign investment in U.S. real estate. As we have expressed, the new rule could significantly chill cross-border investment in U.S. REITs and infrastructure projects and compound liquidity challenges at a time when more than $1.5 trillion in commercial real estate debt is due to mature over the next three years.

At the state level, 20 states have enacted restrictions on foreign investors in real estate and agricultural land and eight states have considered similar measures.

Though these changes aim to safeguard national security, they risk discouraging essential foreign capital crucial for refinancing and sustaining U.S. commercial real estate markets, particularly given upcoming debt maturities.

RER continues to recommend a careful approach to state and federal policies that balances national security considerations with the need to avoid rules that may hinder foreign investment in U.S. real estate by legitimate enterprises and capital formation by law-abiding entities. The Trump administration has prioritized removing regulations that unnecessarily impede economic activity.

(L-R): RER Board Member Scott Rechler (Chairman & CEO, RXR) and U.S. Department of Commerce Sec. Howard Lutnick discussed trade policy, economic growth, and tariffs with Roundtable members.

Opportunity Zones

Opportunity Zones (OZs) are designated low-income census tracts where qualifying investments are eligible for reduced capital gains taxes. By channeling private capital where it is most needed and prioritized by states and local communities, OZs help stimulate job creation, generate economic opportunity, and improve the built environment in economically struggling communities. Since their enactment under the TCJA of 2017, OZs have made a tremendous impact:

In 2020, the White House Council of Economic Advisers estimated that the Opportunity Funds had raised

$75B

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

$52B

that otherwise would not have been raised.[11]

The council projected that this capital could lift

1M

people out of poverty, decreasing poverty in OZs by 11%.[12]

Despite major hurdles such as COVID-19 and high interest rates, more recent estimates suggest OZs have attracted over

$120B

in capital.[13]

Today,

72%

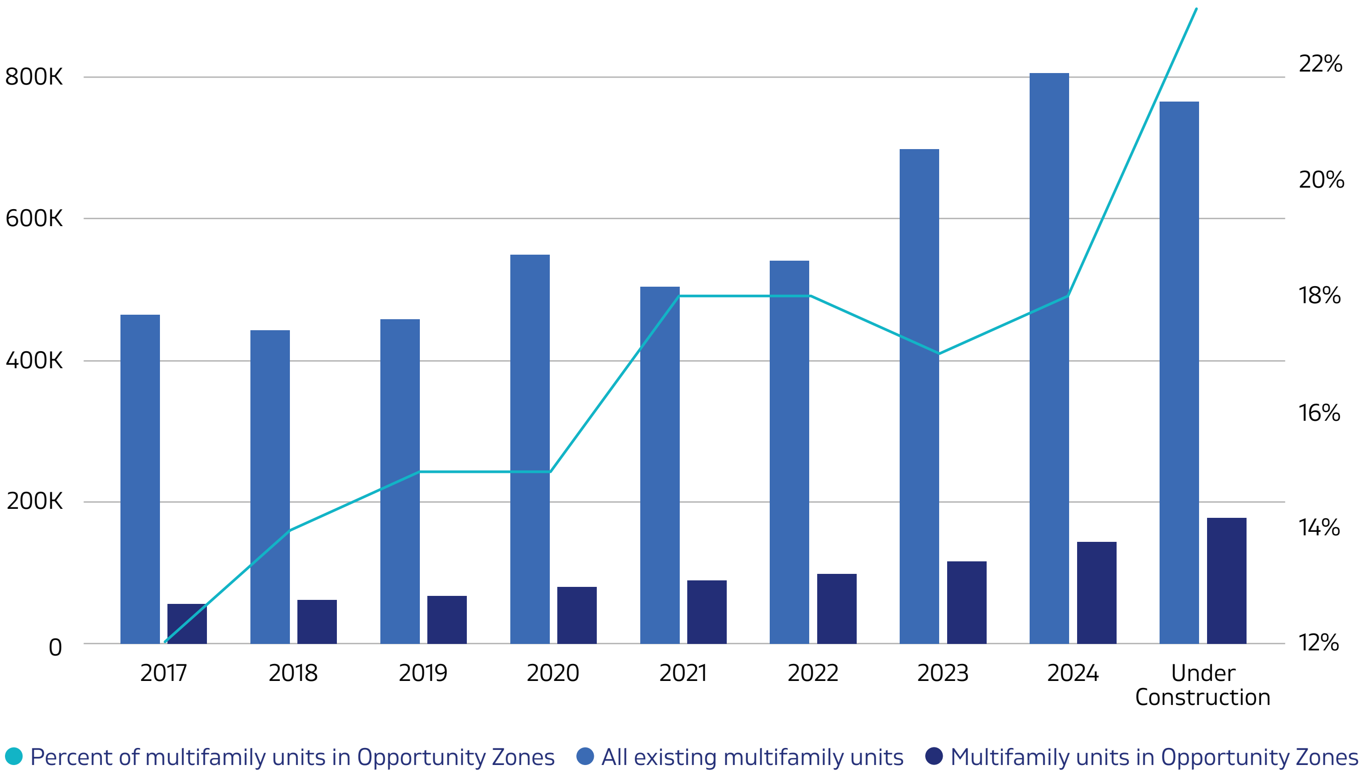
of U.S. counties contain at least one OZ, and 32 million people live in the 8,764 OZ-designated census tracts.[14]

RER members have played a leading role in putting Opportunity Funds to use, with projects across the country that demonstrate why Opportunity Funds are an economic multiplier. From Charleston, SC to Port Chester, NY, RER members have leveraged OZ funding to build multifamily housing, mixed-use developments, life science facilities, and more that contribute to job growth, GDP, and local, state, and federal government revenue.

For several years, RER has advocated for a long-term extension of the OZ incentives, as well as additional reforms to scale their impact and improve their effectiveness.

The OBBB Act permanently extends the OZ tax incentives, and beginning in 2027, provides a rolling, five-year deferral period for prior gain that is invested in an opportunity fund. The Act also provides for a re-designation of OZ census tracts by state governors every 10 years. It redefines low-income census tracts and establishes additional benefits for rural OZs, including a lower substantial improvement test for real estate projects, as well as transparency and reporting measures for all opportunity funds.

More New Multifamily Units Open in Opportunity Zones[15]



Source: CoStar

Capital Gains

The U.S. has traditionally taxed long-term capital gains at a lower rate than ordinary income. Maintaining a reduced tax rate on capital gains decreases the cost of capital, drives long-term investment, encourages productive entrepreneurial activity, draws investment from around the world, and increases U.S. workforce productivity and competitiveness.

Today, long-term capital gains are taxed at a top rate of 20 percent. This rises to 23.8 percent if the income is subject to the 3.8 percent tax on net investment income. The net investment income tax applies to real estate gains earned by passive investors and not income earned from the active conduct of professionals in real estate.

