2023

Annual Report

Sustained Strength, Sustained Solutions

The Real Estate Roundtable

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Our Mission

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

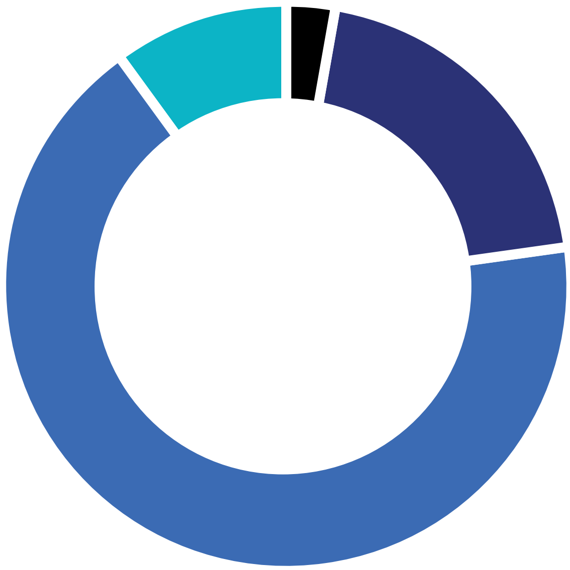
By identifying, analyzing, and coordinating policy positions, The Roundtable's business and trade association leaders seek to ensure a cohesive industry voice is heard by government officials and the public about real estate and its role in the global economy.

The Roundtable's membership

- 3+ million people working in real estate
- 12 billion sq ft of office, retail, and industrial space
- 4+ million apartments
- 5+ million hotel rooms

It also includes the 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 Roundtable members exceeds $4 trillion.**

Who We Are



Asset Managers

3%

Financial Services

20%

58% Banks (Commercial & Investment)

16% Mortgage Bankers

26% Insurers

Owners

67%

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

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)

Introduction

Consistent Focus And Involvement Are The Path To Policy Success

We trust you are proud of The Real Estate Roundtable's numerous policy achievements this past year. Winning in Washington does not simply happen. Positive results require solid, focused issue analysis, an effective communications and messaging system, a well-regarded team of advocates, and strong, consistent issue engagement by industry leaders.

We all benefited this past year from the collective investments our membership has made to bolster The Roundtable's analysis, enhance our message delivery system, and further strengthen our policy advisory committee structure and our political action network.

As we look to the future, we know that we cannot rest on yesterday's achievements. To maintain success, we must continue to improve our unique and valuable issue advocacy skills, and on this, we are highly focused.

Our country and economy have undergone significant transformations due to the global pandemic. The realities and challenges we face today have reshaped the way people work, travel, shop, and interact with the built environment.

Adapting to this new reality requires us to rethink how businesses and people use offices, retail and entertainment spaces, housing, medical care, and more. Future buildings must accommodate the changes brought on by the pandemic, as well as those that accompany the rapidly evolving artificial intelligence and technological world. The real estate industry is at the center of this transition, where the future of work, the future of housing, the future of our communities, and much more are being reimagined before our eyes.

However, we are also mindful that embracing these changes is not without its costs and time constraints, and as has proven in the past to be true, the industry's ability to respond to these changes will be inhibited or encouraged by public policy actions.

Recall that early this past year, our industry faced numerous policy issues that were intense, challenging, and consequential. We were well-prepared, energized, and focused. The hard work paid off.

The Roundtable was able to defeat an incredible variety of potentially damaging anti-growth, anti-real estate tax policy threats.

Promoting capital formation, rewarding risk-taking, and bolstering productive investment creates an environment where jobs are created, retirement funds grow, municipal budgets are adequately funded, and opportunities expand. The Roundtable stressed these principles throughout congressional debates on taxation.

Central to our work in this area was our winning perspective on rewarding appropriate economic risk-taking through a lower than ordinary capital gain tax rate—including recognition of "carried interest" as a capital gain—and retaining the provisions that bring some tax parity between pass-through business entities such as partnerships, LLCs, subchapter S corporations, and corporations. Similarly, we successfully engaged policymakers on the enormous economic and housing benefits of tax code section 1031 like-kind exchange rules—always important, but even more critical in illiquid markets such as today.

Preserving these laws, as well as defeating those that would have made it more expensive to build or improve real estate and infrastructure, workforce housing, assisted living communities, industrial properties, and more, happened because of The Roundtable's strong commitment to developing research and sharing real-world perspectives with policymakers.

These actions would not have occurred without the dedicated investment that our members have made in The Roundtable.

At the same time, in the same legislation, our long-focused sustainability efforts enabled us to successfully replace proposed energy reduction mandates with new tax incentives to help building owners achieve greater building energy efficiency.

Buildings, and specifically building tenants, can play a crucial role in driving greater energy efficiency and clean energy use. According to federal data, the commercial and residential sectors make up 28% of all U.S. energy consumption and contribute to 13% of total direct U.S. greenhouse gas (GHG) emissions.[1, 2] The Roundtable has long focused on this subject, and while we continue to encourage our tenants, visitors, and customers to be more energy-efficient, we have also advocated for smart public policies that help provide the tools and resources needed for tenants and building owners to lower costs and provide more sustainable building operations.

Similarly, The Roundtable consistently points out that requiring or desiring clean, renewable energy to power buildings is not possible without access to a clean grid, and appropriate access is not possible without significant public policy reforms. For example, The Roundtable has

(L-R): RER President & CEO Jeffrey DeBoer and RER Chair John Fish (Chairman & CEO, SUFFOLK).

urged Congress to make clean energy tax incentives more accessible and impactful for building owners, managers, and financiers to help meet national GHG reduction goals.

Last year, the time finally came for The Roundtable to help reframe the building/energy use debate away from "one-size-fits-all mandates" toward incentives. While simply reframing the debate is a success, this resulted in the enactment of tax incentives for improved building energy efficiency, increased deployment of solar panels and other renewable energy projects, energy storage for sale back to the grid or on-site usage, and expansion of the nation's EV charging station fleet.

We also continue to press agencies to understand that sensible reporting on emissions and climate risks is essential for tracking and reaching climate goals; however, government should not mandate the reporting of inaccessible and unrepresentative data known only to tenants or utilities. **The Roundtable's voice on this issue is respected for its clarity and practicality.**

No sooner were these accomplishments achieved when new potentially troubling policy debates developed regarding the complex set of issues resulting in the current increasingly difficult real estate valuation, liquidity, and investment environment.

This is where we are again employing The Roundtable's credible, unique advocacy skills.

Today's market disruptions will not be solved easily. Despite a clear reality that artificially low interest rates were creating asset value bubbles that should have been addressed through slow and steady rate normalization, the Federal Reserve did not act until it suddenly embarked on a series of historically steep and rapid interest rate hikes designed to slow the economy.

These new significant financing costs came at the same time that individuals and businesses continued to transition into the uncertain post-pandemic economy, and while building operating expenses of all types escalated.

These higher interest rates and other financing costs, combined with lethargic employee return to the workplace trends, unclear future business property needs, and continued evolving retail and travel desires, have quickly become major challenges for the real estate industry, financial institutions, and policymakers. For our industry, the combination of these actions has resulted in great difficulties in refinancing the nearly $1.5 trillion of maturing real estate debt, increased uncertainties in valuing and transferring real estate assets of nearly all types, reduced credit availability from traditional lenders, and created a large drag on the primary source of local government revenues.[3]

As this market situation continues to develop, The Roundtable has steadily increased its proactive voice to educate policymakers about the potentially far-reaching impact on current owners, lenders, communities, and the overall economy.

We are urging financial institution regulators to provide flexibility for regulated lending institutions to proactively work with sound real estate borrowers to refinance maturing loans.

We are also committed to bringing forward innovative ideas to deal with the flight to quality in office buildings and housing shortfalls. For example, we continue to support policy reforms to: incentivize local municipalities to revise restrictive housing zoning and permitting laws, enable under-utilized buildings to be converted into more productive uses, and give less weight to local "Not In My Backyard" (NIMBY) sentiment.

As always, we will continue searching for bipartisan consensus to reform and enhance areas of success, including the low-income housing tax credit (LIHTC)—regarded as one of the most successful public-private partnership programs in history.

Public policy always plays a crucial role in the success or failure of risky, capital-intensive businesses. However, it plays an outsized role in the case of real estate, where tens of millions of workers, businesses, local governments, schools, hospitals, and other institutions rely on the ability of the asset to respond to their needs, including the tax revenue it generates.

The Roundtable is a practical, proactive voice in these conversations, working to educate policymakers about the multidimensional impact of the industry.

Persistent remote work remains a pressing challenge facing our industry, our cities, and local economies. Importantly while private employers and their employees are only answerable to themselves regarding the benefits of the in-person workplace, the largest office lessee in the country, the federal government, can and should immediately require their workforce to return to the office. The Roundtable has independently urged key decision-makers to mitigate the damage of widespread federal employee remote work. Fortunately, President Biden recently required all federal agencies to review their in-person work requirements to increase the number of workers in their offices. While we await the real impact of this announcement, we are hopeful that this will help ease some of the pressure on asset values and cities.

Safer, More Inclusive, And Prosperous Future

Numerous other pressing issues demand attention to ensure a robust real estate industry and a thriving economy.

We constantly engage policymakers on a variety of regulatory proposals, registration ideas, and much more. We are also actively engaged in discussions surrounding immigration reform to welcome more workers. Supply chain improvements are also crucial to spur construction activities. Additionally, we must focus on using the tools provided by the *Infrastructure Investment and Jobs Act (IIJA)* to enhance our transportation and infrastructure, allowing better access to the places people live, work, and play. More importantly, city governments need to focus on safety and crime to ensure people feel safe when they get there.

Our buildings' security and resiliency are paramount, and we are continuing to improve. Through our Real Estate Information Sharing and Analysis Center (RE-ISAC), we have established a public-private information-sharing platform to achieve this goal. However, we need the cooperation and support of policymakers to deliver policies that eliminate roadblocks to making investments that improve the health, safety, and cybersecurity of our properties and information.

The Roundtable and our partners have also made significant progress in addressing environmental, social, and governance (ESG) and equity, diversity, and inclusion (EDI) objectives for the commercial real estate industry.

In January, The Roundtable and six other national real estate trade associations established the Commercial Real Estate Diverse Supplier (CREDS) Consortium, a first-of-its-kind alliance that will help our members realize their intentions to advance economic opportunities across the vast and varied supply chain serving real estate.

