Dynamic Policy for Evolving Needs

2024 Annual Report

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.

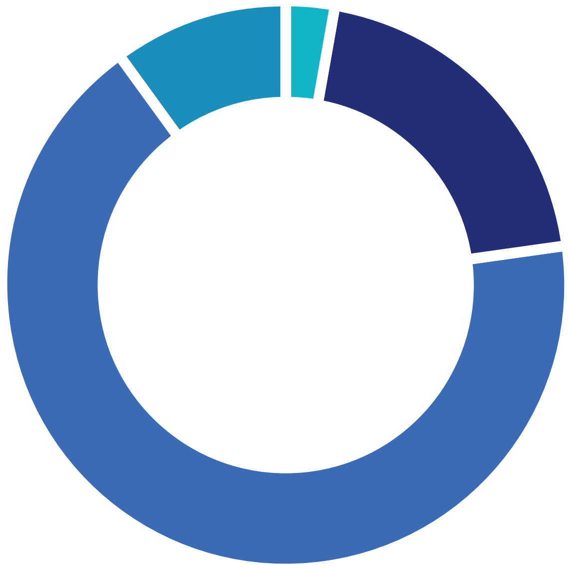
By identifying, analyzing, and advocating policy positions, The Roundtable's business and trade association leaders seek to ensure a cohesive industry voice is heard by government officials and the public about real estate and its role in the global economy.

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



Owners

67%

55% Private
44% Public
46% Mixed

14% Office
12% Retail
12% Hotel

11% Housing
4% Industrial
2% Other

Financial Services

20%

58% Banks
(Commercial & Investment)

26% Insurers

16% Mortgage Bankers

Asset Managers

3%

Real Estate Trade Organizations

10%

American Hotel & Lodging Association (AHLA)

American Resort Development Association (ARDA)

Association of Foreign Investors in Real Estate (AFIRE)

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

CRE Finance Council (CREFC)

CREW Network (CREW)

International Council of Shopping Centers (ICSC)

Mortgage Bankers Association (MBA)

NAIOP, the Commercial Real Estate Development Association (NAIOP)

National Apartment Association (NAA)

National Association of Home Builders (NAHB)

National Association of Real Estate Investment Managers (NAREIM)

Nareit (NAREIT)

National Association of Realtors® (NAR)

National Multifamily Housing Council (NMHC)

Pension Real Estate Association (PREA)

Real Estate Executive Council (REEC)

Urban Land Institute (ULI)

Introduction

1

We are navigating one of the most volatile periods for commercial real estate in recent history. Shaping and adapting to this ever-changing landscape requires a focused, agile, coordinated, and deeply involved voice in policy discussions. Success in Washington is harder than ever, yet The Roundtable produces consistent results each year with:

- A well-respected and influential team of policy experts
- An approach rooted in non-partisan, economics-based issue analysis
- Consistent engagement from our members and industry leaders
- Relationships built and strengthened over decades with key policymakers
- An increasingly effective communications that ensure industry messages resonate with those who matter most

Each year we measure our performance, and I am happy to report that our lean team continues to punch well above its weight in Washington.

Senior federal policymakers who govern our issues and are familiar with our work are now more inclined to seek input from The Roundtable than almost every other association studied, and they regard us among the most effective at leveraging communications in support of our members' priorities.

1 A Central Role In The New Normal

While the world is changing, real estate is as important as ever in meeting the evolving needs of the spaces where people work, shop, live, and play. The shift towards remote work and the flight to quality in office spaces and other uses underscores the necessity for buildings to offer modern amenities to attract business tenants, rendering many older office buildings obsolete and leading to uncertainties in property values and challenges for local budgets that rely on property taxes. Furthermore, technological advancements and rapid growth in computing capabilities have amplified the need for densely packed data centers to support the AI revolution and modern economy.

The nation's housing needs continue to evolve, with increasing demand for senior and assisted living facilities and persistent demand for workforce and affordable housing. Retail landscapes are transforming as consumers use physical stores for browsing while making purchases online, somewhat decreasing the desirability of commodity stores and malls and heightening the appeal of luxury retail experiences. Differing federal, state, and local energy requirements and regulations are also evolving rapidly, often outpacing adequate transmission capabilities and a clean, reliable grid.

The reality of the evolving needs of people and businesses sometimes makes it impossible to understate the significant stresses facing our industry as we help navigate and shape that future: higher financing costs, increased operating expenses, particularly elevated property and casualty insurance premiums, all exacerbated by regulatory pressures on banks to reduce real estate portfolio concentrations and uncertainty in the future use of the built environment. The combination of these dynamics has increased uncertainty in property valuating making maturing debt difficult to refinance, and caused available liquidity to shrink.

Leaders in commercial real estate understand these challenges and are reimagining existing buildings and developing new ones that align with the demands of the new normal. This proactive approach seeks to meet people where they are while ensuring that real estate continues to drive job creation, support local budgets, and bolster our communities.

However, achieving these goals requires a supportive public policy environment that understands and addresses these multifaceted challenges.

That's what The Roundtable does. We educate policymakers about the nuances of our industry, noting commercial real estate is not a monolith—as I mentioned in my recent congressional testimony. We share impactful research and data-driven arguments to advocate for a strong policy environment, providing bipartisan solutions to overcome gridlock and hyper-partisanship. Most importantly, we come with the backing and unified voice of the industry, strengthened by participation in intellectual discussions and financial support.

As we know, real estate is a pillar of our communities, from creating the spaces where our children learn and grow to supporting the retirements of those who teach them, from building the data centers driving the AI revolution to providing nearly three in four local tax dollars supporting fire, EMS, and other necessary services.

As your neighbors, colleagues, and even family members, we care deeply about the success of our communities and will continue to be an active partner in helping ensure the future is a bright, prosperous new normal for everyone.

2 Shaping Policy To Adapt To Evolving Needs & Challenges

When faced with adversity, our industry and The Roundtable have consistently risen to the task. We've seized opportunities to address today's problems through education and advocacy, contributing to better public policy for our members and the millions of Americans they serve.

Protecting Capital & Credit Formation & Productive Investment

Working with our partners, our efforts have **helped regulators encourage banks to extend flexibility for credit-worthy borrowers seeking to reform loans as part of the upcoming approximate $1 trillion in maturing loans.** The Roundtable has also successfully pushed back against harmful proposed pro-cyclical policies, including increases in bank capital requirements which would be detrimental to capital formation and economic growth.

We've ensured policymakers understand the potential impact of these actions and stressed the need for a tax regime that appropriately recognizes the economics of real estate ownership and investment, rewards productive investment, and promotes liquidity in commercial real estate markets. This includes educating policymakers about the essential role of foreign capital investment.

Shaping Energy & Climate Initiatives

This has been an enormous year for energy and climate-related regulatory actions. We've continued to educate policymakers about shifting unworkable one-size-fits-all government mandates to voluntary, actionable, guidelines owners and others can follow to be part of the solution.

Alongside other issues, The Roundtable's Sustainability Policy Advisory Committee (SPAC), has been actively engaged with the administration and others to help harmonize the growing patchwork of Building Performance Standards. Working with the White House, **we helped develop the first-ever federal definition for a "zero emissions building" (or "ZEB").** The ZEB definition provides an aspirational long-term goal that can help drive buildings toward decarbonization through attainable upgrades.

One of the most significant developments this year was the U.S. Securities and Exchange Commission's release of its long-anticipated rules requiring registered companies to disclose climate-related financial risks.

Following the tireless advocacy of The Roundtable, our partners, and other major business groups and associations, the SEC backed down from what would have been an impossible mandate within the proposal for public companies to report Scope 3 indirect "supply chain" emissions.

Nonetheless, it will remain a Roundtable priority to help our industry navigate this evolving field of climate reporting and disclosure policies.

Promoting Affordable Housing, Homeland Security, & Other Initiatives

We know the impact prolonged remote work has on our industry and communities. However, the negative impact isn't always evident to those in Washington, and we've sought to demonstrate how these policies affect local economies, small businesses, and more.

At our urging, the White House took steps to compel agencies to reduce their level of telework and return to pre-pandemic rules.

Notwithstanding that notable accomplishment, agency compliance has been inconsistent at best, and more action is sorely needed. We will continue to emphasize the merits of a federal workforce that serves its mission on behalf of the American people *in person*.

At the same time, exploring the conversion of underutilized office and other commercial space is an innovative way to address problems facing cities while creating more affordable housing. The Roundtable has urged policymakers at all levels to enact supportive incentives and suggested regulatory actions to facilitate more of these projects.

We've also encouraged the administration to expand tax incentives such as the Low-Income Housing Tax Credit (LIHTC) to address the critical shortage of affordable and workforce housing. Included within the president's budget, this and other policies to boost the supply of housing will remain a bipartisan focus in 2025.

Homeland security continues to be a central priority for The Roundtable. We have maintained our focus on ensuring the safety and security of the built environment through various ongoing initiatives and collaborations with federal agencies.

Moreover, we've continued our vital work promoting a more inclusive industry and supply chain. In the spirit of further strengthening our communications, we also launched a new, sleek website and redesigned *Roundtable Weekly*, along with an updated "Commercial Real Estate by the Numbers" document, which provides valuable insights and data for our members, policymakers, and media.

Entering a New Era

As we plan for the upcoming election and a new Congress, we must maintain our commitment to a non-partisan and factual approach. Despite numerous challenges, our industry has remained resilient. I am proud of what we've accomplished together. It is only with your support and engagement that we achieve these results. By staying focused, agile, and deeply involved in policy discussions, The Roundtable will continue to advocate effectively and seize the opportunities ahead.