The last two Democratic administrations have proposed raising the capital gains rate to be on par with the top rate on ordinary income. Former President Biden also proposed increasing the tax rate on net investment income, applying it to active business owners (including real estate professionals), and taxing unrealized gains on a mark-to-market, annual basis.

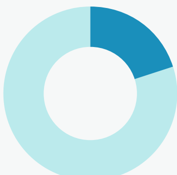
These proposals represent a fundamental departure from current law and would have imposed sweeping changes on how real estate and other capital-intensive businesses are taxed.

Maintaining the preferential rate on long-term capital gains and preserving the realization requirement are core tax principles supported by RER because they encourage patient capital and productive investment.

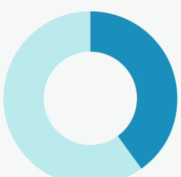
Sen. Tim Scott (R-SC), Chair of the Senate Banking, Housing, and Urban Affairs Committee, spoke on housing finance, capital access, and Opportunity Zones at the Fall Roundtable Meeting.

Like-Kind Exchanges

Like-kind exchange (LKE) rules under Section 1031 of the tax code allow taxpayers to defer capital gain when exchanging real property used in a trade or business for a property of a like kind. This long-standing provision, dating back to 1921, supports healthy real estate markets.



15-20% of commercial transactions involve an LKE.



Roughly 40% of exchanges involve rental housing, helping fill financing gaps in the development of affordable units.

Unlike the Low-Income Housing Tax Credit, Section 1031 can be used to finance land acquisition, making it a complementary tool in addressing the nation's housing needs.[16]

LKEs lower the cost of capital, spur investment—particularly during times of market volatility—and help get languishing properties into the hands of new owners who can improve them and put them to their best use.

Ranking Member, House Ways and Means Committee Rep. Richard Neal (D-MA) engaged with Roundtable leaders on preserving tax incentives vital to CRE.

Research has found that LKEs:[17]

Increase net investment

Boost tax revenue

Stimulate capital expenditures leading to job growth

Reduce leverage and financial risk

Lower rents for households

Support healthy property values

[Source: CRE By The Numbers]

The last six budgets submitted by Democratic administrations have all proposed drastic restrictions on gains deferred through like-kind exchanges. Fortunately, these efforts have gained little traction on Capitol Hill. RER advocates for preserving the current tax treatment of like-kind exchanges, and will continue promoting the understated contribution of like-kind exchange rules to jobs and business growth, housing affordability, and the economic well-being of local communities.

Business Interest Deductibility

The deductibility of business interest is a longstanding provision in the U.S. tax system, and is particularly important for commercial real estate, where debt is a fundamental component of financing and a cost of doing business. In 2017, the TCJA introduced new limits on interest deductibility under Section 163(j), generally restricting deductions to 30 percent of a taxpayer's EBITDA (earnings before interest, tax, depreciation, and amortization). However, the bill also included a key provision that preserves the deductibility of business interest for commercial real estate (a real property trade or business).

Since 2022, the general 30 percent business interest limitation has applied a less favorable rule that uses the taxpayer's EBIT (earnings before interest and tax) rather than EBITDA as the base for measuring the amount of deductible interest.

RER participated in a multi-industry coalition effort in 2025 to restore the EBITDA rule that was previously in effect from 2018-2021 for calculating business interest deductibility.

The favorable EBITDA rule was restored and permanently extended in the OBBB Act. The extension will allow more real estate owners to utilize accelerated depreciation of leasehold and interior improvements.

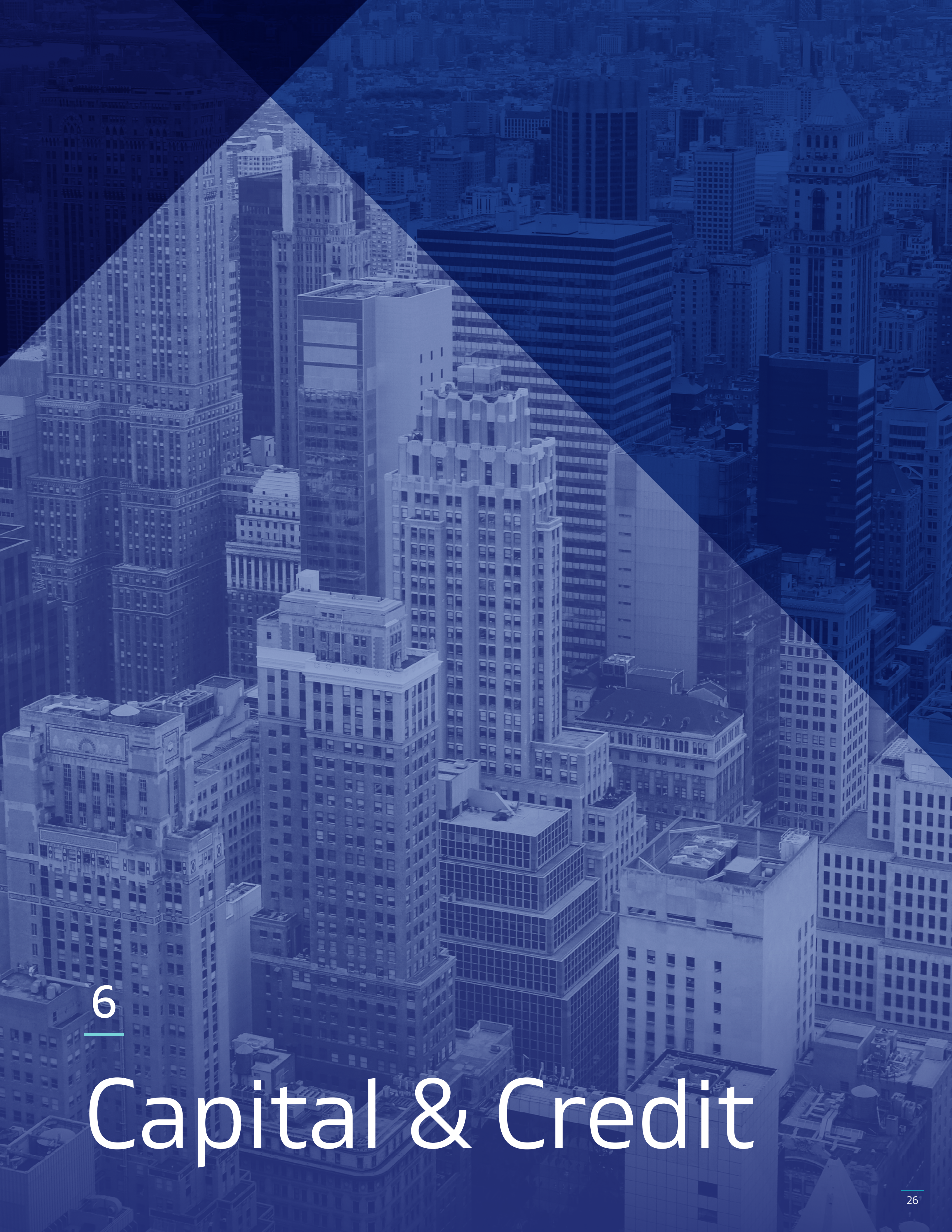
Promoting Rational Cost Recovery Rules

RER has long supported rational cost recovery rules that reflect the real-world economics of commercial real estate investment. Chief among these is the principle that depreciation schedules for structures should align with the actual, useful lives of buildings. Depreciation rules for real property that closely match economic reality are vital for promoting capital formation, encouraging reinvestment, and ensuring a competitive U.S. tax code.