In addition to ensuring that relevant stakeholders understand our industry's impact and stay current on the latest information, The Roundtable has also taken steps to improve our communication and outreach efforts. For instance, we have developed an annual report called "Commercial Real Estate By The Numbers" that provides detailed information about the current state and importance of America's commercial real estate industry.

Furthermore, we will be launching a new, modern, and functional website that is designed to serve as an efficient hub for both engaging and educating stakeholders on The Roundtable's mission, insights, and policy recommendations, as well as providing Roundtable members with easily accessible information. This new website replaces our aging previous site, and we are confident it will help us to better connect with our audience and achieve our goals.

Forward Together

The national issues we care about need industry input for their ultimate success. That's not just because these interests are central to the policy outcomes we desire but because the perspective of our collective voice always delivers a much-needed measure of practical implementation that can get lost in the policymaking process. **Years of hard work, your participation in our policy advisory committees, support of our political activities, and support of The Roundtable have helped change the perception of our industry and achieve considerable policy accomplishments in Washington.**

Thanks to your support, The Roundtable consistently punches above its weight in Washington.

Each year we measure our performance, and we are happy to report that we continue to see improvement across both parties. In fact, over the last year, The Roundtable has increased its "market penetration" by nearly 100%, with Republicans and Democrats reporting a 25% and 30% improvement, respectively, with respect to our "influence."

We are grateful for your support of The Roundtable, and we don't take your partnership for granted. Together, we'll continue to work with policymakers on both sides of the aisle to overcome today's challenges and advance our shared prosperity.

Policy Outreach

September 2022

Fall Roundtable Meeting featuring:

- Sen. Chuck E. Schumer (D-NY) – Majority Leader, United States Senate
- Rep. Patrick McHenry (R-NC) – Chairman, House Financial Services Committee
- Sen. Michael Bennet (D-CO) – Senate Finance Committee
- Sen. Mark Warner (D-VA) – Chairman, Senate Select Committee on Intelligence
- Dr. Austan D. Goolsbee – President of the Federal Reserve Bank of Chicago

Engineered Tax Services Webinar featuring Roundtable SVP Ryan McCormick

CBRE's The Weekly Take podcast featuring Roundtable SVP Duane Desiderio

(L-R): Rep. Patrick McHenry (R-NC) Ranking Member of the House Financial Services Committee, and RER Board Member Ross Perot, Jr., (Chairman, Hillwood), discussed affordable housing supply problems and steps to counter local NIMBY opposition.

October 2022

Urban Land Institute (ULI) briefing featuring Roundtable SVP Duane Desiderio

Roundtable SVP Ryan McCormick participated in NYU's Federal Tax Institute

Roundtable SVP Duane Desiderio lecture at NYU Schack Institute

Senate Majority Leader Chuck Schumer (D-NY) discusses passage of the Inflation Reduction Act.

November 2022

AFIRE Political Update featuring Roundtable SVPs Duane Desiderio and Ryan McCormick

ARDA Fall Conference featuring Roundtable CEO Jeff DeBoer

Blackstone ESG Summit featuring Roundtable SVP Duane Desiderio

Roundtable SVP Ryan McCormick participated in Association of CPAs Tax Institute

Roundtable SVP Ryan McCormick participated in NYU Federal Tax Institute

The Roundtable hosted its Fall RECPAC Meeting in NYC

Roundtable SVP Duane Desiderio briefing at Home Building Industry Research Labs

December 2022

Roundtable SVP Ryan McCormick engaged in AICPA's Real Estate Conference in Denver, CO

Roundtable SVP Chip Rodgers participated in the Urban Land Institute/McCoy Symposium

Roundtable SVP Duane Desiderio briefing to American College of Real Estate Lawyers

RER Roundtable Regional Meeting in Dallas, TX

January 2023

2023 State Of the Industry Meeting featuring:

- Francis X. Suarez – Mayor, City of Miami and President, U.S. Conference of Mayors
- Rep. Hakeem Jeffries (D-NY) – House Democratic Leader
- Rep. French Hill (R-AR) – Vice-Chair, House Financial Services Committee
- Sen. Katie Britt (R-AL) – Senate Appropriations Committee
- Sen. Robert Menendez (D-NJ) – Chairman, Senate Foreign Relations Committee
- Rep. Andy Barr (R-KY) – Chairman, House Subcommittee on Financial Institutions and Monetary Policy, U.S. House Financial Services Committee

House Democratic Leader Hakeem Jeffries (D-NY) discussed return to the workplace efforts and rebuilding the post-covid economy.

February 2023

Roundtable and Coalition Partners launched the Commercial Real Estate Diverse Supplier (CREDS) Consortium

Roundtable SVP Ryan McCormick participated in the AFIRE 2023 Winter Conference

March 2023

Roundtable SVP Chip Rodgers engaged in the University of Colorado Boulder's Real Estate Center Annual Forum

Roundtable SVP Ryan McCormick participated in the ISSA Clean Advocacy Summit

April 2023

RER Roundtable Regional Meeting in San Francisco, CA

Roundtable SVP Duane Desiderio participated in the Holcim Foundation Climate Summit at Columbia University

Roundtable SVP Duane Desiderio engaged in the Department of Energy's Better Buildings Summit

Roundtable CEO Jeff DeBoer featured on the Walker Webcast

Sustainable Policy Advisory Committee (SPAC) leadership meets with senior US-EPA climate policy officials

Spring Roundtable Meeting featuring:

- Kevin M. Warsh – Former Member, Board of Governors, The Federal Reserve System (2006-2011)
- Rep. French Hill (R-AR) – Vice-Chair, House Financial Services Committee
- Philip Swagel – Director, Congressional Budget Office
- Gina Raimondo – Secretary, U.S. Department of Commerce
- Sen. Tim Kaine (D-VA) – former Vice Presidential nominee

U.S. Secretary of Commerce Gina Raimondo discusses the importance of infrastructure and manufacturing investments in the U.S..

Commercial Real Estate By The Numbers

Breakdown Of Property Value By Sector[4]

Multifamily
$3.8T

Specialty, Sports, & Other
$3.4T

Office
$3.2T

Retail
$2.9T

Total Value of Commercial Real Estate
$18T - $22T

Industrial
$2.4T

Health Care
$2.3T

Hospitality
$1.6T

Towers
$.4T

Self-Storage
$.4T

Data Centers
$.2T

Commercial Real Estate Market Value[5]	$18-$22T Total value of America's commercial real estate (Q2 2021)	To put that into perspective, the value of America's commercial real estate is nearly 39%-47% of the market capitalization of all U.S. publicly traded companies
Real Estate's Contribution To GDP[6]	$2.3T 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 $2.3 trillion to GDP and generated $831.8 billion in personal earnings in 2022.
Real Estate's Contribution To The Workforce[7]	15.1M U.S. jobs supported by the real estate industry	These jobs include new commercial building development and operations of existing commercial buildings in 2022.
Real Estate's Contribution To The Tax Base[8]	$559B 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[9]	$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.

Tax Policy

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

Rational taxation of real estate assets and entities, grounded in the economics of underlying transactions, promotes job creation and responsible development. From the President's budget to infrastructure and energy legislation to the debt ceiling and deficit reduction, tax proposals are often central to the major economic policy debates in Washington.

Last year was no different as real estate-related tax increases were raised and considered in the context of the *Inflation Reduction Act (IRA) of 2022*, President Biden's signature economic legislation. In response, The Roundtable coordinated advocacy efforts across the industry, challenged specific proposals using fact-based research and analysis, and engaged lawmakers on a sustained basis with positive results. The final legislation dropped harmful tax provisions while simultaneously expanding tax incentives for productive investment in energy-saving building improvements.

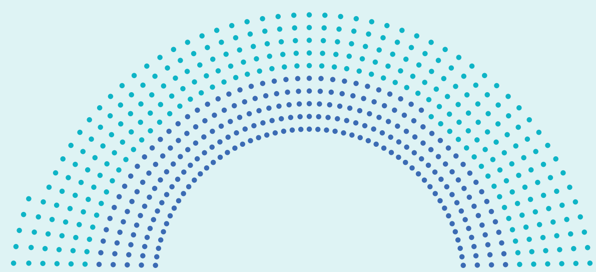
The Roundtable's tax policy efforts in 2022 and 2023 helped ensure lawmakers understood and appreciated the importance of tax rules that promote capital investment, preserve flexibility in the choice of entity, and support economic development and affordable housing.

Initial versions of tax reconciliation legislation included higher tax rates on capital gains and rental income, greater tax burdens on partnerships and pass-through businesses, and more restrictive rules on carried interest.

Working with industry partners and other stakeholders, The Roundtable demonstrated effectively how increasing capital gains taxes and reducing incentives for entrepreneurial risk-taking would adversely affect workers and communities. The final *Inflation Reduction Act* dropped tax increases that were squarely aimed at capital gains, real estate, and entrepreneurship but still generated an estimated $750 billion in deficit reduction through a combination of spending and revenue measures, such as a new minimum tax on large corporations and an excise tax on stock buyback transactions.

There is more work to do to ensure that new and recently elected lawmakers understand and appreciate the interconnection between real estate taxation, jobs, and communities. In 2017, Congress passed the most significant reforms to the federal tax code since 1986. Over the next few years, many of the reforms will expire, triggering new congressional deliberations over real estate-related tax rules.

Today, 80% of the majority members of the tax-writing committee were not privy to the key debates that decisively resolved several tax issues fundamental to real estate investment, development, and ownership.



237 current members of Congress (535 total) were elected to office after the enactment of the *Tax Cuts and Jobs Act (TCJA)*, and only 11 of the 43 members serving on the influential House Ways and Means Committee, were on the committee when it drafted and passed *TCJA*.

● = members elected after the TCJA

● = members who were present for the enactment of the TCJA

Chairman of the House Ways and Means Committee Rep. Jason Smith (R-MO) outlines the committee's recent tax proposals impacting commercial real estate.

Senate Republic Whip John Thune (R-SD) discusses monetary policy with Roundtable members.

Going forward, The Roundtable will continue educating lawmakers regarding the importance of long-standing tax rules related to capital gains, interest deductibility, like-kind exchanges, carried interest, partnerships and REITs, foreign investment, and much more. Our external research and analysis, the gathering and synthesis of credible data from industry leaders, and our continuous engagement with members of Congress and the administration will lay the foundation for another successful tax debate.

