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IREM and CCIM Inst. take comm'l. real estate issues to Capitol Hill

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The Institute of Real Estate Management (IREM) and the CCIM Institute recently joined forces to raise awareness on Capitol Hill of key issues affecting the commercial real estate industry. Approximately 275 IREM and CCIM Institute members representing 40 states and the District of Columbia held 220 meetings with their respective senators, representatives and their staffs to voice the industry's concerns about these critical topics: Energy Tax Credits; Climate Change/Energy; Natural Disaster Insurance; Leasehold Improvements; and Capital Gains/Depreciation Recapture.

Energy Tax Credits

IREM and CCIM Institute believe that incentives for energy efficiency investments are the best way to promote conservation. While many legislative proposals threaten to require mandates for green buildings and "zero-net" energy, the two organizations support positive incentives as the best way to achieve the goal.

IREM and CCIM Institute support H.R. 5351, the "Renewable Energy Conservation Tax Act of 2008." This legislation will extend tax incentives for energy efficiency in commercial buildings and allow a five-year recovery period for the depreciation of qualified energy management devices.

Climate Change/Energy

Today, commercial buildings make up 73 billion s/f of real estate in this country. IREM and CCIM Institute believe that lawmakers need to understand the benefits of market-based incentives to retrofit existing buildings for energy efficiency and the serious consequences to mandating the same.

Natural Disaster Insurance

The intensity of large natural disasters in recent years has made the acquisition of adequate property insurance very difficult in some areas. Insurers are declining to write policies, canceling existing policies or increasing premiums on existing policies. Recently, Hurricanes Katrina and Rita have refocused attention on this issue. The viability of the insurance market is critical to real estate financing. IREM and CCIM Institute believe that both commercial and multifamily properties should be covered, in addition to homeowner's insurance.

IREM and CCIM Institute members lobbied their legislators to amend the "Homeowners Defense Act" (H.R. 3355 and S.2310) to include protection for commercial and multifamily properties.

Leasehold Improvements

IREM and CCIM Institute believe that it would be unrealistic to revert to the prior recovery period of 39 years depreciable life for tenant improvements. In their view, a realistic cost recovery period, such as 10-15 years, is a reasonable incentive to keep downtown office, commercial and retail space modern, efficient, and competitive with suburban space. In addition, such a change would more closely mirror corresponding lease terms for these properties.

IREM and CCIM Institute support the "Leasehold Improvement Depreciation Act of 2007" (H.R. 2014/ S. 1361), which would make the 15-year recovery period for leasehold improvements permanent.

Capital Gains/Depreciation Recapture

Under current law, capital gains are taxed at a maximum rate of 15%. This rate is temporary and will revert to 20% as of January 1, 2011. When capital gains tax rates were reduced to 15% from 20% in 2003, the depreciation recapture rate remained at 25%. Before 1997, depreciation recapture amounts were taxed at the same rate as capital gains.

IREM and CCIM Institute support a level playing field for those who choose to invest in real estate and thus oppose rates for depreciation recapture that are higher than the capital gains rate.

The CCIM Institute confers the Certified Commercial Investment Member (CCIM) designation to commercial real estate professionals through an extensive curriculum of 200 classroom hours, in addition to industry experience. There are 9,500 CCIMs in 1,000 markets worldwide. An affiliate of the National Association of Realtors, CCIM Institute is the largest brokerage network in the world.

The Institute of Real Estate Management is celebrating its 75th anniversary in 2008. For more than seven decades, IREM has been the source for education, resources, information and membership for real estate management professionals. An affiliate of the National Association of Realtors, IREM is the only professional real estate management association serving both the multi-family and commercial real estate sectors. With 80 U.S. chapters, eight international chapters and several other partnerships around the globe, IREM is an international organization that also serves as an advocate on issues affecting the real estate management industry.

Membership includes more than 18,000 individual members and 500 corporate members. IREM promotes ethical real estate management practices through its credentialed membership programs, including the Certified Property Manager (CPM) designation, the Accredited Residential Manager (ARM) certification, the Accredited Commercial Manager certification and the Accredited Management Organization (AMO) accreditation. These esteemed credentials certify competence and professionalism for those engaged in real estate management. In addition, IREM offers Associate, Student and Academic memberships.

Collectively, IREM CPM Members in the United States manage over \$1.5 trillion in real estate assets, including 8.4 million residential units and 8.4 billion net s/f of commercial space. An additional 977,400 residential units are managed by IREM ARM Members. IREM Members are employed by some of the most prestigious real estate firms in the world and nearly 70% hold upper-level management positions. Due to their professionalism and vast experience, property owners and investors worldwide continually seek out the management services of IREM Members.