Research by the MIT Center for Real Estate and commissioned by RER previously found that the actual useful life of real estate is 20 years for nonresidential property and 18 years for residential property, much shorter than the current law schedules of 39 years and 27.5 years, respectively.

Separately, the OBBB Act includes an RER-supported provision reinstating 100 percent bonus depreciation for equipment, machinery, leasehold improvements, and interior improvements to nonresidential properties, such as shopping centers and office buildings. This accelerated cost recovery will provide a meaningful incentive to upgrade existing nonresidential properties.

Chair of the House Ways and Means Committee Jason Smith (R-MO) briefed RER members on the committee's tax package, highlighting the essential input provided by RER on key issues such as business SALT deductions, carried interest, and real estate's role in driving growth.



6

Capital & Credit

Fostering stable credit capacity and robust capital formation is essential to the commercial real estate industry.

RER supports constructive national policy measures that encourage reliable credit capacity and capital formation, minimize regulatory burden, address rising insurance costs, and reform barriers to foreign investment.

Recent tariff policies have raised economic uncertainty and financial market volatility, creating challenges for long-term investment in real estate.

Addressing the Wave of Maturing CRE Debt and Pro-cyclical Regulatory Policy

The U.S. commercial real estate sector faces a major refinancing challenge in 2025, with more than $950 billion in commercial real estate mortgages scheduled to mature this year. These loans, many of which originated during a period of historically low interest rates, must now be refinanced in a very different environment—marked by higher rates and lower values.

To help rebalance the wave of maturing loans, it is important to advance measures that will encourage additional capital formation and loan restructuring and avoid pro-cyclical regulatory actions such as the *Basel III Endgame*.

The original *Basel III Endgame* proposal would have increased capital requirements for the largest banks by as much as 20 percent. A revised *Basel III Endgame* proposal announced in September 2024 would increase Tier 1 capital requirements for global systemically important banks by roughly 9 percent.

Chair of the House Financial Services Committee French Hill (R-AR) spoke to RER's Joint Real Estate Capital Policy Advisory Committee (RECPAC) and Research Committee on his policy priorities for the 119th Congress.

Concerns remain that any increase in capital requirements will have a pro-cyclical impact on credit capacity and carry a cost to commercial real estate and the overall economy, increasing the cost of credit and constraining capacity.

Over the past year, RER has collaborated with partner organizations to oppose *Basel III Endgame*, requesting that regulators withdraw it entirely.

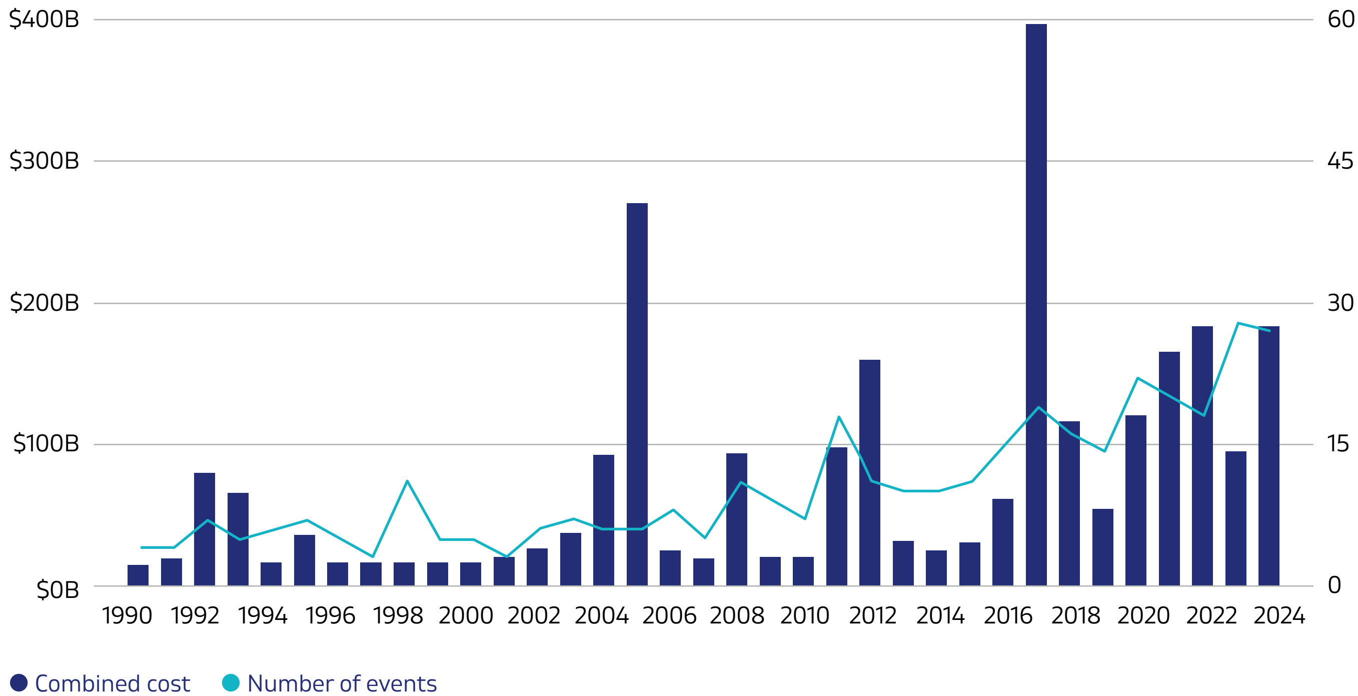
With the appointment of a new Vice Chair for Supervision at the Fed this year, there is speculation that *Basel III Endgame* could ultimately be withdrawn or revised to be capital neutral. We remain committed to raising industry concerns around the negative impact of this proposal, and we also encourage additional measures to promote constructive loan restructuring and new lending on solidly underwritten assets.