While our industry is preparing for another wide-ranging and consequential tax bill, we are working opportunistically to advance tax changes aimed at specific and immediate concerns, such as housing affordability, commercial-to-residential property conversions, Opportunity Zone tax incentive deadlines, REIT-related party rules, and others. We are also challenging misguided regulatory actions that threaten to reduce access to foreign capital for U.S. real estate and infrastructure investments.

Capital Gains/Unrealized Gains

The United States has traditionally taxed long-term capital gains at a lower rate than ordinary income (wages, rent, and other compensation). Today, long-term capital gains are taxed at a top rate of 20%, but the rate rises to 23.8% if the income is subject to the 3.8% tax on net investment 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. Congress must continue to encourage investment and job creation with a meaningful capital gains incentive.

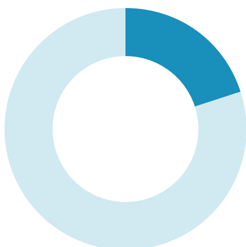
The administration has proposed nearly doubling the long-term capital gains rate and adding a new retroactive, annual minimum tax on the unrealized gains of wealthy taxpayers. Senior lawmakers, such as Senate Finance Chairman Ron Wyden, have introduced similar proposals to tax unrealized gains. By taxing business assets and investments annually, a "mark-to-market" tax on unrealized gains would remove one of the major incentives for patient, productive capital investment.

The Roundtable and other stakeholders were successful in persuading lawmakers to avoid raising taxes on capital investment (capital gains or unrealized gains) in the *IRA*, which passed in August 2022. However, The *IRA* did include a new corporate alternative minimum tax (CAMT), which levies a 15% minimum tax on the book income of certain large corporations. In March 2023, The Roundtable joined several other trade organizations in submitting comments to the IRS urging the administration to clarify that unrealized gains and losses should not be subject to tax under the new CAMT. This clarification would prevent patchwork rules that leave certain categories of unrealized gains and losses subject to tax.

Sen. Kyrsten Sinema (I-AZ) played a vital role ensuring carried interest provisions were not included in the Inflation Reduction Act (IRA) of 2022.

Like-Kind Exchanges

The ability to defer a capital gain through a like-kind exchange (LKE) is an essential element of the current tax system—dating back to 1921.



Close to 20% of all commercial real estate transactions involve an LKE.[10]

These exchanges are fundamental to the health and financing of our industry. They lower the cost of capital and spur investment, particularly during times of market volatility.

President Biden has repeatedly proposed restricting gains deferred through real estate like-kind exchanges to no more than $500,000 per year, or $1 million in the case of a married couple.

Ernst and Young and the Real Estate Like-Kind Exchange Coalition, which includes The Roundtable, partnered to produce a report detailing the importance of LKEs to the U.S. economy.

Economic Activity Supported By LKE Rules in 2021[11]

976,000	Jobs
$48.6B	In Wages and Benefits
$97.4B	Contributed to U.S. GDP

These and other studies have found that LKEs:

- 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

The Roundtable will continue raising the awareness of policymakers and the public regarding the understated contribution of like-kind exchange rules to jobs and business growth, housing affordability, and the economic well-being of local communities.

Partnerships & Pass-Through Taxation

Real estate is generally owned and operated through "pass-through" entities that allow income to pass through to individual owners rather than taxing the income at the entity level. Half of the country's four million partnerships are real estate partnerships. Closely held partnerships and pass-through businesses allow owners and investors with diverse interests and expertise to pool their resources by flexibly allocating the risks and rewards of the venture. In so doing, partnerships contribute to America's dynamic, entrepreneurial culture.

Estimated Employment, Income, and Output Effects of Real Estate Industry Partnerships and LLCs in the U.S.[12]

9,044,356

Employment- Workers

$518.5B

Labor Income

$896.8B

Value Added

$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.[13]

In 2017, Congress reduced the corporate tax rate by 40% and created a new 20% deduction (section 199A) for pass-through business income.

In the last Congress, an early version of tax reconciliation legislation would have raised the top marginal income tax rate on many small and pass-through business owners from 29.6% today to 46.4%. Specific tax increases in the House bill included capping the section 199A pass-through deduction, increasing the top ordinary income tax rates, expanding the net investment income tax, and creating a new surtax on incomes over $5 million. President Biden's current budget includes similar proposals. The Roundtable successfully made the case to lawmakers that these changes would create a historically high differential in the tax rates between pass-throughs and C corporations and put pass-through businesses at a competitive disadvantage. They were dropped from the final version of the *Inflation Reduction Act*.

The pass-through business income deduction is scheduled to expire at the end of 2025. The Roundtable is working with stakeholders to build the case for preserving an equitable playing field for partnerships and pass-through businesses by permanently extending section 199A.

Carried Interest

Carried interest is the interest in partnership profits a general partner receives for managing an investment and bearing the entrepreneurial risk of a venture. It is a vital tool that contributes to real estate capital formation and new housing development, productive risk-taking, and job creation.

In the last Congress, several members reintroduced legislation to recharacterize all carried interest income as ordinary income. Legislation passed by the House Ways and Means Committee would have extended the holding period required for carried interest to qualify as capital gains and would have made other substantive changes to carried interest rules unfavorable to general partners.

A 2021 study by USC Professor Charles Swenson drew on Roundtable-provided data and estimated the economic damage caused by increasing taxes on carried interest.

Long-Run Economic Impact of Carried Interest Legislation[14]

1.77M Real Estate-Related Job Losses

$11.22B Reduction in Federal Tax Revenue

$26.74B Reduction in State/ Local Tax Revenue

A Roundtable-led letter to Congress from 15 national real estate trade organizations last August warned lawmakers that new restrictions on carried interest would slow housing production, discourage the capital needed to re-imagine buildings to meet post-pandemic business needs, hamper job creation and create added uncertainty in an already confusing economic environment. The carried interest changes were dropped from the reconciliation bill before it passed the full House. An effort to add back the carried interest provisions in the Senate was rebuffed by key moderates such as Senator Kyrsten Sinema.

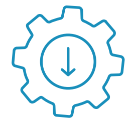
Step-Up In Basis

The United States levies a comprehensive estate tax at rates as high as 40% on a decedent's wealth and assets, including unrealized gains. Separately, for income tax purposes, the basis of assets in the hands of an heir is "stepped up" to fair market value at the time of the decedent's death.

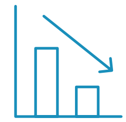
President Biden's budget would end the step-up in basis of assets and impose income tax on a decedent's unrealized gains at the time of death. By extending the income tax to a decedent's appreciated assets, the administration would double tax individuals when they die–first through an income tax on appreciated assets and second through the comprehensive estate tax. Such efforts would be punitive and confiscatory and force many family-owned and closely-held real estate businesses to liquidate.

Last Congress, The Roundtable and other members of the Family Business Estate Tax Coalition commissioned Ernst and Young to evaluate the economic consequences of eliminating step-up in basis. The report concluded that if step-up in basis were repealed, 40,000 jobs would be lost every year in the first 10 years after enactment, and GDP would decrease by $50 billion over the same period.

Impact of Repealing Step-Up in Basis[15]



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



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

The Roundtable is collaborating with a wide range of stakeholders to advocate for and support the fair and reasonable taxation of inherited wealth.

FIRPTA

The *Foreign Investment in Real Property Tax Act (FIRPTA)* imposes a discriminatory capital gains tax on foreign investments in U.S. real estate that does not apply to any other asset class. The *FIRPTA* regime discourages capital formation and investment that could be used to create jobs and improve U.S. real estate and infrastructure.

FIRPTA does not apply to foreign investment in a domestically controlled REIT. In December 2022, Treasury and the IRS released proposed regulations to redefine what constitutes a domestically controlled REIT and impose capital gains taxes, through *FIRPTA*, on legal structures that taxpayers have used for decades when planning real estate and infrastructure investments. REITs, previously exempt from *FIRPTA*, would be thrust, retroactively, into the discriminatory tax regime. Further, the rule could impair real estate's access to foreign capital at a critical economic juncture and undermine foreign investors' confidence in the stability and predictability of U.S. tax rules. The Roundtable submitted comments to Treasury urging the withdrawal of the proposed look-through rule. The Roundtable and others also wrote to the congressional tax-writing committees asking members of Congress to encourage Treasury and the IRS to withdraw the rule.

In addition, The Roundtable has supported bipartisan legislation in the House of Representatives to extend an important *FIRPTA* exception for foreign owners of publicly traded U.S. REITs to non listed REITs as well.

Opportunity Zones[16, 17]

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

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

↑$75 billion

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

$52 billion

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

1 million

people out of poverty and decrease poverty in OZs by 11%.

Housing is Leading the Way: Through March 2023, Opportunity Funds focused on building much-needed housing-either entirely or as a component of their business strategy-have raised over

$28 billion

in equity from investors, outraising other categories such as commercial, hospitality, and renewables.

The Roundtable is encouraging Congress to pass the bipartisan, bicameral *Opportunity Zones Transparency*, *Extension*, and *Improvement Act*, which would extend expired OZ deadlines and allow OZs to continue spurring investment and economic development. The legislation would also improve OZ reporting and transparency, helping ensure that OZs serve the needs of local communities and fulfill their original promise.

In addition, The Roundtable is working to advance other modest but meaningful tax changes that would create or preserve jobs, aid local communities, and boost investment and economic growth.

These measures include the bipartisan *Retail Revitalization Act*, which would help landlords keep retail businesses alive, and save jobs in the process, by liberalizing the REIT-related-party rules that taint rental income received by a REIT from a tenant with whom it has an equity or debt interest. They also include the bipartisan *Fair Accounting for Condominium Construction Act*, which would modernize the outdated percentage-of-completion tax accounting rules that discriminate against condominium construction. The bill would reduce the cost of building new housing, especially in high-cost areas where density is needed.

(R-L): Senator Bob Menendez (D-NJ) discusses FIRPTA legislation with RER President & CEO Jeffrey DeBoer.