Next year, many elements of the *Tax Cuts and Jobs Act of 2017* are set to expire. More than half of Congress will not have been in office when the original law was enacted, and these policies will remain under attack from factions on both sides of the aisle. As we've done since its passage and particularly this year, The Roundtable continues to demonstrate the importance of long-standing tax provisions critical to commercial real estate (i.e., capital gains, interest deductibility, like-kind exchanges, carried interest, partnerships and REITs, and much more).

The Roundtable itself will experience change this year—I'm proud to welcome Kathleen McCarthy (Global Co-Head of Blackstone Real Estate) as our new Chair. Kathleen's extensive experience and leadership will be invaluable as we navigate the path ahead, and I look forward to working alongside her and the rest of the Board to advance Roundtable priorities.

Lastly, I want to extend my heartfelt thanks to my friend and colleague John Fish for his remarkable service and dedication as our outgoing Chair. John's contributions have been instrumental in advancing The Roundtable's mission and achieving our goals.

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

Thank you to our members. We are grateful for your support and 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, shape the new normal, and secure a bright, shared future.

Policy Outreach

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July 2023

United Nations Building Decarbonization Roundtable includes RER SVP Duane Desiderio

September 2023

RER SVP Ryan McCormick participated in the Institute for Portfolio Alternatives' IPAVision 2023

RER SVP Duane Desiderio participated in Nareit's REIT Report Podcast

RER President & CEO Jeffrey DeBoer participated in the Marcus & Millichap Webcast – The Economy & CRE

October 2023

Fall RER Meeting featuring:

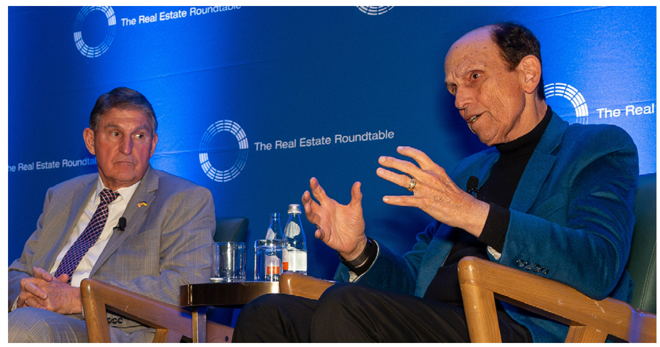
- Rep. Ritchie Torres (D-NY)
- Sen. Mike Rounds (R-SD)
- Sen. Kevin Cramer (R-ND)
- Gov. Kathy Hochul (D-NY)
- Tom Barkin – President & CEO of Federal Reserve Bank of Richmond
- John Podesta – Senior Advisor for Clean Energy Innovation and Implementation for the Biden administration

Home Innovation Research Lab Climate Summit featuring Roundtable SVP Duane Desiderio

RER Chair John Fish Honored at Annual Lamplighter Awards

Roundtable President and CEO Jeffrey DeBoer's testimony before the House Oversight Subcommittee on Health Care and Financial Services.

House Minority Leader Hakeem Jeffries (D-NY) discusses bipartisan policymaking in the House at RER's Spring Roundtable Meeting.



(L-R): Sen. Joe Manchin (D-WV) and Michael Milken discuss the need to preserve American economic leadership.

November 2023

National Association of Realtors Meeting featuring Roundtable SVP Chip Rodgers

RER SVP Duane Desiderio participated in the ICSC ESG Meeting

RER SVP Ryan McCormick presented at the Maryland Association of CPAs Advanced Tax Institute

December 2023

ULI Buzz McCoy Symposium featuring RER SVP Chip Rodgers

RER SVP Ryan McCormick participated in the 2023 AICPA & CIMA Construction & Real Estate Conference

CREDS Supplier Diversity Summit featuring RER SVP Duane Desiderio

White House Hosts Property Conversions Briefing for Roundtable Members featuring RER President & CEO Jeffrey DeBoer

January 2024

2024 State Of The Industry Meeting featuring:

- Sen. Ron Wyden (D-OR)
- Randal Quarles – Chairman & Co-Founder of The Cynosure Group
- Shaun Donovan – President & CEO of the Enterprise Community Partners
- Sen. Maggie Hassan (D-NH)
- Anna Palmer – Co-founder & CEO of Punchbowl News
- Jake Sherman – Co-founder of Punchbowl News
- Sen. Debbie Stabenow (D-MI)
- Sen. Joe Manchin (D-WV)
- Michael Milken - Chairman, The Milken Institute

California Association of CPAs Virtual Real Estate Conference featuring RER SVP Ryan McCormick

RER President & CEO Jeffrey DeBoer received the 2023 Commercial Property Executive Lifetime Achievement Award

RER SVP Ryan McCormick presented at the Associated General Contractors' Financial Issues Forum

February 2024

RER SVP Chip Rodgers participated in the Seyfarth Shaw LLP Real Estate Webinar

RER SVP Duane Desiderio participated in the AHLA ESG Committee Meeting

(L-R): RER Chair-Elect Kathleen McCarthy (Blackstone) and Sen. Maggie Hassan (D-NH) discuss affordable housing at RER's 2024 SOI Meeting.

March 2024

Property Conversions White House Roundtable featuring RER SVP Duane Desiderio

Pension Real Estate Association (PREA) Conference featuring RER President & CEO Jeffrey DeBoer

April 2024

Spring RER Meeting featuring:

- Jonathan Martin – Politics Bureau Chief and Senior Political Columnist at POLITICO
- Minority Leader Hakeem Jeffries (D-NY)
- Jared Bernstein – Chair, Council of Economic Advisors for the Biden Administration
- Rep. French Hill (R-AR)
- Kevin Palmer – Head of Multifamily at Freddie Mac

RER SVP Duane Desiderio participated in the U.S. DOE Better Buildings, Better Plants Summit

RER President & CEO Jeffrey DeBoer testified before the House Oversight Subcommittee on Health Care and Financial Services – "Health of the Commercial Real Estate Markets and Removing Regulatory Hurdles to Ensure Continued Strength"

June 2024

RER SVP Ryan McCormick presented at NYU Federal Real Estate and Partnerships Tax Conference

Annual Meeting featuring:

- Senate Majority Leader Charles E. Schumer (D-NY)
- Kenneth T. Rosen - Chairman, Rosen Consulting Group
- Elliot Doomes - Commissioner, Public Buildings Service, U.S. General Services Administration
- Dr. Frank Luntz - Founder & President, FIL Inc.
- Bruce J. Katz - Director, Nowak Metro Finance Lab, Drexel University

Commercial Real Estate By the Numbers

3

Breakdown Of Property Value By Sector[1]

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[2]

$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 35%-43% of the market capitalization of all U.S. publicly traded companies.

Real Estate's Contribution To GDP[3]

$2.5T

Commercial Real Estate's overall contribution to GDP

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

Real Estate's Contribution To The Workforce[4]

15M

U.S. jobs supported by the real estate industry

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

Real Estate's Contribution To The Tax Base[5]

$600B

Yearly property taxes paid to local governments

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

Real Estate's Contribution To Americans' Retirement Savings[6]

$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

4

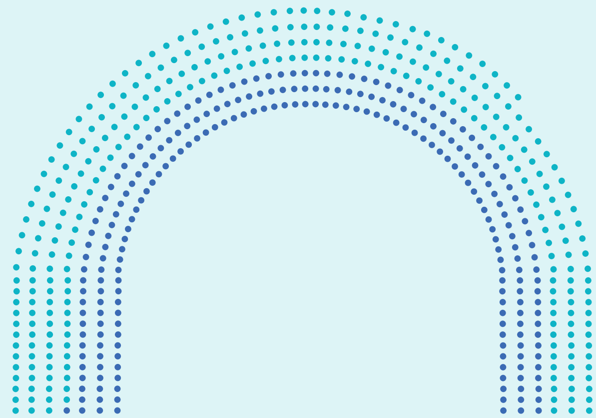
The Roundtable focuses on maintaining a competitive U.S. tax code that encourages capital formation, rewards entrepreneurial risk-taking, and supports jobs and communities.

At the end of 2025, many provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 will expire. As such, The Roundtable has continued 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.

The Roundtable will continue to advocate for the passage of a House-approved bipartisan tax legislative package that includes many Roundtable-supported measures affecting real estate, including measures on business interest deductibility, bonus depreciation, and the low-income housing tax credit (LIHTC).

While our industry is preparing for another wide-ranging and consequential tax bill, The Roundtable is working to advance 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. The Roundtable is also challenging misguided regulatory actions that threaten to reduce access to foreign capital for U.S. real estate and infrastructure investments. 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.

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



Over 240 Members of Congress (45%) were elected to office after enactment of the *Tax Cuts and Jobs Act (TCJA)*, and thus were not present for the extensive and historic tax debate that addressed several critical real estate tax issues.

● = Members elected after the TCJA

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

Capital Gains/Unrealized Gains

How a country taxes capital and capital formation has enormous consequences for its long-term economic growth, including its ability to create jobs and support durable wage gains. The United States has traditionally taxed long-term capital gains at a lower rate than ordinary income (wages, rent, and other compensation). Maintaining a reduced tax rate on capital gains decreases the cost of capital, drives long-term investment, encourages productive entrepreneurial activity, draws investment from around the world, and increases U.S. workforce productivity and competitiveness.

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

The administration has proposed nearly doubling the long-term capital gains rate and adding a new retroactive, annual 25% minimum tax on the unrealized gains of wealthy taxpayers. Senate Finance Committee Chairman Ron Wyden (D-OR) and other members of Congress have introduced similar measures.