The recent proposal by U.S. banking agencies to modify the Enhanced Supplementary Leverage Ratio (eSLR) could have a positive impact on commercial real estate lending by potentially freeing up bank capital, reducing funding costs, and increasing credit capacity. RER plans to submit comments on this proposal.

Commercial Insurance Coverage in an Evolving Threat Environment

This past year has seen escalating threats from natural disasters. In 2024, the U.S. witnessed no less than 27 billion-dollar natural disasters, and in early 2025, the Los Angeles wildfires devastated more than 16,000 homes and other structures. It's estimated to be the costliest natural disaster in U.S. history.

Billion-Dollar Disaster Events in the U.S. (CPI-Adjusted)[18]



Source: NOAA National Centers for Environmental Information

As a result of growing natural catastrophe risks, insurance premiums have skyrocketed and coverage gaps have widened, creating a significant challenge for U.S. commercial real estate and many other industries. Without adequate coverage, the vast majority of losses from natural disasters are likely to be absorbed by policyholders, and communities, businesses, and economic growth will be harmed.

The National Flood Insurance Program (NFIP), first enacted in 1968, addresses insurance risks from floods—a common and costly natural peril in the U.S. However, congressional hearings have illuminated numerous acute problems surrounding the NFIP, including issues with rising costs and insolvency. The NFIP has also been operating under a series of continuing resolutions since 2017 and is set to expire at the end of September without congressional reauthorization.

Additionally, while lenders typically require base NFIP coverage for properties in high-risk flood zones, the NFIP's low commercial limits make it problematic for most commercial building owners. Changes to permit certain private issue insurance policies to satisfy the NFIP's "mandatory purchase requirement" for some properties would increase private market participation and help address coverage issues.

RER, along with its industry partners, is working with policymakers to enact a long-term reauthorization of an improved NFIP that helps property owners and renters prepare for and recover from future flood losses.

At RER's Spring Roundtable Meeting, Rep. Bill Huizenga (R-MI), vice chair of the House Financial Services Committee, shared his insights on priorities such as affordable housing access, National Flood Insurance Program (NFIP), and Terrorism Risk Insurance Act (TRIA).

Beneficial Ownership & Corporate Transparency Act

In March 2025, the Treasury Department announced it would suspend enforcement of the Corporate Transparency Act (CTA) against U.S. citizens and domestic reporting companies—a major development. The decision followed mounting pressure from legal challenges. RER, our partner organizations, and other industries have long warned that the CTA's expansive scope would impose heavy compliance burdens on real estate businesses.

Enacted in 2021 to deter money laundering and other illicit financial activities, the CTA requires many U.S. businesses to report detailed information about their "beneficial owners"—individuals who own or control at least 25 percent of an entity or indirectly exercise "substantial control" over it—to the Financial Crimes Enforcement Network (FinCEN). The law places many costs and legal burdens on small businesses, especially commercial property investors and developers.

With enforcement suspended, the Treasury indicated that it would issue a new proposal narrowing the scope of the rule to foreign reporting companies only. RER has worked in coordination with a broad coalition of industry groups to highlight the unintended consequences of the law, and welcomes this shift. The real estate industry needs clear rules and balanced implementation that achieves law enforcement goals without placing unfair burdens on law-abiding businesses.

RER will help members stay current on this important issue and plans to comment on the proposed rulemaking after it is released.

Real Estate Capital Formation

In 2023, the Securities and Exchange Commission (SEC) proposed *Safeguarding Advisory Client Assets*, which would significantly expand the requirements of the Custody Rule to maintain client assets with a qualified custodian for certain physical assets such as real estate.

Originally designed for digital assets, there is no clear policy reason why this rule should apply to real estate. Due to a variety of factors, real estate cannot be readily stolen, making the rule seem irrelevant to this asset class. As such, RER has submitted a comment letter to the SEC requesting an exception for real estate.

In a promising development, the U.S. Fifth Circuit Court of Appeals issued an opinion in 2024 that vacated the SEC Private Fund Adviser Rules, holding that the SEC exceeded its statutory authority in adopting the rule. Meanwhile, Paul Atkins, the new SEC Chair, is widely expected to withdraw or substantially revise the Custody Rule proposal.

RER continues to press for clear, sensible rules for real estate and remains actively engaged with SEC officials to ensure future rulemakings reflect the unique characteristics of real assets and the vital role they play in the U.S. economy.

Expanding on the EB-5 Visa with the "Gold Card" Concept

A proposal by the Trump administration to create a new "Gold Card" program—whereby foreign nationals would gain U.S. legal residency with a path to citizenship in exchange for $5 million—has reenergized the debate over investor-based immigration. In an address to a joint session of Congress, President Trump offered the Gold Card concept as a way to attract talented, high-net-worth investors and individuals to the U.S. President Trump has also raised the idea as a way to create a new revenue source to reduce the national debt.

We support a modernized approach to immigration that leverages both the Gold Card and the longstanding EB-5 Visa program, which has delivered $350 billion in economic impact and created over 1.5 million American jobs—at no cost to taxpayers. The EB-5 Visa, first established in 1990, has proven to be a successful job creation program that attracts overseas investors and provides capital for economic development projects in the U.S. Recent reforms to the program under the EB-5 Reform and Integrity Act in 2022 brought enhanced accountability and transparency, with increased incentives for directing capital toward rural areas, high-unemployment census tracts, and infrastructure development.

Together, EB-5 and the Gold Card represent a once-in-a-generation opportunity to attract foreign capital that can invest in large-scale, high-impact projects across the country. In March, RER sent a letter to Commerce Secretary Howard Lutnick expressing support for the "Gold Card" proposal in conjunction with the existing EB-5 program. RER will continue to work with Congress and the administration to ensure that immigration policy remains a tool to strengthen the U.S. economy, bring global capital and top-tier talent to our nation, and finance critical infrastructure in the years ahead.

7

Energy

Commercial real estate plays a central role in achieving the country's energy and economic goals. The rapid growth of AI and data centers, along with demand for advanced manufacturing, electric vehicle adoption, and trends toward building electrification, have accelerated the need for a robust supply of affordable, reliable energy and greater energy efficiency.

Policies that encourage energy efficiency, cut energy costs, pursue an "all of the above" strategy for American energy abundance, strengthen the nation's electric grid, streamline permitting processes, and support market-based bulk power purchases are essential to meeting the energy needs of American families, consumers, and businesses.

Preserving the ENERGY STAR Program

ENERGY STAR is the gold standard for public-private partnerships. Under the program, consumer technologies, appliances, homes, and buildings that meet certain energy efficiency standards qualify for ENERGY STAR certification. The program also provides voluntary tools, like Portfolio Manager, to help quantify savings—in turn encouraging energy efficiency, reducing strain on the grid, promoting building innovation, and attracting capital from global investors. Additionally, these guidelines help U.S. real estate projects compete in the global marketplace for capital and push back against unrealistic "net zero" requirements from Europe and elsewhere.