Capital & Credit

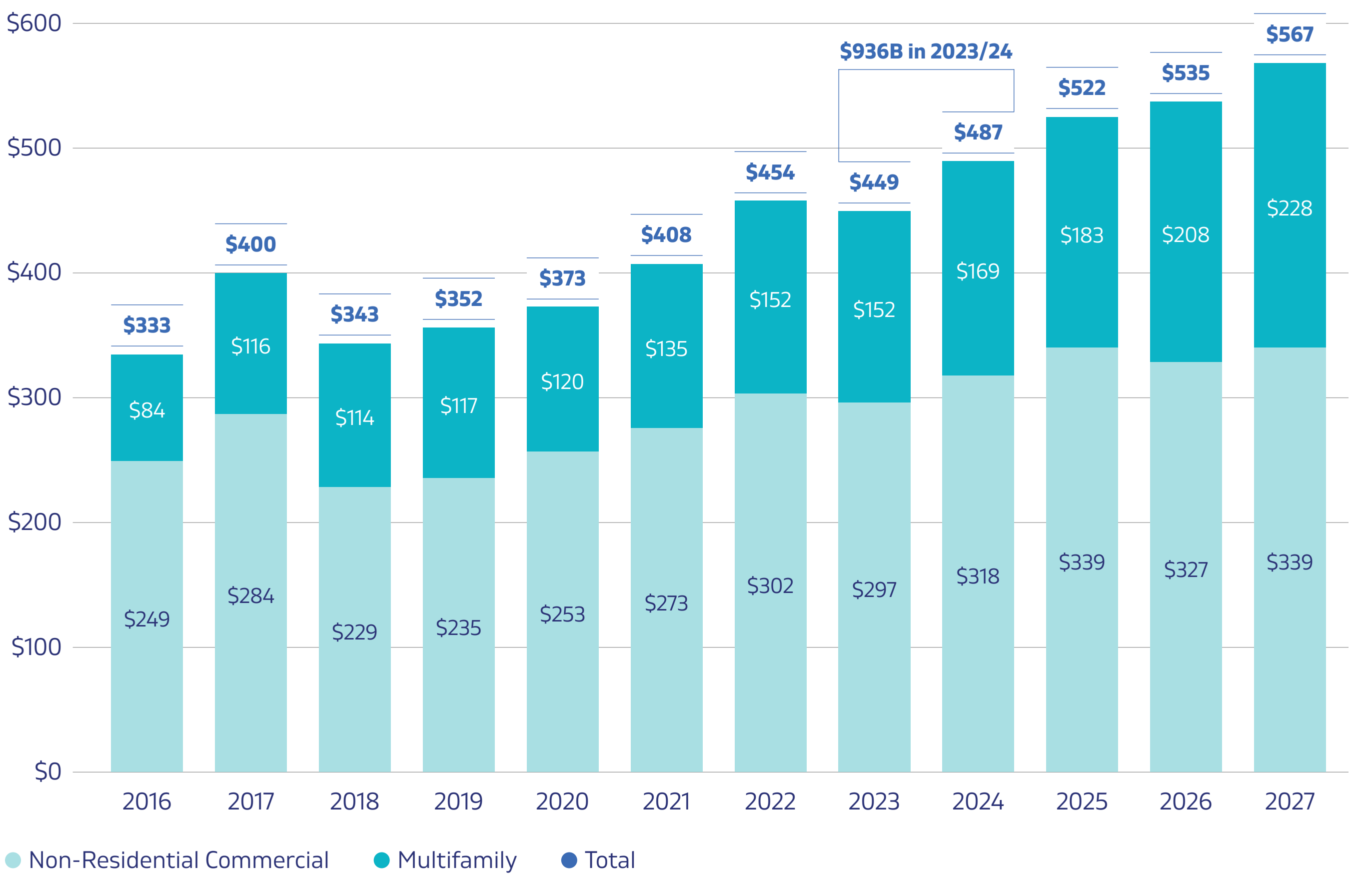
Reliable credit capacity and robust capital formation are essential for the real estate industry. Maintaining stable debt and equity real estate capital markets requires policies that minimize regulatory burdens, encourage stable market valuations, reflect appropriate transparency, and provide necessary systemic safeguards. In practice, real estate is an essential industry that is vital to job creation and supporting the broader economy.

Maintaining Financial Stability in the Face of Volatility

Amidst a rising interest rate environment and heightened turmoil in the banking system, some $1.5 trillion in commercial and multifamily loans are maturing over the next three years, over half of which is held by commercial banks.[18] The bulk of these loans were financed when base rates were near zero. They now need to be refinanced in an environment where rates are much higher, values are much lower and in illiquid markets. Further complicating market fundamentals and urban economics, continued remote work has stalled office space demand. The combination of these forces exerted pressure on liquidity and increased refinancing challenges for many commercial real estate assets. Further, the higher rate environment has raised concerns about valuations, as the Federal Reserve noted in a February 2023 meeting.

Real Estate Debt Maturities[19]

$1.458T of CRE & MF debt maturing in next three years (2023, 2024, and 2025)
Commercial Mortgage Maturities, 2016 to 2027



Vice-Chair of the House Financial Services Committee Rep. French Hill (R-AR) discussed economic issues and CRE, the banking system, and monetary policy.

In response to these risks, and to prevent further market turmoil, The Roundtable wrote to the federal bank regulators to immediately reestablish a debt restructuring program so that financial institutions have the flexibility to work constructively with borrowers. Such a program has been used successfully before in response to the 2009 financial crisis, during the heat of COVID and is not inconsistent with the 2022 proposed regulatory guidance. To address this problem, lenders need to be given the leeway by regulators to work with borrowers to develop responsible, constructive refinancing plans. Such actions would allow time for capital markets to stabilize and the private sector to develop solutions.

President and CEO, Jeff DeBoer and other members of The Roundtable's Board of Directors raised awareness of these concerns and called for potential solutions during multiple media appearances. The Roundtable will continue to analyze the impact of recent bank crises and other macroeconomic factors on commercial real estate as the situation evolves, and ensure we continue to advocate for increased flexibility to avert an unnecessary crisis.

Roundtable President and CEO Jeffrey DeBoer and National Multifamily Housing Council President Sharon Géno appeared on the Walker Webcast, hosted by Roundtable Member Willy Walker (Walker & Dunlop), to discuss capital concerns affecting commercial and multifamily markets.

Relieving Regulatory Burden on Real Estate Capital Formation (SEC Private Fund Advisers & Form PF)

In 2022, the Securities and Exchange Commission (SEC) proposed rules that would significantly overhaul the regulation of the real estate private fund industry. The intent of the proposed rules was to protect investors and monitor systematic risk. Specifically, the rules proposed amendments to Form PF reporting requirements for certain private fund managers and proposed new and amended rules under the Investment Advisers Act of 1940 that would impose new SEC and investor reporting requirements on certain private fund advisers.

While we generally appreciate efforts taken by the Commission to protect investors and monitor risk, our comment letters in March and April of 2022, expressed concerns over the compliance and operational challenges the rules would create as well as the potential negative unintended economic consequences, such as decreased capital formation and job growth.

On May 3, 2023, the SEC approved harmful amendments to Form PF reporting requirements for private fund managers. The Roundtable will continue to analyze how these changes affect private funds and commercial real estate.

LIBOR Transition

For decades, the London Interbank Offer Rate (LIBOR) served as the prevailing reference rate for financial contracts—including commercial real estate debt, mortgages, student loans, and derivatives—worth an estimated $350 trillion.[20] However, the benchmark expired at the end of 2021, introducing significant uncertainty to the commercial real estate industry and the broader economy.

Last March, Congress passed the Roundtable-supported *Adjustable Interest Rate (LIBOR) Act*, designed to provide an orderly transition for so-called tough legacy contracts that do not have clear and practicable provisions for replacing LIBOR. More recently, the Financial Accounting Standards Board voted to extend accounting relief to companies transitioning financial contracts from the LIBOR benchmark to an alternative benchmark such as the Secured Overnight Financing Rate (SOFR).

In December of 2022, The Federal Reserve Board adopted SOFR as the fallback benchmark rate to replace LIBOR in certain financial contracts after LIBOR is phased out on

June 30, 2023. The Roundtable and 17 national trade groups previously submitted letters to policymakers supporting these measures.

These actions will aid the smooth transition from LIBOR by giving borrowers and lenders the flexibility and support they need to replace the current benchmark without causing market disruptions. The Roundtable, through its Real Estate Capital Policy Advisory Committee (RECPAC), continues to engage with industry partners to support a smooth transition away from LIBOR and toward new alternative benchmarks.

Proposed Rules on Real Estate Investment Trusts (REITs)

A REIT is a company that owns, operates, or finances income-producing real estate. REITs provide an investment opportunity, similar to a mutual fund, that makes it possible for everyday Americans—not just Wall Street, banks, and hedge funds—to benefit from valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive, and revitalize. Commercial real estate historically has provided investors with portfolio diversification, inflation protection, a source of income, and long-term growth.

In July 2022, the North American Securities Administrators Association (NASAA) proposed revisions to its Statement of Policy Regarding Real Estate Investment Trusts. If adopted, the proposal could have unintended and unnecessary consequences of impeding real estate capital formation, undercutting economic growth, and weakening the strength and stability of U.S. real estate capital markets.

The Roundtable shares NASAA's goal of ensuring that the best interests of retail investors are served by their broker-dealers and investment advisers, and by the investment products that are made available to them. However, The Roundtable has concerns regarding the widespread economic impact of the proposal, the constraints that it would place on investors' ability to diversify their investment portfolios in highly regulated securities. In a September comment letter to the NASAA, The Roundtable highlighted:

- The proposal would impose arbitrary restrictions that would limit investor choice during a time of stock market volatility and high inflation. The concentration, net worth, and gross income limits would prevent many investors from attaining adequate portfolio diversification.
- The proposal does not provide any economic impact analysis on how its adoption may affect the affordable housing market, or the wider commercial real estate market.
- The proposal would also not only impact public non-listed REITs, but would indirectly limit the availability of other highly-regulated investment vehicles offered by leading asset management companies that support real estate and the broader economy, including the sponsors of mutual funds, exchange-traded funds, interval funds, tender offer funds, and business development companies.

The Roundtable urges the NASAA to withdraw the proposal.

Beneficial Ownership

In September 2022, the Treasury Department issued a final rule requiring companies to report information about their beneficial owners—persons who own at least 25% of a company or exert significant control over it. The rule is intended to strengthen national security by making it more difficult for nefarious groups and entities to use complex legal structures to launder money and commit other crimes that could harm Americans.

