



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.