ENERGY STAR has enjoyed a long legacy of bipartisan support since its creation in the 1990s. Congress conferred authority on the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE) to administer the program jointly, and it has incorporated ENERGY STAR into dozens of other statutory provisions over the years. ENERGY STAR promotes President Trump's agenda to "unleash American energy dominance" as the key federal program to avoid energy waste and support optimal efficiency. However, the current EPA has indicated a possibility of cutting the program's resources or even privatizing it.

To build broad backing for ENERGY STAR to remain a thriving federal public-private partnership, RER has allied with our real estate organization partners and also forged a coalition of over two dozen manufacturing, appliance, and consumer tech groups—including the National Association of Manufacturers, American Chemistry Council, Air-Conditioning, Heating and Refrigeration Institute, Consumer Technology Association, Association of Home Appliance Manufacturers, and National Electrical Manufacturers Association.

Together, we are sending a clear message to Congress and the administration on the compelling business case that this program brings to U.S. real estate and the economy at large. ENERGY STAR has delivered:

$40B

$40 billion in annual savings per year for families and businesses since its inception, providing compelling returns on taxpayers' investments and supporting profitability.

300K

Portfolio Manager software that was utilized by more than **300,000 commercial real estate buildings last year**, representing nearly 25 percent of U.S. commercial building floor space.

35%

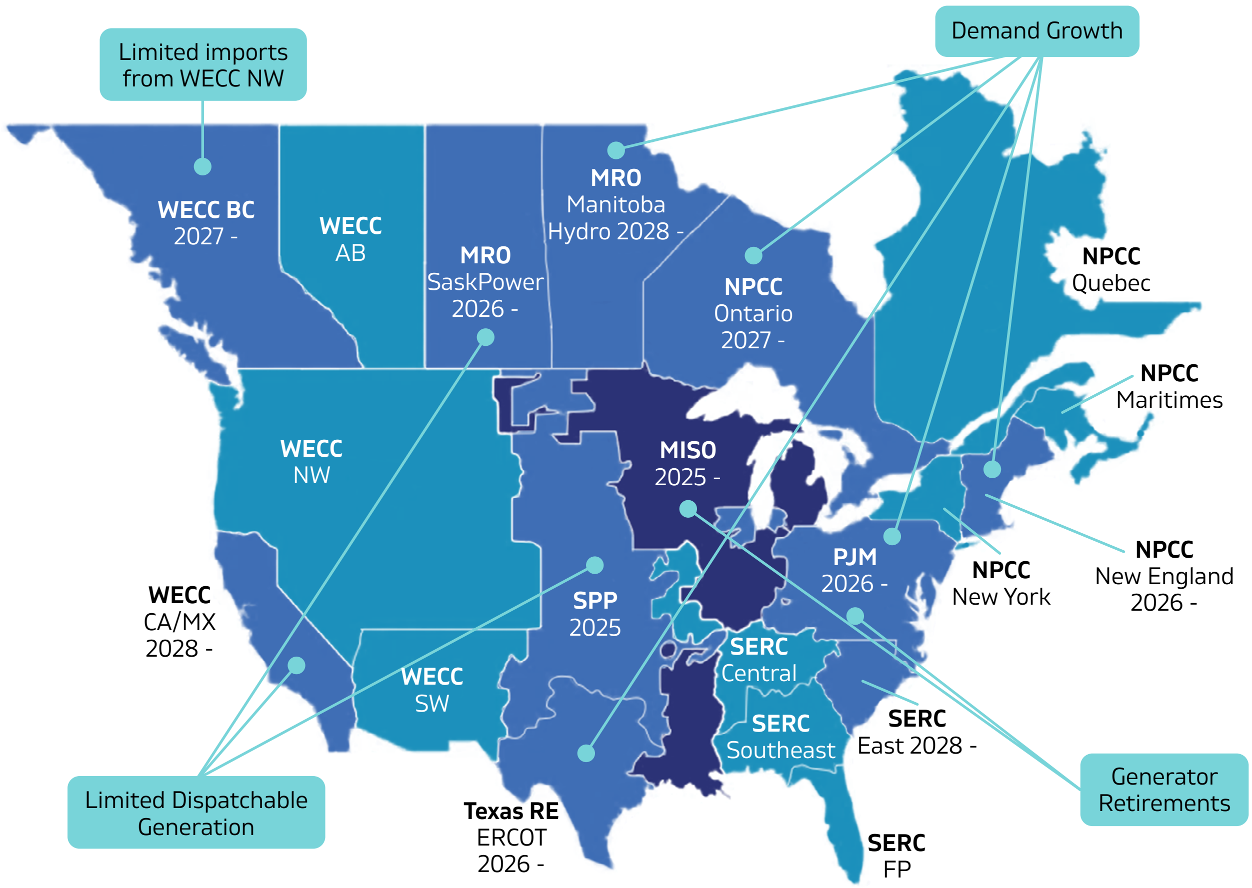
An average of **35 percent less energy usage** by ENERGY STAR-certified buildings, compared to similar non-certified buildings.

5T

5 trillion kilowatt-hours of electricity saved, strengthening grid reliability and freeing up energy capacity for growing demand in AI and other sectors.

RER and our coalition partners are educating policymakers on ENERGY STAR's contributions to an "all of the above" national energy strategy. We need as much energy as possible, generated as quickly and as cost-effectively as possible, from as many sources as possible. Whatever we generate, we must not waste—and ENERGY STAR must continue as the primary federal program focused on energy efficiency and savings.

Risk of Energy Shortfalls[19]



High Risk
Shortfalls occurring in normal peak conditions

Elevated Risk
Shortfalls occurring in extreme conditions

Normal Risk
Shortfalls not expected under studied conditions

Risk determination using established resource adequacy criteria (1-day-in-10 years) and National Academy of Engineering Report Criteria for load-loss and unserved energy

Source: North American Electric Reliability Corporation (NERC)