The Roundtable shares these goals; however, we've previously raised concerns to the department's Financial Crimes Enforcement Network (FinCEN) about how these rules would affect real estate transactions. Namely, such reporting requirements would unfairly burden law-abiding businesses with additional costs and legal burdens. At the same time, we emphasized the industry's commitment to providing law enforcement with the tools necessary to stop money laundering, terrorism financing, and other crimes.

The Roundtable is part of a broad coalition of business trade groups that supports a National Small Business Association legal challenge (*NSBA v. Janet Yellen*) on the constitutionality of the *Corporate Transparency Act*, the underlying beneficial ownership legislation, which became law in January 2021. The Roundtable continues to work with industry partners to address the implications of FinCEN's proposed rules and the impact they could have on capital formation and the commercial real estate industry.

Safe Harbor for Banks & Real Estate Firms that Do Business With Legal Cannabis-Related Businesses (CRBs)

Differences in federal and state cannabis policy leave banks and real estate providers trapped between their mission to serve lawful businesses in local communities and the threat of federal enforcement action.

The Secure and Fair Enforcement (SAFE) Banking Act would allow financial institutions to legally work with state-authorized cannabis-related businesses, while providing commercial property owners a safe harbor if they lease space to a state-approved cannabis-related business (CRB). Additionally, owners who lease space to CRBs under SAFE could finance their properties without repercussions from federal anti-money laundering statutes. If enacted, federally regulated banks would no longer face the threat of sanction simply by providing financial services to legitimate cannabis-related businesses (CRB).

The Roundtable is a long-standing supporter of the bipartisan legislation and our advocacy efforts remain ongoing.

EB-5 Reform

In March 2022, Congress passed the Roundtable-backed EB-5 Reform and Integrity Act ("RIA"). The law achieved a hard-won reauthorization and overhaul of the regional center program. The reforms give the U.S. a competitive edge to attract overseas investments that create American jobs on infrastructure and other development here at home.

Following the EB-5 reauthorization, The Roundtable and coalition partners urged House and Senate leaders to ensure that the federal agency overseeing immigration programs implements RIA in a manner that respects Congress's intent. The leaders' bipartisan, bicameral letter to Homeland Security Secretary Alejandro Mayorkas was submitted in the record of a successful lawsuit that ultimately affirmed the continued validity of previously designated EB-5 regional centers after RIA's enactment.

The Roundtable remains involved to ensure RIA's correct implementation and proper oversight. Our February 9, 2023 coalition letter seeks confirmation that the period to sustain EB-5 capital remains "coupled" with the term of an investor's conditional residence. We will continue to press policies that support the role of bona fide regional centers to help grow the U.S. economy and create jobs.

(L-R): RER SVP Chip Rodgers and Rep. Andy Barr (R-KY), shared his insights on capital and credit issues as chairman of the House Financial Services Subcommittee on Financial Institutions and Monetary Policy.

In addition to these issues, The Roundtable will continue to work with our partners to advocate for the development of an effective federal public-private backstop program for prospective pandemic risk insurance coverage, as well as the long-term reauthorization of the National Flood Insurance Program (NFIP).

The Roundtable will continue to support measures that boost the availability of credit and enhance the formation of capital in the commercial and multifamily real estate industry, particularly during these times of market uncertainty.

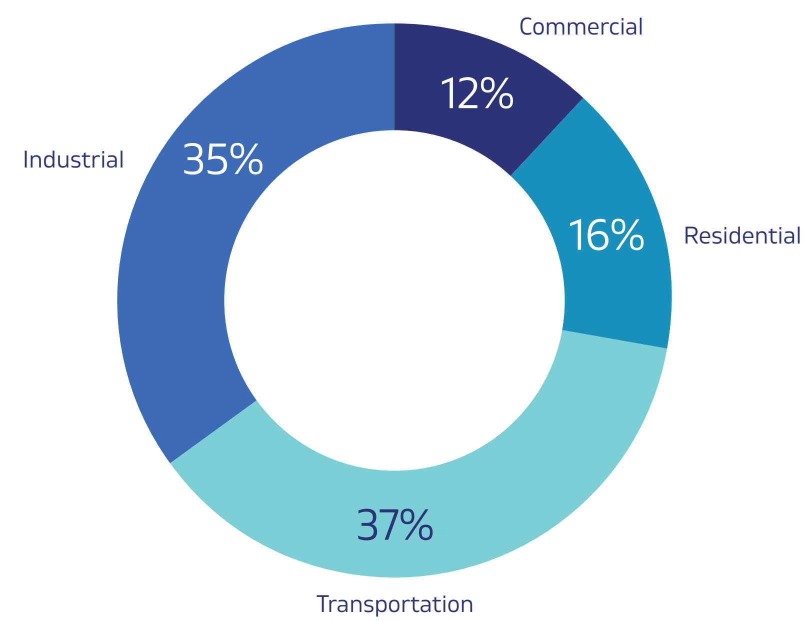
Energy & Climate

Reducing the built environment's carbon footprint is requisite to avoid, minimize, and mitigate the health, environmental, and economic risks posed by climate change. Federal data reports that the commercial and residential sectors account for 28% of all U.S. energy consumption, and are responsible for 13% of total direct U.S. GHG emissions.

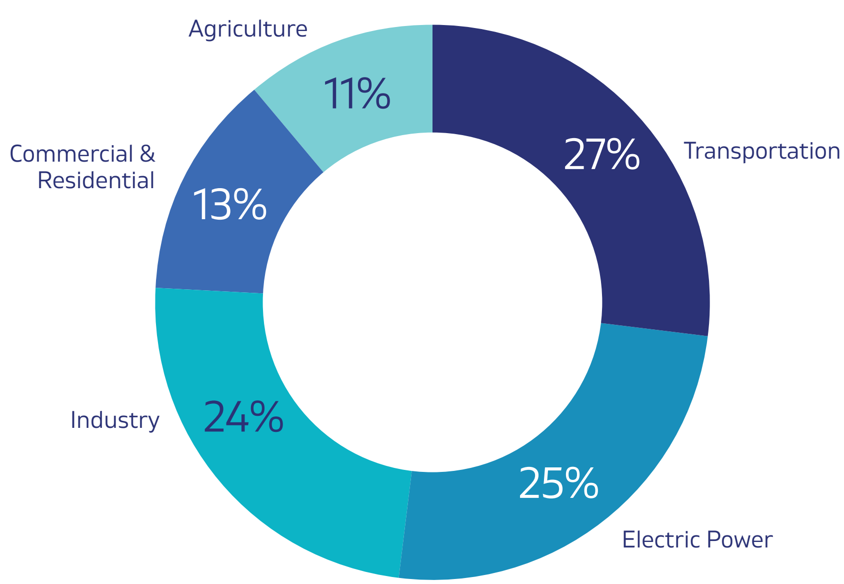
Thus, our industry plays a critical role in meeting climate goals that will secure a sustainable future.

Policies that promote cost-effective investments to optimize building energy efficiency, increase the nation's supply of renewables, and green the electric grid will help us achieve that vision.

U.S. Energy Consumption By Sector, 2021[21]



Total U.S. Greenhouse Gas Emissions By Economic Sector In 2020[22]



Clean Energy Tax Incentives

The *Inflation Reduction Act (IRA)*, signed into law by President Biden in August 2022, is a historic $370 billion investment to tackle the climate crisis. The legislation provides a suite of tax credits and deductions intended to leverage private sector capital in clean energy technologies—with overarching aims to reduce CO_2 emissions by roughly 40% by 2030 and achieve a net zero emissions economy by 2050.

The Roundtable has encouraged Congress for years to make clean energy tax incentives more usable for building owners, managers, and financiers—and more impactful to help meet national greenhouse gas (GHG) reduction goals. Congress included a number of our key recommendations in the *IRA*, reforming incentives relevant to U.S. real estate such as:

Section 179D
A deduction to help make commercial and multifamily buildings more energy efficient

Section 48
A credit to encourage investments in solar, power storage, dynamic glass, grid interconnections, and other "clean energy" technologies sited at buildings

Section 30C
A credit to incentivize the installation of EV charging stations

Section 45L
A credit to incentivize energy-efficient new residential construction, including multifamily

Notably, the *IRA* codified provisions supported by The Roundtable to create a market for companies to buy and sell some of these tax credits. Entities (such as REITs) that historically have lacked the appetite to benefit from credits for solar panels or EV charging stations now have the option to monetize these incentives by transferring them to non-related contractors, service providers, and tenants.

Since the *IRA*'s passage, The Roundtable has engaged in a deep analysis of the law and participated in numerous educational sessions to inform our industry on opportunities for tax incentives to defray the costs of expensive clean power projects. Our most up-to-date *IRA* fact sheets are found on our website www.rer.org/policy-issues/rer-policy-toolkits.

We have also engaged with federal agencies to encourage rapid and effective implementation of the *IRA*'s provisions. In November 2022, we submitted extensive comments to the IRS and Treasury urging them to clarify important questions to support real estate companies' compliance in claiming the various incentives. Further comments sent in December 2022 focused on the credit for EV charging stations, and a January 2023 letter to EPA urged the agency to implement IRA grant programs in a manner that creates consistent and harmonious GHG reduction rules on real estate. In addition, we have invited the Energy Department to educate our members on case studies explaining how the solar credit works with accelerated and bonus depreciation, and how to prepare "retrofit plans" to support claims for the 179D deduction in the context of existing building upgrades and conversions.

The Roundtable will continue to work with our members and partners in the public & private sectors to ensure that real estate businesses may take full advantage of *IRA* tax incentives and work towards a green, low-carbon future.

(L-R): RER SVP Duane Desiderio, RER Board Member and Sustainability Committee (SPAC) Chair Anthony Malkin (Empire State Realty Trust, Inc.), and RER SVP Ryan McCormick lead a discussion on how the IRA's "clean energy" tax incentives impact CRE investments.

Reporting on Climate Risks

In March 2022, the Securities and Exchange Commission (SEC) proposed a rule on climate-related disclosures that, if finalized, would merge financial reporting with environmental risk reporting in annual 10-Ks and other filings. The SEC's proposal would compel registered companies to measure and disclose their direct GHG emissions (Scope 1) and emissions attributable to electricity purchases (Scope 2). Most controversially, the SEC proposed that issuers must report on indirect Scope 3 emissions in their value chains "if material." The problem is that Scope 3 emissions sources are typically beyond the ability of a reporting company to control. For example, real estate companies frequently lack the data or ability to control "value chain" emissions attributable to their tenants in leased space operations, or emissions arising from the manufacture of products and materials they must procure to run their businesses and construct new projects.

