NAIOP

COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

2026

ADAPTIVE REUSE AND HOUSING AFFORDABILITY

KEY POINTS

- Restrictive zoning, high production costs, high interest rates and chronic underbuilding have led to a severe housing supply shortage in the U.S. An additional 4.3 million units of rental housing are needed by 2035 to meet the projected demand. The tighter supply has led to a housing affordability crisis in many communities, with many families facing increased rents as a result.
- The national office vacancy reached a three-decade high of 20.1% in late 2024 as a result of COVID-19-induced remote work and hybrid work patterns. While higher-end, newer Class A office buildings remain competitive, older Class B and C buildings are not returning to prior occupancy levels.
- Many of these vacant and underutilized buildings could be adapted for residential use, but high conversion costs and other challenges prevent these adaptive reuse efforts. Incentives that offset some of these costs would result in additional housing supply.
- The bipartisan *Revitalizing Downtowns and Main Streets Act* (H.R. 2410), introduced by Representatives Mike Carey (R-OH) and Jimmy Gomez (D-CA), would create a tax incentive to offset some of the costs of these conversions, giving communities an additional tool to increase the supply of rental housing.

FOR MORE INFORMATION, CONTACT:

Aquiles Suarez
Senior Vice President for Government Affairs
suarez@naiop.org | 703-904-7100

Eric Schmutz
Senior Director of Federal Affairs
schmutz@naiop.org | 703-674-1450

OUR POSITION

Congress should pass legislation to incentivize the adaptive reuse of vacant and underutilized commercial buildings for residential purposes. Adaptive reuse property conversions can help increase the supply of affordable housing while helping to restore economic vitality to communities dealing with the impact of post-pandemic workplace changes. The *Revitalizing Downtowns and Main Streets Act* (H.R. 2410), introduced by Representatives Mike Carey (R-OH) and Jimmy Gomez (D-CA), would create a tax incentive to offset the costs of conversions and give local communities a needed tool to increase their supply of rental housing.

- Many local communities are struggling with a lack of affordable housing due to a severe shortage of rental housing supply. The current production of rental housing units is not expected to meet the projected demand over the next decade.
- At the same time, communities are still coping with the post-COVID-19 impact on their commercial real estate markets, resulting in historically high vacancy rates and underutilization of commercial structures. While Class A trophy buildings sustain – they have recovered market competitiveness – many Class B and C commercial structures will become stranded assets unless repurposed for economically viable uses.
- In many instances, vacant and underutilized commercial buildings are suitable for conversion to residential usage and could become a part of a comprehensive approach to increasing housing supply, but the resulting conversion costs prevent adaptive reuse of these structures. The decline in property values of these structures also hurts localities that depend on property and sales taxes as sources of revenue.
- To help address these challenges, Congress should pass the *Revitalizing Downtowns and Main Streets Act* (H.R. 2410), introduced by Representatives Mike Carey (R-OH) and Jimmy Gomez (D-CA). The legislation would create a 20% tax credit for the eligible conversion costs of an adaptive reuse project, providing communities with a much-needed additional tool to increase rental housing supply and affordability, while repurposing commercial real assets in their localities to more productive use.

NAIOP

COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

2026

ELECTRIFICATION AND ENERGY POLICY

KEY POINTS

- Electricity consumption in the U.S. will reach its all-time high this year, according to the U.S. Energy Information Agency. Demand is expected to surge over the next five years, driven by the need for data centers, reshoring of manufacturing facilities, local building electrification ordinances and increased numbers of electric vehicles.
- Without a comprehensive federal response that ensures sufficient electricity is available to meet the growing demand, electricity will become less affordable to the public and commercial businesses, severely impacting economic growth.
- Investment in modernizing the electrical grid and expanding its capacity, federal permitting reform, and greater coordination on expanding transmission capability across stateliness is needed.
- The projected shortfall in electricity generation will hinder the commercial real estate development needed to support a rapidly transforming economy.

OUR POSITION

Congress needs to pursue comprehensive energy policies designed to meet electricity demand throughout the U.S. economy, including increased investment in electrical grid expansion and modernization, permitting reforms for energy generation and transmission projects, and increased coordination on major regional projects across multiple jurisdictions.