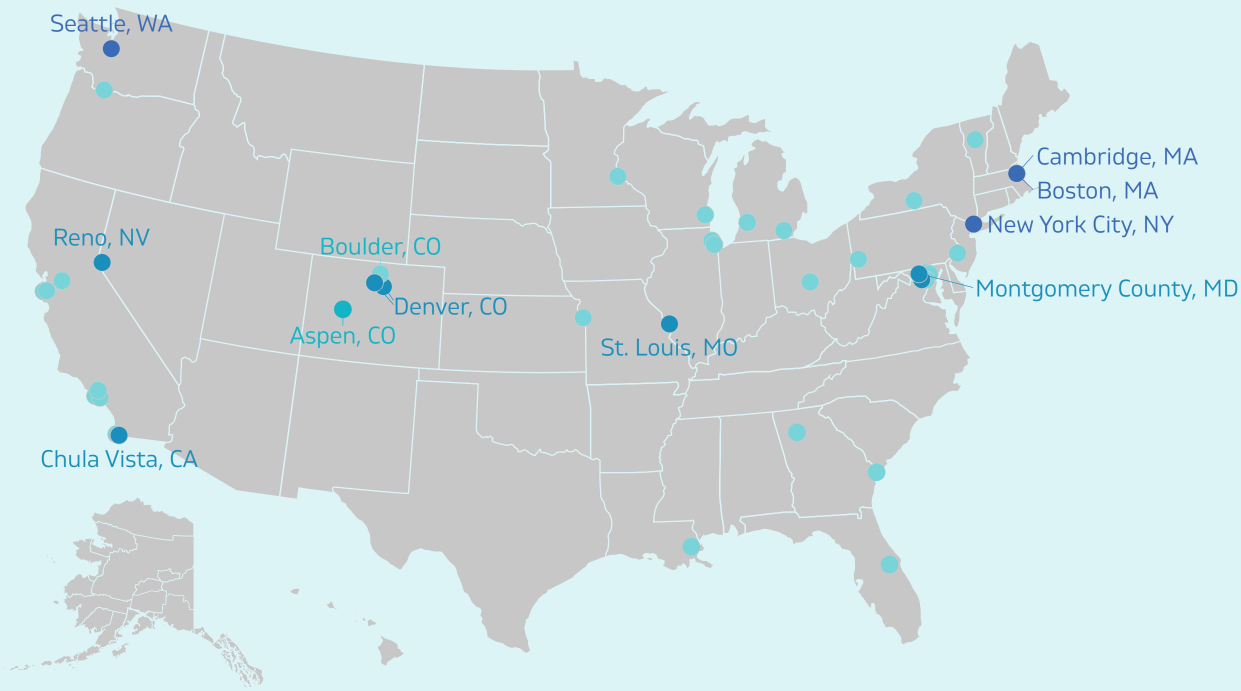
Over half of North America is at risk of energy shortfalls over the next 10 years. In order for the U.S. to lead the world in AI, support the burgeoning crypto asset industry, and bring more manufacturing plants back to our shores, we need a robust supply of affordable energy. Reducing energy use, or "negawatts", is the lowest-cost route to achieving that objective while keeping Americans' energy bills low.

Congress and the administration should continue to fully fund and support ENERGY STAR as a program crucial to America's energy security.

Building Performance Standards

A number of states and localities are adopting building performance standards (BPS), which aim to impose energy and climate performance requirements on real estate. These BPS mandates have created a patchwork of multilayered emissions and electrification rules that vary widely from jurisdiction to jurisdiction, making compliance exceedingly complex and expensive.

State and Local Building Performance Standards[20]



Policy Status, Metric

● Passed, Both ● Passed, Emissions ● Passed, Energy ● Passed, Under Development ● Under Consideration, NA

Source: U.S. Department of Energy Office of Energy Efficiency and Renewable Energy

This lack of uniformity hinders investments in building efficiency and undermines efforts to expand supplies of affordable housing. To help bring consistency to this issue, RER has developed a peer-reviewed BPS policy guide outlining 20 key considerations for any jurisdiction adopting a BPS law.

Congress and the administration can help ensure fair and reasonable BPS laws and prevent inconsistent and duplicative regulations that inhibit American energy dominance.

During the previous administration, DOE allocated $240 million to spur state and local governments' adoption of onerous BPS mandates. Some of these mandates impose costly electrification or "net zero" requirements that frequently penalize buildings already recognized as high-performance assets under federal programs, including the EPA's ENERGY STAR and DOE's Better Buildings Initiative.

RER issued a letter to Congress encouraging policymakers to exercise oversight over DOE's BPS grants and ensure that taxpayer funds are not used to create costly regulations that levy fines on buildings that the federal government itself lauds as "best in class." This position aligns with President Trump's executive order on "Protecting American Energy from State Overreach" issued earlier this year.

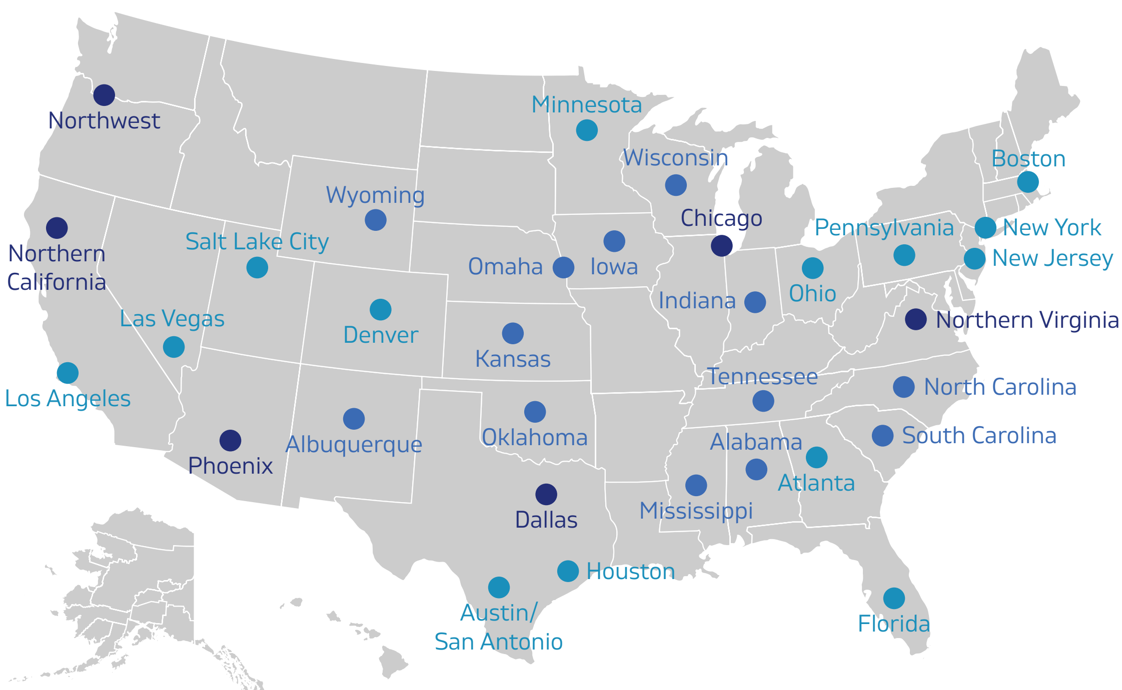
Real Estate's Role in Unleashing America's Energy Dominance

The Trump administration has made "unleashing American energy" a top priority, issuing executive orders and statements from the EPA and DOE that seek to meet the country's need for a robust supply of affordable and reliable energy.