Sen. Michael Bennet (D-CO) has played a key role in RER energy policy initiatives throughout the years, including the ENERGY STAR program.

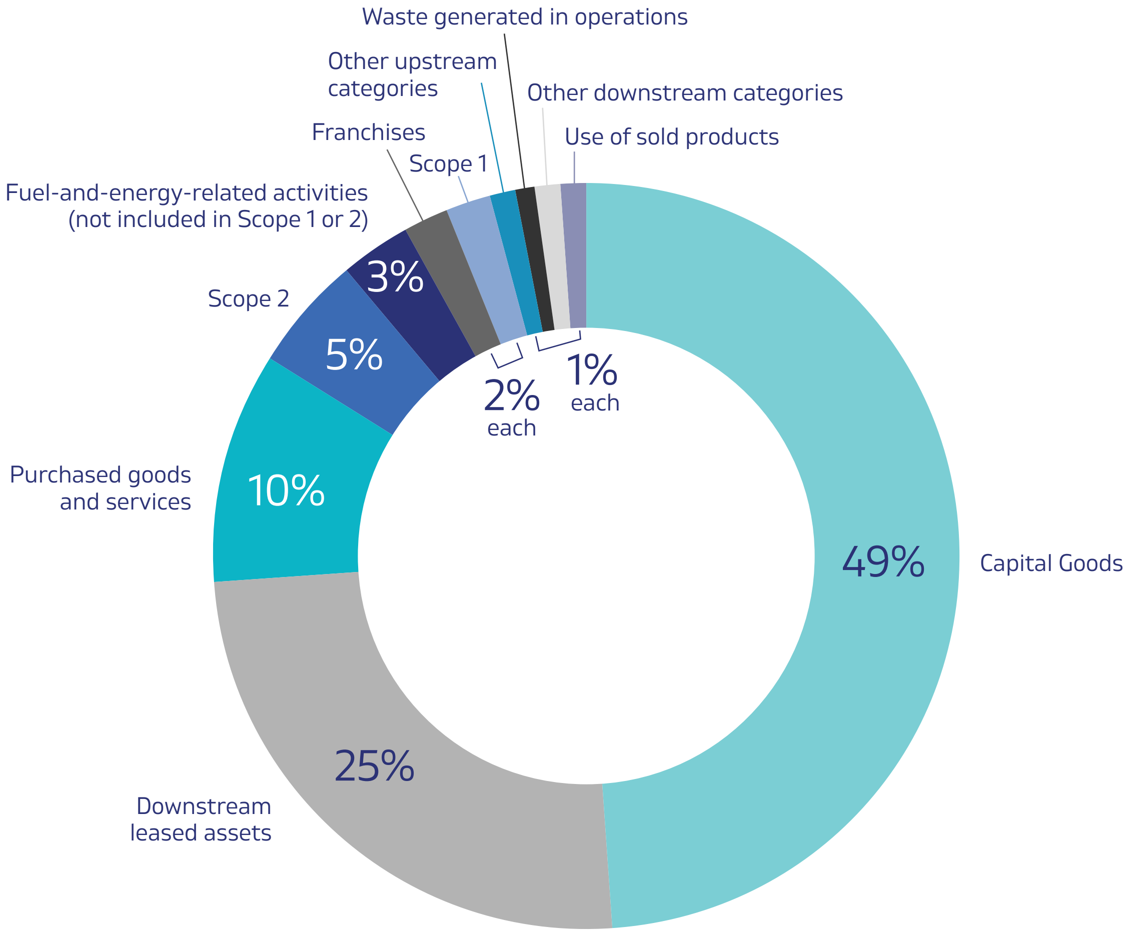
The overwhelming majority of real estate companies' emissions are from indirect Scope 3 sources in their supply chains—that they generally do not control.

In response, The Roundtable submitted comments to the SEC that highlighted the impracticalities and shortfalls of key aspects of the proposed rule.

Our comments stressed that:

- Registered companies should *not* be required to report on emissions from sources they do not own or control.
- There should be no Scope 3 reporting "mandate."
- The SEC should wait until a registrant has a full year of "actual" data before requiring emissions disclosures.
- The SEC should provide a "safe harbor," that insulates against liability for emissions calculated with U.S. government data and tools.
- Financial risks from severe weather events should be subject to "principles-based" reporting—as opposed to one-size-fits-all "prescriptive" rules.

Real Estate Sector Estimated Total Scope 1+2+3 Emissions[23]



The SEC received over 15,000 comments on the proposed rule from various stakeholders, including both Democratic and Republican Members of Congress. Earlier this year, Chair Gensler acknowledged that the "Scope 3" reporting rule practices are not "well-developed," and that "adjustments" to the proposed rule were likely. Several reports confirm Gensler's comments and explain the challenges real estate and other companies face to quantify indirect GHG emissions.

A final SEC rule is expected this year. The Roundtable will continue to advocate for fair and reasonable climate reporting on financial risks that real estate owners, managers, and developers can accurately quantify to benefit their investors.

Building Performance Standards

States, cities, and other localities are increasingly passing laws and ordinances that impose regulatory mandates known as Building Performance Standards (BPS) to reduce GHG emissions and energy consumption. BPS laws can require asset owners to pay for energy efficiency "retrofits," electrification projects, and install solar panels or other clean energy technologies. An owner could pay fines or penalties if they fail to meet mandated levels by a BPS's prescribed deadline.

More than 35 jurisdictions have joined the Biden administration's National BPS Coalition, committing to enact climate regulations on buildings by Earth Day 2024. Congress has never passed a federal-level BPS law on private buildings. As a result, a state and local patchwork of different regulations exists–complicating the compliance burden on real estate owners and managers with nationwide portfolios.

The Roundtable has consistently advocated for voluntary, standardized federal guidelines—like those released by the White House for federally-owned buildings—to harmonize the confusing system of local BPS laws.

Our Sustainability Policy Advisory Committee (SPAC) has collaborated with federal agencies for years to develop climate-related building standards that are attainable, cost-effective, and within a building owner's control to achieve. SPAC advocacy over the last year has:

- Informed and encouraged EPA's federal recommendations emphasizing on-site reductions of energy usage and direct GHG emissions in the context of BPS mandates;
- Advised EPA through January 2023 comments that IRA grant authorities should support technology solutions for utilities to provide aggregated "whole building" energy data to owners of multi-tenant assets;
- Served as an "ally" to support DOE's *Better Climate Challenge*—a voluntary "pledge" that includes Roundtable members as "partners" who have committed to reducing portfolio-wide scopes 1 and 2 emissions by at least 50% within 10 years.
- Urged U.S. EPA's ENERGY STAR program to provide federal-level tools for building owners to achieve state/local BPS compliance.

Voluntary EPA "NextGen" Label for Low-Carbon Buildings

2022 marked two decades of EPA's ENERGY STAR Commercial Buildings program.

30%

A retrospective report marking the anniversary of ENERGY STAR found that the overall stock of U.S. office buildings has become 30% more energy efficient since 2000.[24]

In February, the EPA opened a comment period for the proposed ENERGY STAR NextGen certification, a voluntary public-private partnership program that would recognize low-carbon buildings. ENERGY STAR NextGen will encourage the use of renewable energy, and the electrification of U.S. commercial and multifamily buildings by allowing companies to highlight buildings that go beyond top efficiency performance, and reduce their GHG emissions.

The Roundtable's SPAC formed a working group that delivered comments in March on EPA's NextGen. Our comments suggested refinements to NextGen, including:

- Efficiency
  Low-performing buildings that significantly and demonstrably reduce energy use should be eligible for the NextGen label.
- Renewable Energy
  Allow the proposed renewable energy use requirement to adjust over time to reflect the electric grid's progress toward decarbonization.
- GHG Reductions
  Include GHG "intensity targets" that reflect a building's unique weather conditions by a factor known as heating degree days.
- Renewable Energy Certificates (RECs)
  Use NextGen recognition to provide guidance on corporate accounting for REC purchases and enhance credible claims on the environmental benefits from offsite clean power procurement.

The Roundtable further advised EPA that it should conduct a pilot of the low-carbon label with private and public building owners before broad release to U.S. real estate markets. We will continue our efforts to help refine NextGen in the coming months.

Healthy Buildings

As the COVID pandemic officially nears its end, an estimated 72% of office workers worldwide worry about air quality in their buildings—emphasizing the importance of improved ventilation, filtration, and air cleaning.[25]

In October, the White House organized a Summit on Indoor Air Quality (IAQ) that unveiled a "challenge" for building owners to pledge to:

1. Enhance air filtration
2. Optimize fresh air ventilation
3. Create a clean indoor air "action plan
4. Communicate IAQ practices with building occupants

The Roundtable continued its role as a leader of the Healthy Workplaces Coalition, formed in May 2022. The group's goal is to promote and advocate for policies that assist businesses and organizations to implement health and safety improvements in the built environment.

In December, The Roundtable responded to an EPA request for information about IAQ measures. The Roundtable believes that a voluntary public-private partnership federal recognition program that commends leadership in IAQ design and management could be a key component of return-to-work efforts.

Chairman of the Senate Committee on Energy and Natural Resources Joe Manchin (D-WV) discussed the benefits of a bipartisan approach to legislation.

As a voice for the industry, The Roundtable will continue to advocate for national guidelines, standards, and data to aid the economy's transition toward decarbonization.

Homeland Security

Real estate is a critical part of the nation's infrastructure. Today the industry faces an array of threats from natural catastrophes, international and domestic terrorism, criminal activity, cyber-attacks, and more.

The Roundtable prioritizes strengthening the security and resilience of the commercial facilities sector as it is essential to safeguarding any facility where people live, work, shop, and play.

HSTF and RE-ISAC

Through increased cross-agency information sharing and cooperation with key law enforcement and intelligence agencies, The Roundtable's Homeland Security Task Force (HSTF) and Real Estate Information Sharing and Analysis Center (RE-ISAC) remain focused on measures that businesses can take to address these issues, including risk mitigation measures that increase resilience and resistance to physical damage and cyber breaches. Through these bodies, The Roundtable acts as a convener between public and private sector entities to address some of the most pressing security issues facing our country.