Many commercial real estate projects are being delayed for years, or are not being pursued at all, because utilities cannot guarantee they can meet electricity demand. Congress must act to ensure that the U.S. has sufficient electrical capacity for the critical real estate and industrial development needed to support continued robust economic growth. A comprehensive policy approach is needed in the following areas:

- Expansion and modernization of the electrical grid necessitate federal investment to enable power generators to connect new facilities more quickly to the grid. Electrical grid expansion should allow for an "all-of the above" energy policy, including for renewable energy sources such as wind and solar.
- The system of federal energy permitting must be reformed in order to facilitate grid expansion and increased production of electricity from all energy sources. Shortened federal permitting timelines with increased decision-making transparency, and reform of litigation procedures to eliminate unnecessary delays, are needed.
- Major regional transmission projects often involve utilities and government entities from multiple states and local jurisdictions, and can take up to seven times longer to build than energy generation installations. Federal policies are needed to promote and incentivize regional coordination.
- The costs and benefits of the large energy infrastructure projects needed to meet the growing national demand are often not shared equally among the consumers of electricity. The ratepaying consumer in one state will oppose infrastructure investments paid through higher utility bills that provide energy to users in other states. Congress needs to develop policies that enable utilities to pursue major transmission projects of strategic importance.

Congress must ensure that federal energy policy is designed to meet the surging need for electricity. Without action, utility costs are sure to increase and become less affordable for consumers, fueling opposition to development of the manufacturing plants, warehouses, cold storage facilities and other commercial structures critical to the nation's future economic growth and competitiveness.

FOR MORE INFORMATION, CONTACT:

Aquiles Suarez
Senior Vice President for Government Affairs
suarez@naiop.org | 703-904-7100

Eric Schmutz
Senior Director of Federal Affairs
schmutz@naiop.org | 703-674-1450

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

2026

TRANSPORTATION AND INFRASTRUCTURE

KEY POINTS

- Modern, efficient infrastructure and transportation systems are of critical importance to the commercial real estate industry, with industrial, office, retail and multifamily residential development occurring near new or upgraded infrastructure.
- The five-year authorization for federal surface transportation programs expires on Sept. 30, 2026. Congress needs to take timely action and reauthorize federal programs in advance of their expiration; this would provide certainty for states and localities to proceed with multiyear transportation and infrastructure projects.
- Inflation has increased project costs for materials, labor and land. Congress should, at a minimum, maintain current funding levels to ensure that sufficient investment in transportation and infrastructure projects is possible.
- Modernizing and streamlining the regulatory review and approval process for major transportation and infrastructure projects is a necessary component of reauthorizing transportation and infrastructure programs that will reduce costs and speed project completion.

OUR POSITION

Congress should pass a multiyear reauthorization of surface transportation programs early in 2026, well before they expire later in the year, to give states and local governments the certainty they need to continue current infrastructure projects and plan future ones. Infrastructure policy should promote a streamlined, transparent regulatory environment that reduces costs and minimizes delays in project delivery. At a minimum, current funding levels should be maintained to ensure continued investment in critical transportation and infrastructure projects.

- The availability of modern and efficient transportation and infrastructure is a major factor in real estate development and investment decisions. Strategic, long-term investments in infrastructure systems foster increased opportunities for commercial real estate development, resulting in stronger job creation and economic growth for our communities.
- Congress should provide adequate support for highway programs, freight rail, ports and other infrastructure critical for logistics purposes and supply chain resilience to support the reshoring and onshoring of manufacturing in the U.S.
- Permitting and approval processes must be modernized and streamlined to improve project delivery times and reduce costs. Reasonable and specific timelines for completion of agency reviews are needed, and federal agencies should be provided with sufficient funding to ensure that they have the staff needed to conduct project reviews within expected timeframes.
- Reauthorization of federal surface transportation programs should provide for direct federal investment and funding of multistate projects of national or regional importance. Priority should be given to major transportation and infrastructure projects that have economic impact beyond their regions and affect all or major portions of the country.
- Congress needs to consider alternative, more stable and predictable funding sources for highway infrastructure. Current funding for the Highway Trust Fund is through the gas tax, which has not been adjusted for inflation. In addition, modern vehicles are more fuel-efficient and electric vehicles are more numerous. As a result, the Highway Trust Fund will collect $44 billion in revenue in 2026, but will spend more than $61 billion, requiring transfers from general revenues.

FOR MORE INFORMATION, CONTACT:

Aquiles Suarez
Senior Vice President for Government Affairs
suarez@naiop.org | 703-904-7100

Eric Schmutz
Senior Director of Federal Affairs
schmutz@naiop.org | 703-674-1450