The Roundtable is working to raise awareness of the risks of these proposals and the importance of preserving a meaningful capital gains incentive.

The Roundtable and its Tax Policy Advisory Committee are also preparing for the potential consequences of a landmark Supreme Court case—Moore v. The United States—that challenges the federal government's right to tax unrealized gains. The outcome could have far-reaching implications for both the existing tax code and pending legislative proposals. A Supreme Court decision in favor of the petitioners could also undercut President Biden's proposal to tax the unrealized real estate and other gains of wealthy taxpayers. We will keep our members informed as the case moves forward.

Like-Kind Exchanges

Like-kind exchange (LKE) rules allow taxpayers to defer tax when they exchange one property held for investment or business use for another property of a "like kind." The ability to defer a capital gain through an 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.[7]

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.

A Nov. 2023 Marcus & Millichap analysis found that between 2019 and 2023, despite a 22% decline in commercial real estate transactions, the number of like-kind exchanges initiated increased by nearly 15%, underscoring the importance of like-kind exchanges in periods of real estate stress.[8]

Roundtable-commissioned research has 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

In 2023, members of The Roundtable's Tax Policy Advisory Committee met with White House officials to share our research and findings. Unfortunately, the President's budget continues to propose severe restrictions on section 1031. In April, The Roundtable led a letter to Congress with 35 other national organizations urging that lawmakers retain like-kind exchanges in their entirety. The Roundtable will continue promoting the understated contribution of like-kind exchange rules to jobs and business growth, housing affordability, and the economic well-being of local communities.

House Ways and Means Committee member Rep. Brad Schneider (D-IL) discusses tax policy with members of The Roundtable's Tax Policy Advisory Committee.

Estimated Employment, Income, and Output Effects of Real Estate Industry Partnerships and LLCs in the U.S.[9]

9,044,356

Workers Employed

$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.

Partnerships & Pass-Through Taxation

Real estate is typically owned through "pass-through" entities that allow income to pass through to individual owners. Half of the 4 million partnerships in the U.S. are real estate partnerships, and real estate activity constitutes a large share of pass-through business activity. Pass-through tax rules support jobs and economic growth by encouraging business formation and creating an effective way for entrepreneurs and investors to pool business expertise with outside capital.

Congress is considering several critical changes in the taxation of pass-throughs. These include fundamental reforms that would reduce the flexibility of partnerships (Senate Finance Chairman Wyden), a 5% tax that would apply to all pass-through business income (President Biden), and the potential expiration of the 20% deduction for pass-through business income (section 199A).

The Roundtable is focused on preserving and improving the U.S. system of pass-through taxation, which has helped make U.S. entrepreneurs the most successful and envied in the world. The Roundtable strategy involves organizing interested parties, collecting relevant data on the economic contributions of pass-through businesses, and developing effective approaches for communicating and engaging with lawmakers.

Carried Interest

A "carried" interest is the interest in partnership profits a general partner receives from the investing partners for successfully managing the investment and bearing the entrepreneurial risk of the venture. Carried interest may be taxed as ordinary income or capital gain, depending on the type of revenue the partnership generates.

Members of Congress have regularly introduced legislation to re-characterize carried interest as ordinary income or to treat the grant of a carried interest as a taxable, interest-free loan from the limited partners to the general partner. President Biden's 2025 budget would similarly end capital gains treatment for carried interest.

The Roundtable opposes these proposals and, over the years, has successfully brought attention to the breadth and importance of carried interest in real estate markets.

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[10]

1.77M	Real Estate-Related Job **Losses**
$11.22B	**Reduction** in Federal Tax Revenue
$26.74B	**Reduction** in State/ Local Tax Revenue

New restrictions on carried interest would slow housing production, discourage the capital needed to reimagine buildings to meet post-pandemic business needs, hamper job creation, and create added uncertainty in an already confusing economic environment.

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 and some lawmakers have proposed adding a second layer of taxation at death in the form of a capital gains tax on a decedent's unrealized gains, effectively repealing the current law's step-up in basis. The Roundtable opposes these efforts.

The Roundtable and other members of the Family Business Estate Tax Coalition commissioned Ernst and Young in 2021 to evaluate the economic consequences of eliminating the step-up in basis in their research. 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[11]

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 will continue to collaborate with key stakeholders to advocate for and support the fair and reasonable taxation of inherited wealth.

Taxation of Foreign Capital

The *Foreign Investment in Real Property Tax Act (FIRPTA)* of 1980 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. It should be repealed.

In 2023, Roundtable members met with Treasury officials and lawmakers after the administration released expanding the reach of *FIRPTA* in situations involving domestically controlled REITs. Roundtable comments urged Treasury to reconsider its proposal to create a new corporate "look-through" rule. While the final regulations retain the look-through rule, they also include a 10-year transition period, and the Roundtable is currently evaluating ways to clarify and improve the transition relief.

Senate Assistant Minority Leader John Thune (R-SD) discussed the Finance committees legislative goals with Roundtable members.

Opportunity Zones[12, 13]

Opportunity Zones (OZs) are targeted low-income, economically distressed census tracts where new, long-term investments may qualify for capital gains tax relief. By channeling investment where it is most needed and prioritized by states and local communities, OZs help stimulate job creation and economic growth in low-income communities.

Opportunity Zones have already made a tremendous impact in the short period since their enactment:

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

↑$75 B

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

$52 B

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

1 M

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 B

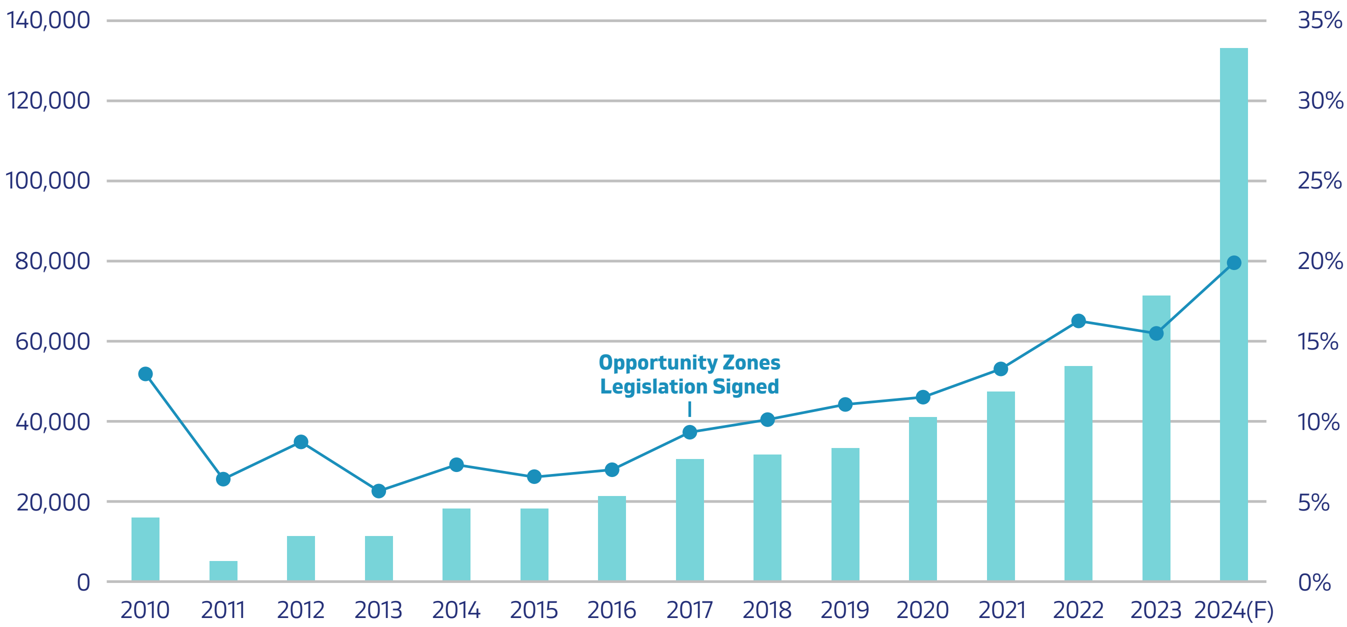
in equity from investors, outraising other categories such as commercial, hospitality, and renewables.

OZs accounted for

20%

of all new multifamily apartment units built nationwide in 2023.[14]

Market-Rate Multifamily Units Delivered in Opportunity Zones[15]
Total Number and Share of U.S. Overall



Source: RealPage Market Analytics

Roundtable members and others have raised billions in capital and formed Opportunity Funds to develop new housing supply, mixed-use properties, and other productive assets in areas in OZs. The Roundtable has collected and aggregated data on its members' OZ activities and is urging lawmakers to enact the *Opportunity Zones Improvement, Transparency, and Extension Act*, a bipartisan House bill to extend and improve the OZ incentives.

Senate Finance Committee Chairman Ron Wyden (D-OR) discussed expansion of the low-income housing tax credit (LIHTC), business interest deductibility, and bonus depreciation.

Capital & Credit

5

The commercial real estate industry depends on reliable credit capacity and strong capital formation. Maintaining stable real estate credit and capital markets requires policies that minimize regulatory burden, encourage prudent underwriting standards, realistic market valuations, appropriate transparency, and provide necessary systemic safeguards.