Among the HSTF's activity, the group held a virtual meeting ahead of the 2022 midterm elections where members heard from government experts and discussed the potential for political violence and cyberattacks while sharing resources and mitigation strategies.

HSTF and RE-ISAC meet regularly and continue to work closely with federal, state and local officials on potential cyber and physical threats to our industry, organized criminal activity, and work against the misuse of commercial real estate assets in the subversion of domestic or international law.

Cyber and Physical Threats

Growing geopolitical conflicts have raised security concerns about cyberattacks and exposed existing vulnerabilities in the nation's cybersecurity regime, heightening the necessity to build robust domestic defense systems.

$9.44M

average cost of a breach in the U.S., the highest of any country, and a 4.3% increase from 2021[26]

↑57%

Increase in cyberattacks in the U.S. between 2021 and 2022[27]

The real estate industry is particularly vulnerable to cyber attacks, which are growing increasingly common. In response, Congress and federal agencies have mandated or proposed many new cyber incident reporting requirements for critical infrastructure and public corporations.

In May 2022, The Roundtable, alongside its partners in the Coalition to Insure Against Terrorism issued a comment letter pointing out gaps in the current terrorism insurance program related to cyber terrorism. For years, The Roundtable has advocated for a policy that creates more insurance protection against these kinds of attacks.

In June 2022, the Government Accountability Office officially recommended an assessment of the need for an insurance backstop for digital attacks on critical infrastructure, and in September, the Treasury and Cybersecurity and Infrastructure Security Agency asked for comments on the structure and scope of a potential National Cyber Insurance Program.

While the path for federal legislation remains uncertain, The Roundtable will continue to help strengthen information sharing and threat analysis capabilities between public and private entities while ensuring any cyber incident reporting legislation creates a compliance mechanism that provides affected businesses with clarity in reporting, encourages public-private cooperation, and limits legal liability.

Planning for Significant Events

As part of the *2021 National Defense Authorization Act (NDAA)*, Congress mandated that the president develop a Continuity of the Economy Plan (COTE) to maintain and restore the economy of the United States in response to a significant event. Among other things, the plan requires an analysis of U.S. distribution and supply chains to identify the critical economic actors and functions that must be operational if the U.S. is to maintain its defense readiness, public health, and national security.

The Roundtable's focus is on the Commercial Facilities (CF) Sector and the potential impacts on real estate from a wide-scale event.

Given the crucial role that the commercial facilities sector plays in facilitating interaction and communication with critical infrastructure owners, operators, and relevant stakeholders, The Roundtable is including key partners in our discussions with the COTE Project Team to provide insights and input on the COTE scoping effort from our community.

The Roundtable will continue aiding efforts by CISA's National Risk Management Center to develop the COTE plan.

Sen. Mark Warner (D-VA) serves as Chairman of the Select Committee on Intelligence.

Working with federal security agencies through HSTF and RE-ISAC to fortify critical infrastructure, supply chains, and other commercial real estate assets against all threats will continue to be a top priority of The Roundtable.

Infrastructure, Affordable Housing & GSE Reform

The connection between functioning communities, productive real estate, and reliable infrastructure is patent. Our nation's ability to remain globally competitive depends on continued public and private sector investments in infrastructure.

We also urgently need more housing. The United States is facing a severe shortage of affordable housing, with an underbuilding gap totaling more than 3.8 million housing units—undermining economic growth, driving up prices, and making it more difficult for all individuals to find safe, affordable housing. Innovative policy solutions and incentives to develop and rehabilitate new housing are central to closing this gap.

Targeted and Actual U.S. Housing Stock[28]

	2018			2020		
Housing (in millions)	Actual	Target	Gap	Actual	Target	Gap
Households	121.2	122.5	1.3	125.8	126.2	.4
Vacant Units	17	18.3	1.3	15.4	18.9	3.5
Housing Stock	138.3	140.8	2.5	141.2	145	**3.8M**

Note: Totals may not add up due to rounding.

These 3.8 million units are needed to not only meet demand, but also to maintain economists' target vacancy rate of 13%. Between 2018 and 2020 the gap in our housing stock increased by approximately 52%.

Sen. Katie Britt (R-AL), a member of the Senate Banking, Housing & Urban Affairs committee discussed affordable housing policy with Roundtable members.

Infrastructure Implementation

In November 2021, President Biden signed into law the bipartisan Infrastructure Investment and *Jobs Act (IIJA).*

The *IIJA* allocates $550 billion in new spending to improve the nation's "physical" infrastructure (transportation, water, sewer, electric grid, and broadband systems). The Roundtable strongly backed the *IIJA* as it moved through the legislative process. The law is a down payment on the long-term investments our country must make to productively move people, goods, power, and information from home to work, business to business, community to community, and building to building.

Throughout 2022, the administration focused on getting the *IIJA* money "out the door." It has developed a guidebook focused on spending for transportation, energy, and broadband infrastructure for states and local governments to apply for federal grants, loans, and public-private partnership resources under more than 375 programs across federal agencies. The Biden administration has also developed an "Action Plan for Accelerating Infrastructure," which details federal policy initiatives for new infrastructure projects and efforts to ensure that those projects are completed "On-time, On-task, and On-budget."

The Roundtable continues to support the *IIJA*'s rollout. It is a crucial measure to keep our job markets robust, enhance productivity—and provide the roads, bridges, tunnels, mass transit, water pipes, broadband, and power grid systems needed to sustain healthy communities.

Housing Tax Incentives and Property Conversions

In many parts of the country, there is a severe shortage of affordable and workforce housing. Supply constraints, often related to restrictive state and local policies, exacerbate the problem. The impact of this growing undersupply of affordable housing is far-reaching and undermines economic growth—particularly in urban areas.

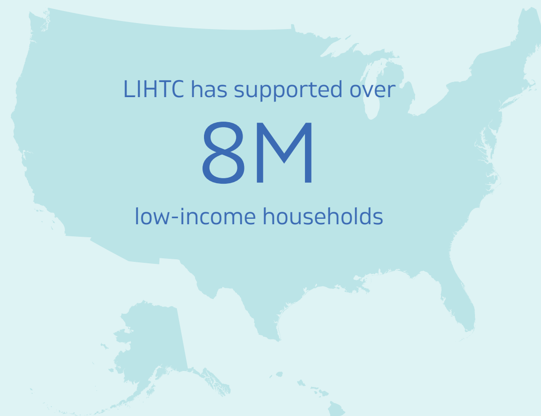
In the last Congress, The Roundtable promoted greater housing affordability by supporting smart policies that incentivize builders, developers, and owners to build more affordable housing for low-and middle-income tenants.

Miami Mayor Francis X. Suarez speaks to Roundtable members at the 2023 State of the Industry meeting.

Housing Tax Incentives

Fundamental tax incentives, like the Low-Income Housing Tax Credit (LIHTC)—regarded as one of the most successful public-private partnership programs in history—help increase the nation's stock of affordable, workforce, and market-rate housing.

Since its inception, the LIHTC has financed the development of nearly 3.7 million affordable rental homes, supporting over 8 million low-income households.[29]



Despite this success, recent congressional hearing attention, some bipartisan support, and The Roundtable's best efforts, policymakers have been reluctant to expand the program in recent years.

In March, the White House released its FY 2024 budget, which included $59 billion to increase the supply and availability of affordable housing, as well as $10 billion "to incentivize state, local, and regional jurisdictions to make progress in removing barriers to affordable housing developments, such as restrictive zoning." President Biden's budget includes an expansion of LIHTC and a new tax credit for the development of affordable, owner-occupied housing.

The Roundtable has long supported and will continue advocating for the expansion of well-designed, targeted tax incentives like the LIHTC that are aimed at boosting the construction and rehabilitation of sorely needed affordable and workforce housing. Bicameral, bipartisan legislation such as the *Affordable Housing Credit Improvement Act* would help reduce housing costs by expanding the supply and affordability of rental housing.

Property Conversions

The COVID-19 pandemic and the rise of remote work have dramatically changed the landscape for offices and other commercial properties. Where appropriate, the conversion of underutilized buildings to residential use can be a cost-effective means to develop new housing, create jobs, and generate critical sources of local property tax revenue while saving energy and reinvigorating communities. The Roundtable recently developed a broad-based industry coalition to promote the creation of a meaningful new federal tax incentive to stimulate commercial-to-residential property conversions.

In Q1 2023, the average office vacancy rate in the U.S. national market stood at 18.6%—5.9 percentage points higher than Q4 2019, according to Cushman & Wakefield.[30]

12.7%	↑	18.6%
Q4 2019		Q1 2023

While many major cities have embraced adaptive reuse projects, conversions continue to be a small share of the overall picture, facing a range of obstacles including permitting bottlenecks, property acquisition, development review, toxic contamination, property age and code conformance, and local "Not In My Backyard" (NIMBY) sentiment.

The *Revitalizing Downtowns Act* would create a new tax credit, based on the historic rehabilitation credit, for the conversion of office buildings. In October 2022, a Roundtable-led coalition of 16 national real estate organizations recommended certain enhancements and expansions to the bill including expanding the category of properties eligible for the credit to various types of commercial buildings, such as shopping centers and hotels. Going forward, The Roundtable will continue urging Congress to move forward with a property conversion incentive to help realign the supply of real estate assets with current needs.

Illustrative office-to-residential conversion.

Land Use and Permitting Reforms to Reach Housing and Climate Policy Goals

Excessive land use regulations hinder housing construction and worsen the affordability crisis. Aside from financial incentives, hastening the permit approval process must be a critical part of any policy package aimed to increase affordable housing supplies.

Of course, zoning and land-use reviews are state and local government prerogatives. However, Congress and the administration should and must do more to incentivize localities to adopt Yes-In-My-Backyard ("YIMBY") policies that result in approvals of transit-oriented development. Whether grant dollars come from the U.S. Departments of Housing, Transportation, or some other arm of the Executive Branch, federal funds should be closely connected to local "value capture" techniques that capitalize on increased property values that typically accrue from high-density projects located near mass transit hubs.

In this regard, The Roundtable will continue to urge Congress to pass measures like the *Housing Supply and Affordability Act*, the *Build More Housing Near Transit Act*, the *YIMBY Act*, and the *Better PLAN Act*. These measures encourage more housing supply rather than subsidizing demand with financial incentives at a cost to taxpayers.

