



# The Real Estate Roundtable

## January 2025 Policy Priorities: Executive Summary

The Real Estate Roundtable works with national policymakers to ensure that real estate assets meet the needs of people and businesses, serve as a strong source of governmental revenues, facilitate job growth, and provide stable returns for pension and retirement investment.

### Tax Policy

The Roundtable advocates for tax policies that promote capital formation, reward risk-taking, and bolster private and public investment.

#### Tax Real Estate on an Economic Basis

Today's federal tax system taxes real estate transactions on an economic basis, avoiding excessive incentives or disincentives that distort markets or create imbalances.

Current cost recovery, interest deductibility, and income timing rules help ensure that real estate decisions are driven by economic fundamentals and not artificial tax considerations.

Real estate markets and the overall economy benefit from these well-designed rules. They should be preserved.

#### Reward Capital Formation and Investment

Maintaining a reduced tax rate on capital gains and carried interest 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.

Current business interest deductibility rules also support these same benefits. In contrast, taxing unrealized gains would upend over 100 years of federal taxation, require an unprecedented IRS intrusion into household finances, and create unknown and likely unintended consequences for the U.S. economy.

#### Ensure Fair and Equitable Tax Treatment of Pass-Through Businesses

Our pass-through regime and the flexibility it allows for owners and investors of all sizes and situations to come together, pool their resources, and create productive new businesses is a competitive advantage of the U.S. tax system.

Closely-held partnerships and pass-through businesses drive job growth and entrepreneurial activity. Congress should retain the full 20% pass-through business income deduction.

#### Preserve Like-Kind Exchanges

Like-Kind exchange rules are similar to other non-recognition tax rules that allow businesses to reinvest in their growth and continue expanding.

Fundamental to the health and financing of commercial real estate, like-kind exchanges helped stabilize property markets at the height of the COVID-19 lockdown and are facilitating and smoother transition in a modern economy as many real estate assets are repurposed.

### Capital and Credit

The Roundtable supports public policy that minimizes regulatory burdens, encourages the availability of credit and the formation of capital in commercial and multifamily real estate markets, while maintaining appropriate systemic safeguards, stable market valuations and appropriate transparency.

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

Approximately \$998 billion in CRE mortgages are set to mature in 2025. To help restructure these maturing loans, it is critical to implement measures that promote robust capital formation and support loan restructuring, while avoiding pro-cyclical measures like the Basel III Endgame.

Recent regulatory policy statements encouraging financial institutions to work with creditworthy borrowers have facilitated billions in loan restructurings. Removing barriers to foreign investment, including reforming FIRPTA and repealing state-level investment restrictions on foreign investment, could further strengthen U.S. real estate markets.

Concerns remain about the potential impact of a revised Basel III Endgame proposal on credit capacity and non-recourse lending. The Roundtable continues to advocate for regulatory restraint to encourage economic growth and job creation.

#### Expanding Commercial Insurance Coverage

The cost of insuring commercial real estate has skyrocketed and is expected to further escalate. The proliferation of natural catastrophe events and atypical weather patterns attributed to climate change have raised concerns about cost-effectively managing the risks associated with commercial and multifamily properties.





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The growing frequency and severity of natural catastrophes warrant greater focus on natural catastrophe risk and resiliency. With the US insurance market regulated at the state level, it is important for states to aid policyholders in enhancing capacity and lowering costs.

It is also important for policymakers to enact a long-term reauthorization and reform of the National Flood Insurance Program (NFIP) and to enact measures that will help close coverage gaps, reduce costs, protect jobs, and ensure a sustainable and speedy economic recovery from future events

### Restrictions on Foreign Investment

Foreign investment is a major source of capital for U.S. real estate, leading to job creation and economic growth. Unfortunately, policies at the national and state level have sought to restrict foreign investment in U.S. real estate.

We support efforts to protect the nation's security and the integrity of CRE investments, but have concerns about rules that may hinder investment by legitimate enterprises and capital formation by law-abiding entities.

## Energy

Energy-efficient buildings: (1) save families and businesses money on utility bills ; (2) reduce the strain on the power grid; (3) promote responsible cap ex planning; (4) attract investors; (5) enhance our nations' energy independence; and (6) help protect the natural environment. Owners and tenants must work cooperatively to optimize building performance and cut energy use.

### Building Performance Standards (BPS)

An inconsistent patchwork of climate regulations exists at the city and state levels to slash building energy use and emissions. Also, global investors demand that international programs set climate-related requirements on CRE assets.