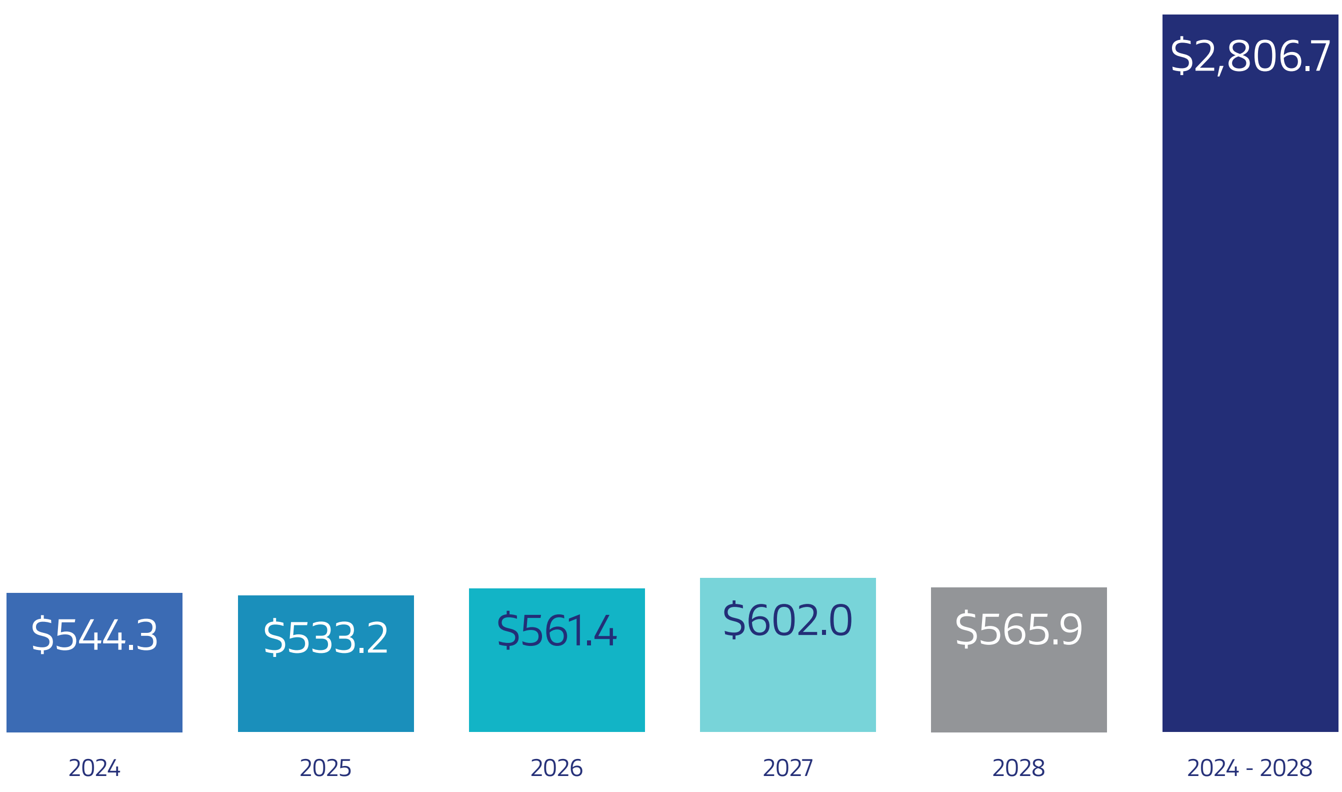
The Roundtable supports policies that support pro-growth measures to sustain robust and liquid real estate credit and capital markets.

Restoring Liquidity and Encouraging Capital Formation Amidst the Wave of Maturing Debt

There is growing concern about the potential for a perfect storm of regulations that could stall credit markets and impair capital formation—particularly for the $4.7 trillion commercial and multifamily debt market. While well-intentioned, The Roundtable is concerned that the proposals—particularly the Basel III Endgame—could increase the cost of credit, diminish lending capacity, and undermine the essential role banks play in lending and financial intermediation for real estate. These proposed regulations come at a significant economic cost without clear benefits to the resiliency of the financial system.

There are $2.75 trillion of commercial real estate loans maturing in the next four years. The bulk of these loans were financed when base rates were near zero.[16] They now need to be refinanced in an environment where rates are much higher, values are much lower, and in illiquid markets. Many of these loans will require additional equity and borrowers will need time to restructure this debt. Capital formation is vital when credit markets tighten to help restructure maturing debt and fill the equity gap.

Commercial Mortgage Maturities by Year



$= Billions | Source: Trepp

To address this wave of maturing commercial real estate debt, market liquidity must be restored and borrowers' ability to raise capital in this challenging economic environment must be unimpeded. Throughout the past year, The Roundtable strongly emphasized the need for federal regulators to allow lenders and borrowers more flexibility to restructure maturing commercial real estate loans.

In June, federal regulatory agencies responded to The Roundtable's requests and issued a joint policy statement on commercial real estate loan accommodations, calling for financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress. This significant action not only fulfills The Roundtable's requests for more supervisory flexibility but also paves the way for the responsible restructuring of maturing CRE loans. However, additional capital is still an essential element for much of this restructuring.

In addition to calling for flexibility for borrowers, The Roundtable continues to oppose proposed changes from the Securities and Exchange Commission (SEC) to require SEC-registered investment advisers to put all their clients' assets with "qualified custodians." The proposed Safeguarding Advisory Client Rule would impose a new layer of unclear and unnecessary oversight—and inject significant confusion into well-established transaction protections, rules, and procedures governing real estate transactions. The Roundtable has submitted a comment letter to the SEC and met with senior staff from the investment management division to request that real estate be excluded from this rule.

(L-R): RER Board Member Michelle Herrick (J.P. Morgan) and House Financial Services Committee Vice-Chairman French Hill (R-AR) discussed the wave of maturing CRE loans.

Halting Pro-Cyclical Policy Measures That Will Further Restrict Credit Capacity

Federal bank regulators are considering sweeping increases in capital requirements for the nation's largest banks—known as "Basel III Endgame." While well-intentioned, the proposals could significantly reduce liquidity for commercial real estate transactions, impact asset values, and stymie economic growth.

Raising capital levels at the largest U.S. banks will limit credit and put additional pressure on the fragile financial system. The Roundtable joined our national partners, major business groups, and many other organizations in pushing back against these pro-cyclical policies. In November, The Roundtable wrote to the Federal Reserve, urging regulators to re-propose the Basel III Endgame rules, and again in January to raise concerns that the proposal would decrease real estate credit availability, increase costs to commercial and multifamily real estate borrowers, and negatively impact the U.S. economy.

In January 2024, Federal Reserve officials indicated that they are considering possible adjustments to key parts of the proposal. Until this occurs, The Roundtable will continue to oppose these harmful, pro-cyclical policy measures.

Restriction on Foreign Investment in U.S. Real Estate

Foreign investment is a major source of capital for U.S. commercial real estate, leading to job creation and economic growth for communities nationwide. However, existing and proposed federal and state measures seek to restrict foreign investment in U.S. real estate.

At the state level, the Florida legislature enacted Senate Bill 264 (SB 264) in 2023 to limit and regulate the sale and purchase of certain Florida real property by "Foreign Principals" from "Foreign Countries of Concern." In September, The Roundtable expressed concerns that the new state law could impair capital formation and hinder the important role that legitimate foreign investment plays in U.S. real estate, the broader economy, and job growth. Fortunately, in response, the Florida Department of Commerce proposed a positive clarification to the bill.

It is important to repeal state-level restrictions on foreign investors in U.S.-managed real estate funds, which non-U.S. investors have no control or access to in a U.S.-controlled fund.

So far, 20 states have enacted restrictions on foreign investors in real estate and agricultural land, and eight other states are considering similar measures. While The Roundtable does not actively engage with state legislation, we will continue working with our partners to help policymakers understand foreign investment's critical role in U.S. real estate, and by extension, our communities.

Commercial Insurance Coverage (Natural Catastrophes)

The proliferation of threats from natural catastrophes has raised concerns about commercial insurance coverage for commercial real estate. As economic losses caused by disasters increase, changing exposures around the world must be addressed to effectively manage natural catastrophe risk. These concerns have highlighted the lack of—and need for—insurance capacity and various lines of commercial insurance. Expanding coverage gaps and increased costs present challenges for businesses across many industries, including real estate. A lack of adequate coverage will lead to economic uncertainty, harm stakeholders, and undermine the growth of communities.

NFIP The budget debate in Congress has raised concerns about the future of the National Flood Insurance Program (NFIP), which is subject to temporary funding extensions and now must be reauthorized by September 30, 2024. It is important to find solutions—either market-based or in partnership with the federal government—that will provide the economy with the coverage it needs to address catastrophic events. The Roundtable, along with its industry partners, continues to work constructively with policymakers and stakeholders to enact a long-term reauthorization of an improved National Flood Insurance Program.

Beneficial Ownership & Corporate Transparency Act

As of January 1, 2024, the *Corporate Transparency Act (CTA)* requires many U.S. businesses to disclose information on their "beneficial owners" under regulations issued by the Treasury Department's Financial Crimes Enforcement Network (FinCEN). A beneficial owner refers to an individual who owns at least 25% of a company or enough to exert significant control over it. The CTA aims to prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity.

Due to the far-reaching scope of the *CTA*, The Roundtable is concerned about the regulatory burden and cost it imposes on many commercial and residential real estate investment businesses.

On March 1, 2024, a federal judge ruled the *CTA* unconstitutional, marking a milestone in the 16-month ongoing legal battle led by a coalition of business groups, including The Roundtable.