Duplicative and unnecessarily burdensome permit requirements also impede the nation's ability to address climate goals. Long-distance, high-voltage transmission lines must be constructed at a more rapid pace to bring solar, wind, and other forms of renewable energy generated in rural areas to our cities and suburbs.

Yet, when these projects cross state borders, there is no clear federal authority to permit them. The pace at which our country shifts toward carbon-free energy will accelerate if Congress gives the Federal Energy Regulatory Commission (FERC) the ability to swiftly approve the construction of interstate electricity transmission lines determined to be in the national interest. Congress should pass the energy-permitting reforms long championed by Senate Energy Committee Chairman Joe Manchin (D-WV) to spur our economy's clean energy transition.

GSE Reform

The government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac—the primary funding sources for housing in the U.S.—have been in conservatorship for over a decade while debate over reforms continues.

To increase our housing supply, GSEs must expand support for underserved areas and mortgages to aid low- and moderate-income families with home ownership and rental housing. However, successful reform must appropriately balance taxpayer protections and establish an efficient marketplace with a strong, efficient, and sustained financing environment for homeownership, rental housing, and sustained mortgage liquidity.

In October 2022, the White House announced it would reform and streamline Fannie Mae's and Freddie Mac's Forward Commitment programs, which allow developers to secure financing to pay off a construction loan when construction has been completed and the housing project has been approved for occupancy. Each GSE will be able to provide $3 billion in Forward Commitments per year—above and beyond the multifamily purchase cap.

While some policymakers have privately indicated at Roundtable meetings that GSE reform isn't necessarily a top priority for Congress, The Roundtable will remain active in the conversation about reforming Fannie and Freddie.

The Roundtable will continue to be a staunch advocate for innovative solutions that help bolster the supply of affordable housing and ease the bottlenecks hampering improvements to our nation's critical infrastructure.

Director of the Congressional Budget Office Philip Swagel talks to Roundtable Members about the debt ceiling and the economy at The Roundtable's 2023 Spring Meeting.

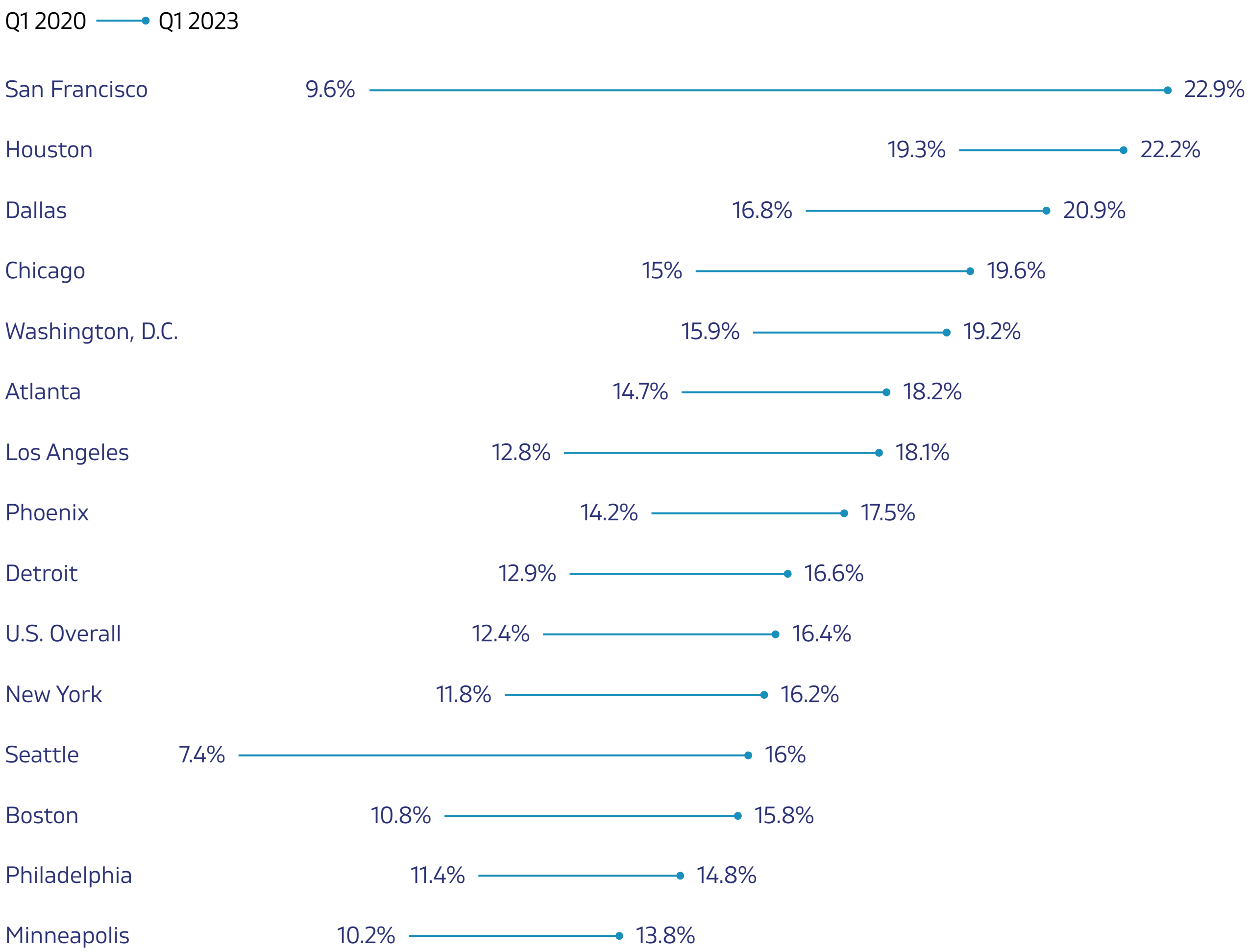
Roundtable Initiatives

Return To The Workplace

The COVID-19 pandemic spurred the widespread adoption of remote and hybrid work policies for both private and public sector employees. In many cases, these policies have remained commonplace even after the pandemic subsided. As a result, fewer employees have returned to the physical workplace, resulting in increased vacancies, decreased building valuations, and lost economic activity and tax revenue for cities and communities. Over the last year, The Roundtable has aggressively urged federal officials to lead by suspending telework policies and returning federal agencies to their pre-pandemic workplace practices.

In NYC alone, remote work has led to $12.4 billion in decreased spending around offices—meaning fewer revenues for small businesses and the city, which could force cuts to municipal services such as police, fire, sanitation, and schools.[31]

Change in the share of rental office space available in select U.S. cities[32]



(L-R): RER President & CEO Jeffrey DeBoer and RER Chair John Fish (SUFFOLK).

In December 2022, Roundtable Chairman John Fish and Roundtable President and CEO Jeffrey DeBoer urged President Biden

“to direct federal agencies to enhance their consideration of the impact of agency employee remote working on communities, surrounding small employers, transit systems, local tax bases, and other important considerations.”

In January 2023, the House of Representatives passed a Roundtable-supported bill, the *SHOW UP Act*, which would require all federal agencies to reinstate their pre-pandemic telework policies and practices until the agency has (a) studied the impact of telework on its mission, customer service, and costs and (b) submits its OPM-certified internal review and prospective telework plan to Congress.

In April 2023, The Roundtable wrote to all 100 Senators and stated that “[i]nstead of aggressively promoting work-from-home arrangements for federal workers, the federal government should help facilitate a smooth, market-based transition to the new era.”

Our advocacy and efforts generated results. Not long after the April letter, the White House Office of Management and Budget informed federal agencies that they had 30 days to develop plans to “substantially increase” their employees’ in-person work at headquarters. More recently, the White House Office of Personnel Management announced that it was ending its “maximum telework” directive to federal agencies.

The federal government’s actions are an important signal for all employers. The Roundtable will continue to oversee and monitor the federal government’s progress in returning to the workplace.

Equity, Diversity, and Inclusion

We've made significant progress to address environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI) objectives for the commercial real estate industry. A growing number of real estate companies seek to advance and quantify ESG and DEI goals through investor reporting, talent recruitment, and community goodwill initiatives.

In January 2023, The Roundtable and six other national real estate trade associations established the Commercial Real Estate Diverse Supplier (CREDS) Consortium. The CREDS Consortium is a first-of-its-kind alliance to expand economic opportunities for businesses historically under-represented as contractors, vendors, service providers, capital providers, and other suppliers to the real estate industry.

CREDS Partner Organizations

The Real Estate Roundtable

NMHC National Multifamily Housing Council

NAIOP Commercial Real Estate Development Association

MBA Mortgage Bankers Association

CREW Network

Nareit Real estate working for you

ICSC Innovating Commerce Serving Communities

CREDS launched a two-year pilot program (through the end of 2024) with SupplierGATEWAY, a leading supplier management software platform and minority-owned firm that automates and simplifies supplier and vendor management functions.

Members of The Roundtable and our CREDS Association allies can subscribe to SupplierGATEWAY's software platform at a discounted price for the duration of the two-year pilot. The initiative can help hiring companies identify and track procurement spending on supplier businesses owned by minorities, women, veterans, LGBTQ+ persons, and persons with disabilities.

Studies indicate a nexus between corporate DEI initiatives and better financial performance, and that closing legacy economic inequality gaps can add trillions to U.S. GDP. Social imperatives and the business case to expand opportunities for minority- and women-owned businesses (MWBEs) drove The Roundtable to help create CREDS and participate in the consortium.

We hope our unique partnership with SupplierGATEWAY facilitates the journey of real estate companies that wish to promote equity and diversity across the supply chain of businesses our industry needs to operate and thrive.

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This year, our Annual Report is dedicated to honoring the memory of three influential industry leaders who passed away in the past 12 months: former Roundtable Chair Nelson C. Rising (Co-founder & Chairman, Rising Realty Partners); former Roundtable Board member John C. Cushman III, (Chairman, Global Transactions, Cushman & Wakefield, Inc.), and perhaps the industry's foremost investor strategist Sam Zell (Founder & Chairman, Equity Group Investments). Each of these gentlemen embodied the Roundtable's ethic of clear-eyed dynamic analysis, unambiguous advocacy, and inspirational leadership. Their distinctive market and policy perspectives are sorely missed, and we are dedicated to carrying forward the solid foundations they laid, constantly striving to build upon them.

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Resources

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