Our industry is a critical partner in these efforts. Residential and commercial buildings account for nearly 40 percent of U.S. energy consumption and over 70 percent of electricity use. Furthermore, the rapid growth in AI is forecasted to drive a 165 percent increase in data center power demand by 2030. Policymakers will need to ensure that our energy supply grows at the pace of demand to sustain economic growth and investment in advanced technology sectors like cloud computing, crypto assets, and domestic manufacturing.

Data Center Presence in the U.S.[21]

Data centers are emerging in more remote locations, where power is still abundant and grids less strained.



Primary markets
Existing demand of more than 800 MW

Secondary markets
Lower but fast-growing demand

Emerging markets
Emerging demand in markets where power is still abundant

Source: McKinsey & Company

To respond to these dynamics, RER supports an "all of the above" energy strategy that invests in building efficiency, grid modernization, faster permitting, and innovation across all energy sources.

To implement such a strategy, Congress and DOE should expand R&D and commercialization pathways for nuclear, geothermal, fuel cells, and other sources. Voluntary standards and public-private programs like ENERGY STAR should be preserved, helping buildings avoid energy waste. Additionally, streamlined permitting will support energy generation projects and initiatives to bring stability to the grid.

With the right mix of policies in place, real estate can help to propel our nation's energy agenda forward.

Corporate Sustainability Disclosures

The Trump administration has eliminated Biden-era SEC rules that would have required climate-related reporting for businesses. However, state governments and international regulators are advancing reporting regimes that could have major implications for U.S. real estate companies.

California laws will begin phasing-in in 2026 and require large companies doing business in the state to report emissions and climate-related financial risks. Similar bills have been introduced in other states, including Colorado, Illinois, New Jersey, New York, and Washington state. These proposed state laws warrant monitoring by U.S. real estate and could change corporate reporting and disclosure practices, regardless of the less stringent federal regulatory landscape.

International regulators have also sought to require climate-related disclosures. The European Commission announced an updated proposal under its Corporate Reporting Sustainability Directive (CRSD) that narrows the regulatory scope of the reporting requirements, but would still require disclosures of greenhouse gas emissions, energy consumption, water usage, and waste management practices, among other data. The European Union has delayed this directive until June 2026.

Sen. Mark Kelly (D-AZ) discussed the need for grid reliability and innovation to support the nation's growing energy demands during RER's Spring Roundtable Meeting.

These reporting regimes could have significant impacts on U.S. real estate companies, especially regulations that require reporting Scope 3 or "indirect emissions," such as emissions from suppliers, tenants, and the production of building materials. Building owners and developers generally do not have direct control over the operations and processes that generate these emissions, and often do not have access to reliable emissions data from their supply chains.

RER holds that the reporting and disclosure of Scope 3 emissions must not be mandatory. Policymakers can encourage voluntary Scope 3 reporting by developing policies and systems for utilities and manufacturers to provide building owners and developers with valid and reliable data. Any reporting cycles should be consistent across varying disclosure regimes, based on when companies collect and verify valid energy use and emissions data within a fiscal year.

Energy Tax Incentives

The One Big Beautiful Bill Act, signed into law by President Trump on July 4, 2025, accelerates phase-outs for certain tax incentives enacted by the Biden-era Inflation Reduction Act (IRA). Credits and deductions for building solar and energy efficiency projects must begin construction quickly, and be "placed in service" under short timelines, to access any credits that remain available.

Even then, components manufactured overseas (particularly from China, South East Asia, and "foreign entities of concern") might place these legacy tax incentives out of reach in the abbreviated windows in which they remain available. Tariffs and countervailing duties on imports of solar cells, electric heat bumps, and other building materials also have a significant impact on the costs of building cap ex investments in clean energy.

However, key federal tax incentives remain available for energy storage, geothermal, and nuclear projects well into the 2030s. RER will continue to evaluate the One Big Beautiful Bill Act and educate our members and policy makers on the law's practical impacts on commercial and residential clean energy projects.

8

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.

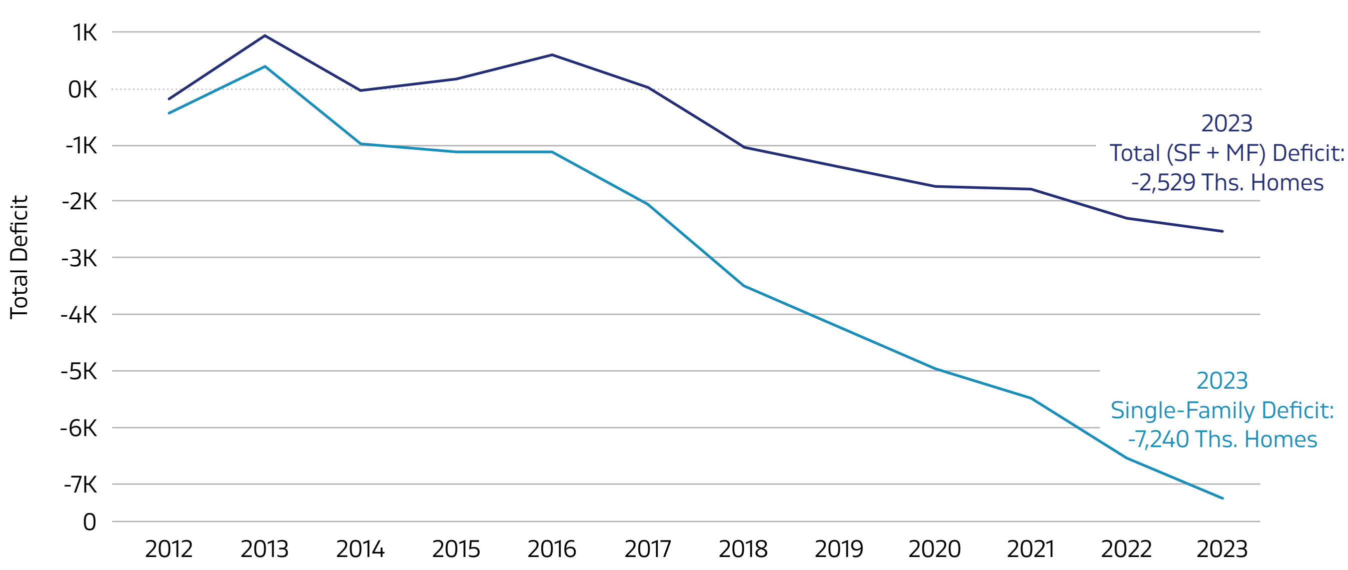
Expanding America's Housing Infrastructure