The Roundtable has strongly supported the organization's legal challenge. While court battles continue to unfold, The Roundtable has also urged Senate Banking Committee leaders to support a one-year filing delay for the burdensome new requirements.

SAFE Banking Act and CRBs

Legal cannabis-related businesses (CRBs) face challenges obtaining bank accounts, and commercial property owners face legal challenges when taking on CRB tenants without safe harbor protections. Federal and state law differences on 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. Yet, in states where prescription and recreational marijuana use is legal, there is increasing demand for commercial space from legal CRBs.

The Roundtable supports the passage of *The Secure and Fair Enforcement Regulation (SAFER) Banking Act*, which would prohibit a federal banking regulator from penalizing a depository institution for providing banking services to a legal CRB, permitting them to utilize banking services. SAFER would also provide commercial property owners a safe harbor when leasing space to a CRB, as their mortgages could not be subject to corrective action by a bank.

Real estate owners, lessors, brokers, and financiers need certainty when transacting with these businesses.

Tom Barkin (President & CEO, Federal Reserve Bank of Richmond) addresses members at the 2023 Fall Roundtable Meeting.

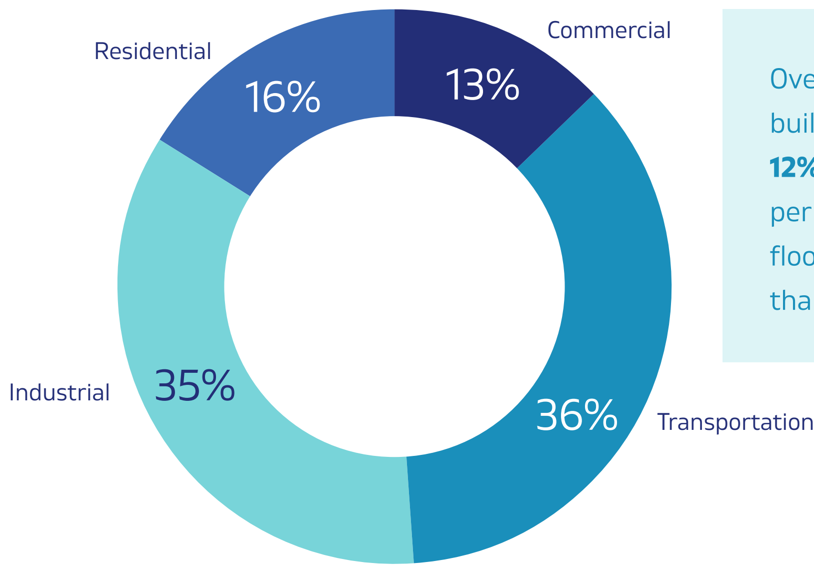
Energy & Climate

6

Our industry plays a critical role in helping to avoid, minimize, and mitigate the health, environmental, and economic risks posed by climate change.

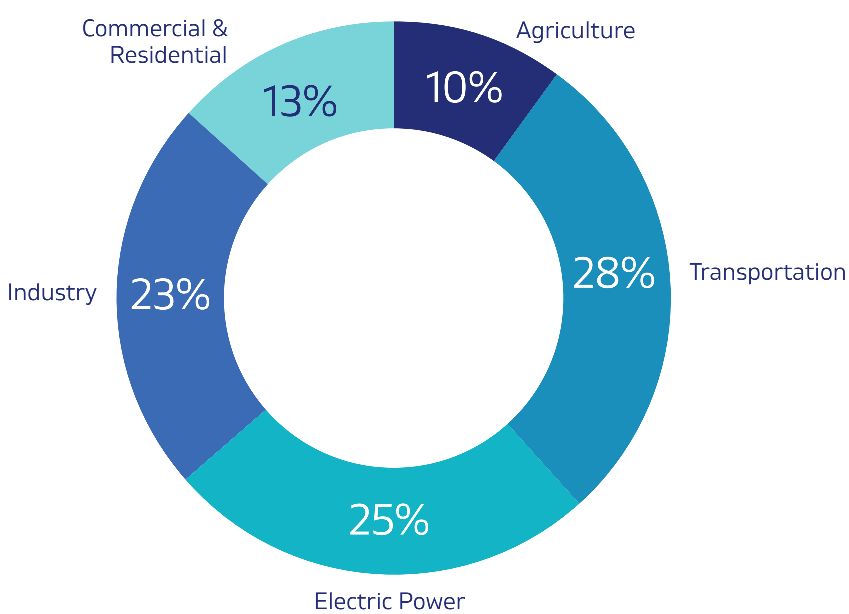
Policies that promote cost-effective investments to optimize building energy efficiency, increase the nation's supply of renewables, and decarbonize the electric grid will help the real estate sector combat climate change, create "green jobs," and enhance the resilience of our communities.

U.S. Energy Consumption By Sector, 2021[17, 18]



Overall, commercial buildings consumed **12%** less energy per square foot of floorspace in 2018 than in 2012.

Total U.S. Greenhouse Gas Emissions By Economic Sector In 2021



Over the past year, we've created and updated our online "library" of fact sheets and comment letters on topics addressing clean energy tax incentives, risk disclosure rules, and various building performance standards to keep our members up-to-date—and educate policymakers on The Roundtable's constructive role in the energy and climate space.

Building Performance Standards (BPS)

A growing number of states and localities are enacting Building Performance Standards (BPS). These mandates generally require buildings to reduce energy consumption and GHG emissions to specific levels, with an overarching goal for real estate assets to be "net zero" by 2050.

A federal-level mandate on private sector buildings is not anticipated to pass Congress. Instead, voluntary approaches have been developed by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE). Voluntary guidelines developed with U.S. government resources and data can harmonize the confusing and conflicting system of local BPS laws that has emerged.

Uniform EPA and DOE methods can also help provide investors, tenants, and other CRE audiences with consistent metrics that show how buildings are making progress to reduce their carbon footprints. Meanwhile, non-governmental organizations (NGOs) that strive for national and international influence are also developing their own BPS-type regimes.

The Roundtable, through our Sustainability Policy Advisory Committee (SPAC), has been actively engaged on BPS policy design, advocacy, and education. Over the past year, our efforts have included:

- **Comments with Nareit and "listening sessions" with the White House to develop a workable, first-ever federal definition for the term "zero emissions building" (or "ZEB").** The ZEB definition provides an aspirational long-term goal that can drive buildings toward decarbonization in an attainable, cost-effective manner through "life cycle" upgrades to building systems.
- In June, the Biden administration released the "National Definition for a Zero Emissions Building." It is the first definition of its kind from the U.S. government and was developed with heavy input from SPAC.
- Coordination with EPA to shape its new voluntary "NextGen" certification for buildings. The Roundtable has emphasized that CRE markets can benefit from Next Gen as a recognizable and achievable signal now for buildings that may be on a path to eventually reach zero emissions down the road.
- Stakeholder engagement with key NGO efforts. Our joint comments with Nareit to both the Science-based Targets Initiative (SBTi), and the Urban Land Institute's Carbon Risk Real Estate Manager (CRREM) project, emphasized the importance to ground "net zero" aspirations in realistic pathways that reflect climate and grid conditions in North America—and allow buildings to demonstrate progress in energy and emissions reductions.
- Ordinance reviews of various city and state BPS laws to assist members' local compliance; education regarding The Roundtable's model comments that highlight impracticalities of many local BPS mandates; and policy summaries development of a "primer" to assist state and local advocates dealing with building-related climate laws in their home jurisdictions.
- Comments to the House Subcommittee on Energy, Climate and Grid Security on how local BPS laws may negatively impact affordable housing, building construction, and operations.

Enhancing Renewable Energy Supplies

Decarbonizing buildings and decarbonizing the power grid must go hand-in-hand.

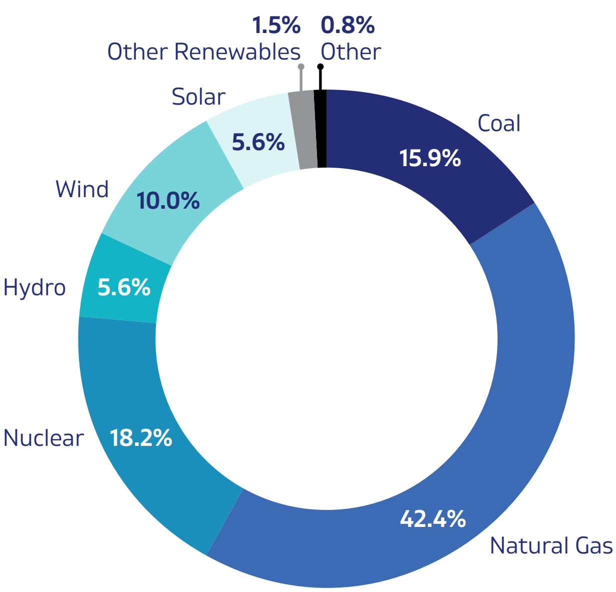
If policymakers want to slash on-site building emissions (such as by installing electric equipment), the source of the grid electricity used to power that equipment must not combust fossil fuels. Otherwise, if a building switches to heat pumps when an efficient natural gas burner reaches the end of its useful life, global warming emissions will still occur if the electric grid remains dependent on gas, coal, oil, or other fossil fuels.