Workable, usable, and voluntary federal guidance, tools, and standards—developed with our industry's input and practical knowledge—can help bring consistency to the chaotic policy landscape. The Roundtable released a BPS Policy Guide that stakeholders should use when creating climate-related performance mandates for buildings.

### Grid Capacity and Reliability

Economic growth depends on reliable, cost efficient generation and delivery of power. Artificial Intelligence (AI), cloud computing, advanced manufacturing, electric vehicles, and building electrification are straining the U.S. electric grid.

Data center construction is surging to meet these demands. Congress and the administration should create a holistic "grid reliability" policy framework to: (1) help finance the high costs of new power generation and storage projects; (2) allow streamlined permitting of transmission lines to carry electricity across state lines and multiple jurisdictions; (3) support interconnections so buildings can provide excess, stored energy back to the grid; (4) avoid tariff and trade measures that will cause bottlenecks in the supply chains of transformers and other critical equipment needed for a functioning electric grid; and (5) support markets for renewable energy certificates (RECs) so building owners can invest and expand in a modernized grid that gradually relies on more renewable power sources.

### Energy Tax Incentives

Tax incentives passed by the 2022 *Inflation Reduction Act (IRA)* are mobilizing private sector investments in technologies to support an "all of the above" national energy strategy. The IRA's credits and deductions are creating U.S. jobs—and propelling the U.S. forward as the global leader in energy research, development, and deployment. Key IRA incentives should be improved.

REITs and other building owners should be allowed to transfer the IRA's energy efficiency incentives (179D deduction and 45L credit). Reforms should also ease the heavy compliance costs associated with Davis-Bacon prevailing wage requirements necessary to access "bonus" tax incentives.

### Corporate Sustainability Disclosures

Federal rules passed in 2024 by the US-SEC, for public companies to report in 10-Ks on climate-related financial risks, may not survive current court challenges. In any event, the incoming Trump administration will probably repeal the SEC's rule. However, companies doing business in California should be prepared to file emissions and related reports, to satisfy state-level requirements, scheduled to start in 2026.





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### Building HVAC Design

EPA has issued the first-ever federal rules impacting the design and construction of AC, heat pump, and refrigeration systems in buildings. These rules require “phasedown” of certain HVAC systems to avoid emissions from refrigerants with high global-warming potential.

Developers and owners should be aware of EPA’s various regulatory deadlines, which take effect over the next few years and will require installation of HVAC equipment that uses refrigerants that are better for the environment.

## Housing, Infrastructure, and Cities

America’s housing shortage is largely the result of regulatory impediments to housing production. To expand the nation’s housing supply—particularly for the affordable segment—innovative policy incentives are needed to develop and rehabilitate new housing, address state and local decision-making, and provide low-cost construction financing options.

### Return to the Workplace

Returning to in-person work is critical for the health of our cities, local economies, tax bases, and small businesses. The Roundtable has been and will continue to be a tireless advocate for policies to get employees back to the workplace.

Failure to return to the workplace is hurting the health and well-being of cities, property values and local tax bases, and small businesses. It is important for the government to bring more of their employees back to the office. Federal employers should lead by example and return to their pre-pandemic workplace practices.

### Expand Affordable Housing Through Tax Incentives and Property Conversions

America’s chronic housing shortage is driving up prices and making it more difficult for individuals to find safe, affordable places to live. Innovative policy solutions and incentives to develop and rehabilitate new housing are central to closing this gap.

Affordable housing is critical to America’s well-being. An expanded low-income housing tax credit could create and preserve more than two million additional affordable homes, support three million jobs, and generate \$119 billion in sustainable tax revenue.

Congress should enact the bipartisan *Revitalizing Downtowns and Main Streets Act* to encourage the conversion of older, under-utilized buildings to housing through a targeted tax credit. It is also important to expand and extend the Opportunity Zone program.

And, existing federal agency programs should be mobilized to offer low-interest federal loans and guarantees to support conversion projects, with streamlined underwriting criteria for the swift disbursement of funds. Improvements have been made to the so-called TIFIA and RRIF loan program to assist transit-oriented development projects, but more improvements are still needed.

## Homeland Security

### Working to Mitigate Risk and Improve Resilience for Cyber and Physical Threats

From terrorism threats to natural catastrophe risks, The Roundtable’s Homeland Security Task Force and Real Estate Information Sharing and Analysis Center (RE-ISAC) continue to identify and share information on a broad array of physical and cyber threats facing the commercial facilities sector.

RE-ISAC works with our Homeland Security Task Force on strategies to most effectively manage those risks in conjunction with the Cybersecurity and Infrastructure Agency (CISA), the Federal Bureau of Investigation (FBI), and other federal and state intelligence and law enforcement organizations.