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

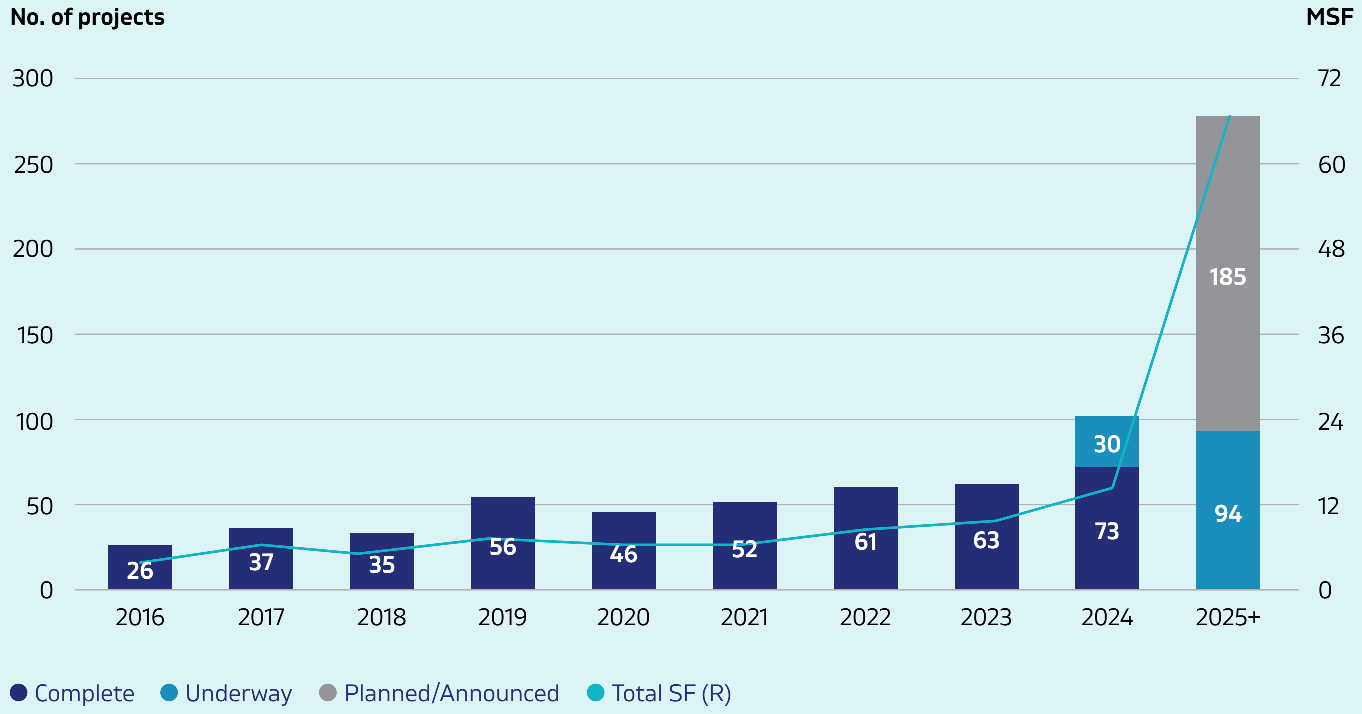
Since 2015, RER has sought to promote housing construction by repealing a discriminatory tax accounting rule that unfairly creates phantom income for condo developers.

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.

9

Homeland Security

Remaining vigilant to threats against the commercial facilities sector is crucial for ensuring the safety and security of employees, customers, and assets. Potential perils from cyberattacks, terrorism, and transnational criminal activity continue to be a focus for RER's homeland security efforts. Intelligence gathering, law enforcement, community engagement, and information sharing partnerships are critical to preventing, disrupting, and prosecuting physical and cyber threats.

Additionally, there are growing concerns about AI having the potential to create new risks. Key concerns include the risk of cyberattacks that exploit AI vulnerabilities, leading to unauthorized access to facilities or sensitive data.

Cyber and Physical Threats to U.S. Real Estate

As the threat landscape facing the commercial facilities sector—including commercial real estate—grows increasingly complex, RER continues to lead efforts that enhance industry preparedness and promote stronger coordination with federal law enforcement and intelligence agencies.

According to the ODNI's 2025 Annual Threat Assessment, a diverse set of foreign actors are targeting U.S. health and safety, critical infrastructure, industries, wealth, and government. State adversaries and their proxies are also trying to weaken and displace U.S. economic and military power in their regions and across the globe. Russia, China, Iran, and North Korea—individually and collectively—are challenging U.S. interests in the world by attacking or threatening others in their regions, with both asymmetric and conventional hard power tactics, and promoting alternative systems to compete with the U.S., primarily in trade, finance, and security. A range of cyber and intelligence actors are targeting our wealth, critical infrastructure, telecom, and media.

In this environment, protecting critical infrastructure—both physical and digital—is paramount. Through our Homeland Security Task Force and the Real Estate Information Sharing and Analysis Center (RE-ISAC), RER remains a trusted partner to law enforcement and intelligence agencies in preparing for and responding to security threats. These efforts ensure that owners and operators of real estate assets are informed, coordinated, and engaged in safeguarding against key threats.

The RE-ISAC plays a central role in sharing real-time threat intelligence between real estate owners and federal partners. Through a Cybersecurity Information Sharing and Collaboration Agreement with DHS's Cybersecurity and Infrastructure Security Agency (CISA), the RE-ISAC engages in operational efforts to better coordinate activities supporting the detection, prevention, and mitigation of cybersecurity, communications reliability, and related data threats to critical infrastructure.

In 2024, the White House advanced key objectives in its National Cybersecurity Strategy, including the development of scenario-based cyberattack exercises to help critical infrastructure owners prepare for potential threats.

Even as the nation makes progress on putting the right protections in place, RER has emphasized that it is vital to advance security measures without imposing overly burdensome regulations on real estate. In July 2024, RER was part of a coalition of national real estate organizations that wrote to CISA to express concerns about a proposed reporting rule that carried an estimated compliance cost of over $1.4 billion—seen as disproportionate to the rule's benefits.

Alongside our work with our Homeland Security Task Force and RE-ISAC, RER will continue to promote measures that businesses can take—such as creating resilient infrastructure that is resistant to physical damage and cyber breaches—to better prepare for possible threats.

10

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This year, we dedicate our Annual Report to honoring a longtime Real Estate Roundtable member and friend, Donald B. Susswein. Don was a driving force behind our Tax Policy Advisory Committee (TPAC), tackling difficult issues and offering his expertise to our members and staff.

Don will be remembered as a brilliant expert and loyal friend who brought wit and wisdom to every challenge. We will deeply miss his voice, his selfless contributions, and his kindness in our RER community.

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Resources

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