National EPA data shows that a resilient, reliable grid that relies on solar, wind, and other clean power sources is decades away at best. However, our industry is working now with policymakers, grid operators, and utilities to make progress. The Roundtable has advocated for policies (summarized in our ZEB fact sheet, coalition advocacy to EPA, and elsewhere) that:

- Support market-based solutions that help buildings reach net zero goals—and also invest in grid decarbonization—such as through renewable energy certificates (RECs), power purchase agreements, and green tariffs.
- Bring the market for thermal energy certificates up to the same level as RECs, to encourage buildings reliant on district heating and cooling systems to invest in off-site clean power infrastructure;
- Where RECs are not available, allow market-based purchases of carbon offsets—but only if they meet stringent quality control criteria developed by the U.S. Commodity Futures Trading Commission (CFTC) to avoid allegations of "greenwashing";
- Accelerate investments supported by the Inflation Reduction Act and the Bipartisan Infrastructure Law to clean the grid, develop long-distance transmission lines that bring renewable power sourced in rural areas to the nation's population centers, and reform burdensome National Environmental Policy Act (NEPA) reviews to expedite energy infrastructure construction; and
- Develop monitoring platforms that inform owners and other customers of the grid's "fuel mix" in real-time, as buildings draw electricity at peak intervals in the day, to enable effective "demand-response" management.
- EEI graphic on U.S. energy resource mix.

2023 National Energy Resource Mix[19]

Electric companies use a diverse mix of resources to generate electricity



Climate-Related Financial Disclosures

In March 2024, the U.S. Securities and Exchange Commission (SEC) released long-anticipated rules that require registered companies to disclose climate-related financial risks in annual Form 10-Ks and other filings.

In a positive development, the SEC's final rule followed The Roundtable's comments (and those urged by a broader real estate industry coalition) to drop mandatory reporting of Scope 3 indirect "supply chain" emissions.

The SEC's new rule nonetheless establishes a complex regime for public companies to quantify emissions other than Scope 3, and report on climate-related expenses and losses that pose a "material" financial impact. Moreover, state laws and regimes developed in the EU, UK, and elsewhere overseas go even further than the SEC's rule and require broader sustainability reports to government agencies.

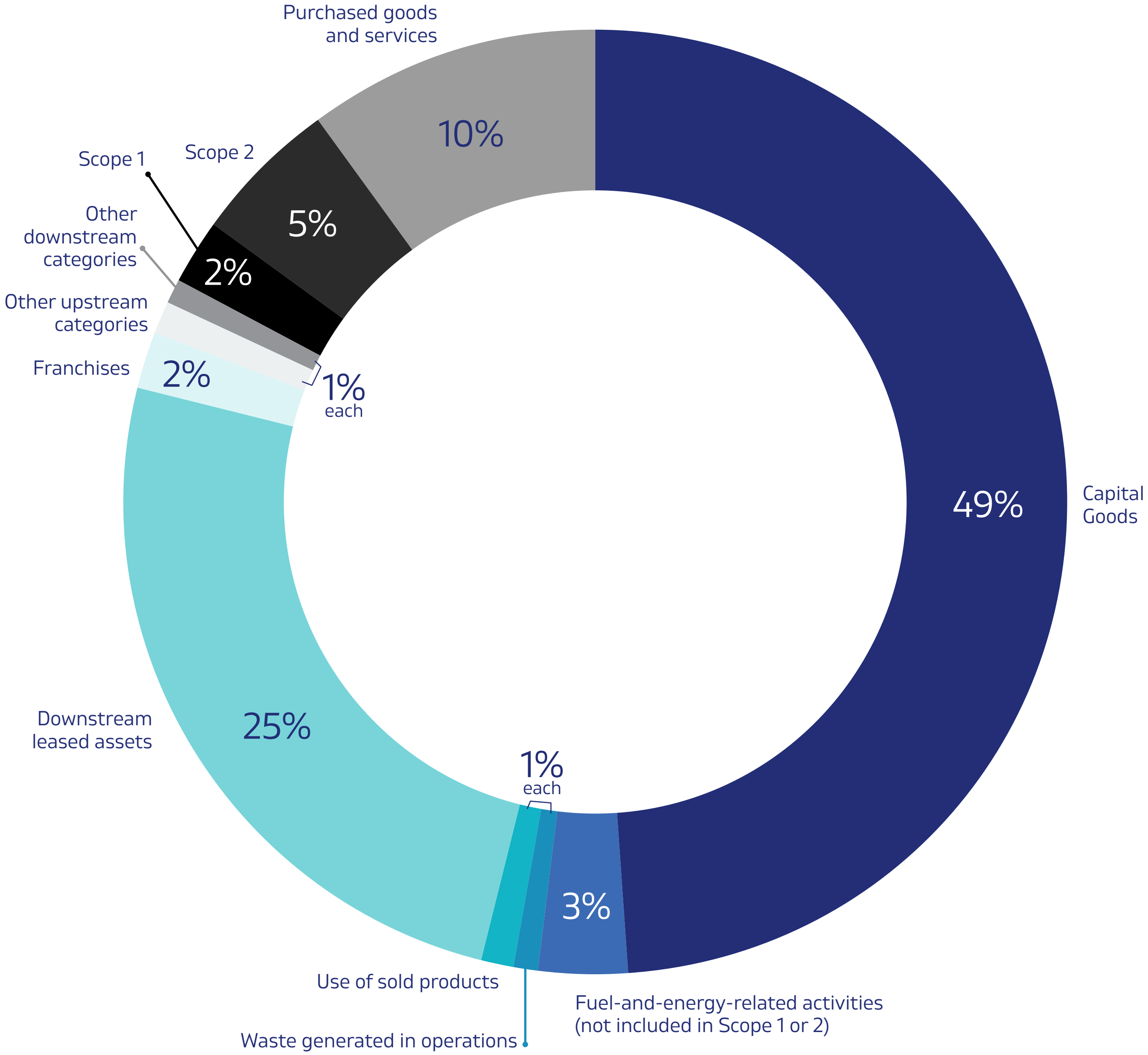
It is a Roundtable priority to help our industry make sense of this rapidly evolving field of climate reporting and disclosure policies. Over the last year, The Roundtable has:

- Developed fact sheets summarizing what "CRE should know" about the SEC rule and California's climate disclosure package;
- Convening a panel of experts for a SPAC discussion on compliance with the SEC rule from the auditor's perspective;
- Conducted the first-ever survey of our members to gain deeper insights regarding our industry's common practices in measuring and categorizing GHG emissions;
- Led our allies to urge enhancements to EPA's Portfolio Manager, the real estate industry's standard energy and emissions measurement tool, with a focus on assisting disclosures for SEC and other government filings;
- Supported EPA's work to develop a "library" of environmental product declarations (EPDs), that can help real estate companies procure climate-friendly building products and access data from manufacturers with reportable metrics on embodied carbon;
- Convened leaders from the White House and the General Services Administration (GSA) to explore how the federal government's "Buy Clean" initiative could be a model to guide private sector procurements in low-carbon goods and materials; and

- Advocated for the open letter sent by three federal agencies—HUD, EPA, and DOE—impressing upon utilities the importance for owners and managers to obtain tenant-level energy data to assist with "whole-building" climate-related corporate filings.

John Podesta (White House Senior Advisor for Clean Energy Innovation and Implementation) discussed the implementation of the IRA's clean energy and climate provisions.

Real Estate Sector Total Scope 1+2+3 Emissions[20]



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

Inflation Reduction Act Tax Incentives

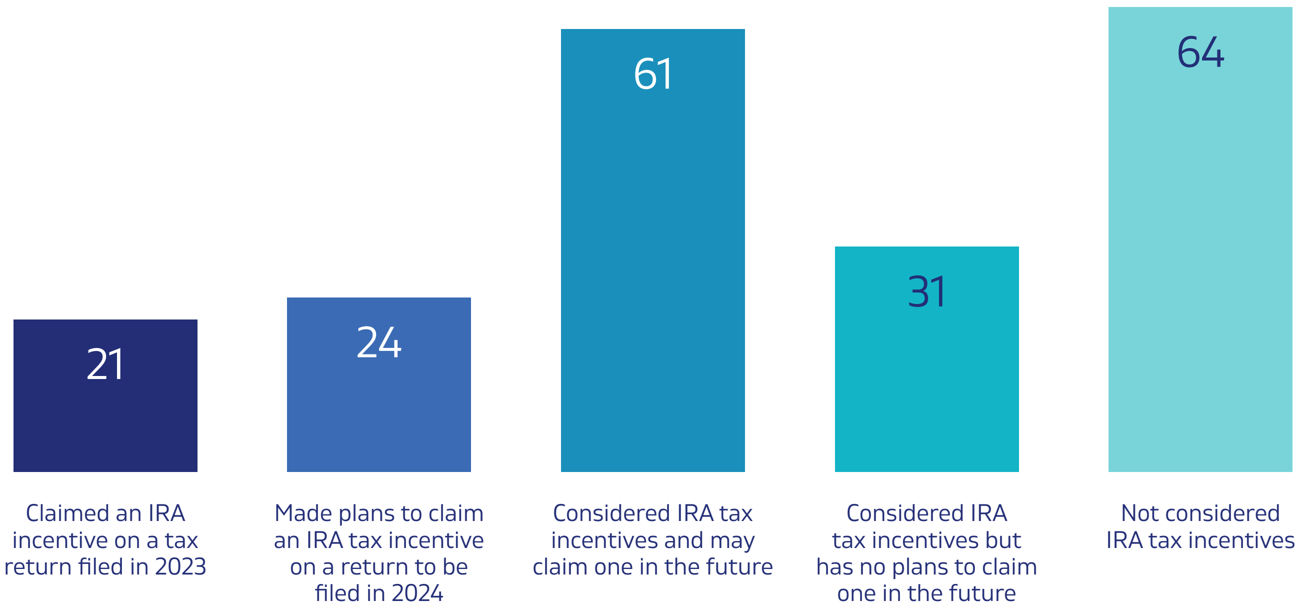
IRA President Biden signed the *Inflation Reduction Act (IRA)* into law on August 16, 2022. The legislation will invest almost $370 billion over 10 years to tackle the climate crisis. A number of the *IRA*'s changes to the federal tax code may help the U.S. real estate sector reduce its carbon footprint, particularly:

- A deduction to help make commercial and multifamily buildings more energy efficient (Section 179D);
- A credit to encourage investments in renewable energy generation, storage, grid interconnection, and other "clean energy" technologies sited at buildings and other facilities (Section 48);
- A credit to incentivize EV charging stations (Section 30C); and
- A credit to incentivize energy-efficient new residential construction and major rehabs, including multifamily (Section 45L).

Over the past year, The Roundtable's advocacy has strived to optimize the ability of private sector owners, developers, and financial institutions to access these clean energy incentives. Our efforts included:

- A series of comment letters to the U.S. Treasury and Internal Revenue Service to optimize our industry's ability to achieve climate goals by accessing each of these incentives;
- Surveying our members on whether they are claiming these incentives—and ascertaining what additional refinements to the tax code are necessary to maximize clean power investments in buildings;
- Revisions to and education surrounding our series of fact sheets summarizing the IRA's tax incentives that are relevant to US real estate; and
- Educating our members through SPAC meetings on the development of the IRS's new online marketplace to "buy and sell" tax credits.

Since the IRA's enactment, RER member's companies have..



The Roundtable will continue to educate members on the clean energy tax incentives available and provide fact sheets and other relevant materials on relevant policy updates. Further, The Roundtable will continue to work with the administration and others to lay the foundation for future reforms in this space.

Homeland Security

7

Real estate is a critical part of the nation's infrastructure. 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.

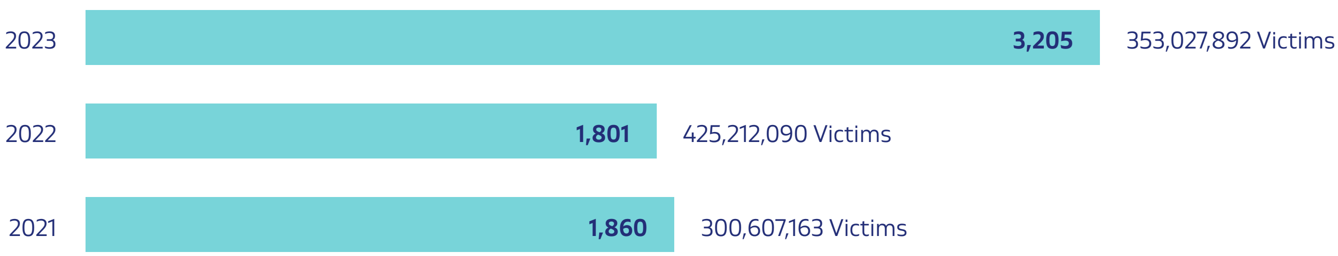
Among the HSTF's activity this year, the group held a meeting at The Roundtable's 2024 State of the Industry meeting to address Chinese espionage efforts impacting American corporations, the emerging use of Artificial Intelligence as a new risk vector, and the current dynamic in pricing and coverage in commercial insurance markets.

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 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.

Total Compromises, Year over Year



Between 2021 and 2023 data breaches in the U.S. rose 72%.[21]

For the 13th consecutive year, the United States held the title for the highest data breach costs. The top five countries or regions with the highest average cost of a data breach saw considerable changes from 2022.

$9.44 M

United States 2022

$9.48 M

United States 2023

The average cost of a data breach for a company in the U.S. is $9.48 million—the highest among other countries, and a 0.4% increase from 2022.[22]

The Roundtable and other national partners support the passage of bipartisan legislation that would advance America's public and private efforts to safeguard cyberspace and enhance the nation's economic competitiveness in a global digital economy.

Roundtable comments were also cited nearly a dozen times in a final SEC rule requiring public companies to disclose more information about cybersecurity-related incidents, risk management, strategy, and governance. The Roundtable is working through a coalition of business organizations to ensure that any cyber incident reporting legislation creates a compliance regime that treats cyber-attack victims as victims, provides affected businesses with clarity in reporting, encourages cooperation between the public and private sectors, 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 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 specifically on the Commercial Facilities (CF) Sector and the potential impacts on real estate from a wide-scale event. Given the crucial role the sector plays in facilitating interaction and communication with critical infrastructure owners, operators, and relevant stakeholders, The Roundtable has included 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.

As the Ranking Member on the Senate Armed Services Committee's Subcommittee on Cybersecurity Sen. Mike Rounds (R-SD) discusses the need to enhance our nation's cyber capabilities.

Infrastructure, Housing, & Cities

8

Safe and reliable infrastructure, the widespread availability of affordable housing, and financially healthy and active cities with the resources necessary to provide critical public services are foundational elements of a growing and prosperous economy.

The landmark Infrastructure Investment and Jobs Act is driving new and productive investments in our physical infrastructure. At the same time, with an underbuilding gap that exceeds 3.8 million housing units, the United States urgently needs more housing. Moreover, a post-pandemic failure to return to the workplace has weighed heavily on the health and well-being of cities.

Productive investments in real estate and infrastructure create spaces for families to live, businesses to operate, and individuals to come together. Higher property values mean more property tax revenue, the principal revenue source for local investments in roads, schools, public safety and much more. Supply-side solutions centered around removing regulatory barriers, promoting capital formation, and facilitating commercial-to-residential conversions are needed to address our current challenges.

The Roundtable has and will continue to champion federal policies that bolster the health of our cities alongside policies that aim to enhance housing availability to promote equity, resiliency, and job growth while modernizing our nation's critical infrastructure.

Return To The Workplace

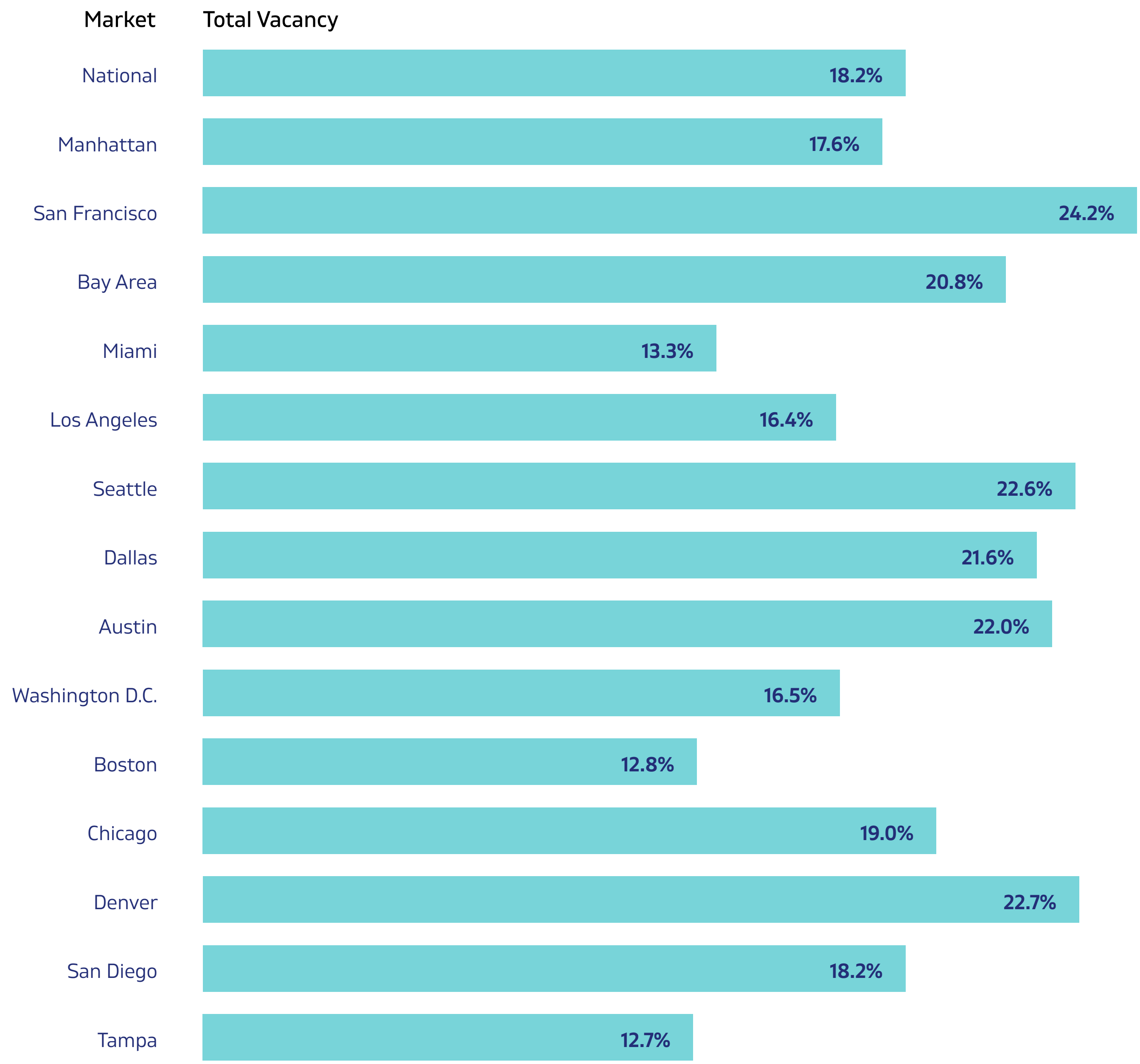
The COVID-19 pandemic spurred the widespread adoption of remote work policies for both private and public sector employees. In many cases, these policies have remained commonplace even after the pandemic subsided. As a result, fewer employees have returned to the physical workplace, resulting in increased vacancies, decreased building valuations, and lost economic activity and tax revenue for cities and communities. Research has identified a dozen cities where the reduction in local spending as a result of remote work exceeds $2,000 annually per teleworking employee.[23]

18.2%

As of Q1 2024, office vacancies reached a national average of 18.2%.[24]

Rep. Ritchie Torres (D-NY) discusses affordable housing and transit-oriented development with Roundtable members at RER's Fall Meeting.

Office vacancy rates in commercial real estate markets across the U.S. as of Q1 2024.[25]



Source: Commercial Edge, National Office Report (2024)

The Roundtable has consistently urged the Executive Branch to lead the economy forward by suspending telework policies and returning federal agencies to their pre-pandemic workplace practices. Last year, the White House took steps to compel agencies to reduce their level of telework, but compliance has been inconsistent and more action is needed.

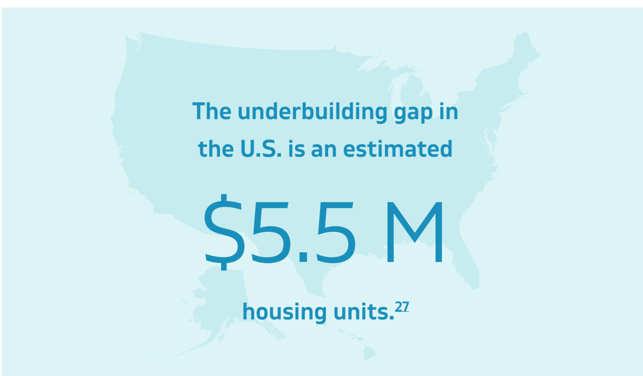
The Roundtable is a strong supporter of pending legislation to increase in-person work, including the House-passed *SHOW UP Act*, which would reinstate federal agencies' pre-pandemic work policies and the Back to Work Act in the Senate, which would set a general ceiling of 40% of days in a pay period for federal employee telework.

Affordable Housing

Across the country, there is a severe shortage of affordable and workforce housing. Supply constraints and restrictive state and local policies—such as rent control and restrictions on institutional investment in housing—exacerbate the problem.

Research indicates that an average of 40.6% of total development costs can be attributed to complying with regulations imposed by all levels of government.[26]

The impact of this growing undersupply of affordable housing is far-reaching and undermines economic growth, particularly in urban areas.



A diverse and accessible housing sector is critical to the overall health of the economy. Expanding the supply of housing across the geographic and economic spectrum is essential for the vitality of the nation. As such, The Roundtable supports all initiatives to increase supply over the long term.

The Roundtable encourages policymakers to focus on policies that incentivize builders, developers, and owners to build more affordable housing for low-and middle-income tenants. Policies should encourage investment in housing and not be a disincentive to investment in housing.

LIHTC Fundamental tax incentives, like the 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 in 1986, the LIHTC has financed the development of nearly 3.85 million affordable rental homes, supporting over 8 million low-income households.[28]

The Biden administration confirmed that affordable housing will be a top priority as the presidential election season approaches—President Biden's FY2025 budget includes a proposed expansion of the LIHTC and a housing innovation fund to help communities build housing, renovate housing, and convert empty office space and hotels into housing. The Roundtable has long supported and will continue advocating for expanding well-designed, targeted tax incentives like the LIHTC, to boost 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 Roundtable also supports other innovative policy solutions that can help dually address this gap and other persistent problems plaguing our cities today: an overabundance of underutilized office and other commercial space.

The COVID-19 pandemic and the rise of remote work have dramatically changed the landscape for offices and other commercial properties. Where appropriate, converting 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.

However, while these projects are frequently discussed, only 15% of buildings are candidates for conversion and are often too costly to pursue.[29]

Over the past year, The Roundtable has consistently urged policymakers at all levels, including the administration, to revitalize cities, boost local tax bases, and address market challenges by enacting incentives that encourage adaptive uses of older, under-utilized buildings. The Roundtable has even gone so far as to recommend actions the White House can take to support conversions—actions The Roundtable shared with the White House and our President and CEO Jeff DeBoer highlighted in his April 30, 2024, testimony in front of the House Oversight Subcommittee on Health Care and Financial Services.

(L-R): Roundtable Chair John Fish (SUFFOLK) and Gov. Kathy Hochul (D-NY) discusses the impact of remote work on cities during RER's Fall Meeting,

President Biden, as a part of his plan to create more affordable housing, announced Roundtable-supported actions to support the conversion of high-vacancy commercial buildings to residential use through new financing, technical assistance, and the sale of federal properties. Actions include:

- Making conversion projects located near mass transit hubs eligible for low-interest financing under U.S. Department of Transportation programs, Transportation Infrastructure Finance and Innovation Act (TIFIA), and Railroad Rehabilitation & Improvement Financing (RRIF).
- Directing the General Services Administration to identify "surplus" federal properties that private developers may help to convert to housing.

Legislatively, The Roundtable has urged Members of Congress to create a robust tax incentive to help overcome the significant financial, architectural, and engineering hurdles associated with repurposing older commercial buildings as housing. The incentive should complement actions taken by state and local governments to encourage property conversions. The Roundtable is working with the House and Senate sponsors of the *Revitalizing Downtowns Act* to update and improve their bill, which would create a 20-30% tax credit for qualifying conversion costs. The credit is based on the highly successful historic rehabilitation tax credit and would apply to buildings that set aside 20% of their housing units for low- and moderate-income tenants.

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 at increasing the supply of affordable housing.

Zoning and land-use reviews are state and local government prerogatives, but Congress and the administration 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. This year, thanks in part to the Roundtable's advocacy, the *YIMBY Act* passed in the House to encourage more housing supply rather than subsidizing demand with financial incentives at a cost to taxpayers.

The Roundtable will continue to advocate for other policy solutions that help bolster the supply of affordable housing and ease the bottlenecks hampering improvements to our nation's critical infrastructure. These include ongoing conversations about reforming the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac—the primary funding sources for housing in the U.S.—as well as supporting effective Public-Private Partnerships (P3s) like the low-interest-rate loan programs created by TIFIA.

Roundtable Initiatives

9

Equity, Diversity, and Inclusion

The Roundtable has made significant progress addressing shared environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI) objectives for the commercial real estate industry. An increasing number of real estate companies seek to advance and quantify ESG and DEI goals through investor reporting, talent recruitment, and community goodwill initiatives.

Last year, 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. The Roundtable will continue exploring the best ways to continue this partnership and help connect members with the resources they need to identify, procure, and track their goals regarding diversifying their supply chain.

The Roundtable is also monitoring the impact of a Supreme Court case regarding affirmative action and its potential impact on companies' ability to hire talented and diverse staff.

Website

The Roundtable's direct advocacy now includes a new, modern, and functional website that was launched in August. The new site serves as an efficient hub for (1) engaging and educating stakeholders on The Roundtable's mission, insights, and policy recommendations, and (2) providing members with easily accessible information. Notable features include:

- Increased usability to make the site more user-friendly and easily navigable for all visitors.
- Comprehensive membership roster and resource search functionality with advanced filters to refine results.
- New meetings page where relevant content will be uploaded to replace RER's meeting app.
- Policy issues pages featuring comprehensive resources and a functional user interface for each issue.
- Revamped pages for RER, Partner Organizations, Committees & Initiatives, Events, News, and Resources with improved functionality and updated content.
- A modern, consistent, and branded design aesthetic across all pages and Roundtable products.

Membership

10

Roundtable Members

David Adelman
CEO
Campus Apartments

Hugh W. Allen
US Head of Commercial Real Estate
TD Bank

Scott C. Alper
President & CIO
Witkoff

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This year our Annual Report is dedicated to honoring the memory of a founding member of The Real Estate Roundtable and long-serving chairman of our Tax Policy Advisory Committee (TPAC), Frank G. Creamer, Jr. Frank offered his deep expertise and knowledge to so many in the industry during his 25 years of involvement with RER.

In his long-time role as TPAC Chairman, Frank was a tremendous mentor and reliable guide who cared deeply about RER, its role in the industry, and its members. His dedication was exemplary, and he will be remembered as the consummate gentleman who always had time for others.

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Resources

1. Nareit, Estimating the Size of the Commercial Real Estate Market in the U.S., 2022
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3. Brian Lewandowski, Adam Illig, Ethan Street, Richard Wobbekind, PhD., NAIOP Research Foundation, Economic Impacts of Commercial Real Estate (2024)
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5. Urban Institute, State and Local Backgrounders (2020)
6. Meredith Despins, Nareit Developments, The Role of Real Estate in Pension Funds (2021)
7. David C. Ling, Milena Petrova, The Tax and Economic Impacts of Section 1031 Like-Kind Exchanges in Real Estate (2020)
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9. Center for Capital Markets Competitiveness. "Impact on Jobs, Tax Revenue, And Economic Growth of Proposed Tax Increase on Carried Interest". 2021
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11. Ernst & Young, Repealing step-up of basis on inherited assets: Macroeconomic impacts and effects on illustrative family businesses, (2021)
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13. Novogradac, Opportunity Zones Resource Center, (2023)
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