

ADVOCACY REPORT

THE HIDDEN COSTS OF TRANSFER TAXES

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INTRODUCTION / EXECUTIVE SUMMARY

American cities rely on commercial real estate to drive the local economy. From coffee shops to doctors' offices, biotech labs to office spaces, commercial properties provide the services that people seek and the jobs residents need.

Commercial properties are also a pillar of local tax systems, often paying a higher property tax rate to help support public schools, road repair, police protection, and other vital services.

Yet, cities big and small continue to face fiscal pressures and increasing demands for services, leading many to seek out revenue sources beyond traditional property taxes.

One increasingly discussed option is a real estate transfer tax, where the city collects a small percentage of the sale price every time someone buys or sells a property.

This simple setup is part of what makes transfer taxes seem like a ready solution for cities seeking new revenue to support laudable goals such as affordable housing or homelessness reduction. Not to mention that transfer taxes can be organized in a way that appears progressive, exempting sales under \$1 million, or any given threshold.

But transfer taxes carry substantial unintended side effects that ultimately reduce expected revenues, weaken the real estate market, and dampen a city's economic prospects.

To help cities understand the risks of taxing commercial real estate transfers, BOMA International partnered with the nonpartisan Center for State Policy Analysis at Tufts University on an analysis that covers cities of different sizes, across different regions of the country.¹

Our thorough review of existing research and local conditions found that:

Transfer taxes place a disproportionate burden on commercial properties, despite the commonly-used “mansion tax” moniker. This is because commercial buildings tend to be more expensive, making more of them subject to any tax on high-value properties.

The potential benefits of real estate transfer taxes are often wildly overstated, because cities fail to account for the fact that transfer taxes reduce both the number of sales and future property tax collections.

In the current market, many cities would actually lose money from a transfer tax.

The number of commercial transactions is too small to generate significant revenue, whereas the downward pressure on commercial prices from a new tax would ultimately cost the city more in lost property tax payments.

Transfer taxes on commercial real estate also negatively warp the local economy, impairing sales in a way that prevents valuable re-purposing efforts and locks buildings into unproductive uses.

What follows in this report is fuller background on transfer taxes, a more detailed discussion of our findings, and a series of case studies across a diverse group of U.S. cities: Los Angeles, Boston, Denver, Nashville, Kansas City, and Cleveland.²

UNDERSTANDING TRANSFER TAXES

American cities tend to raise the bulk of their revenue from property taxes. That means asking businesses and homeowners to pay a small, annual levy on the combined value of their land, homes, and other structures.

The property tax rate can vary a lot between cities, as can the method for calculating land and building values, but this general approach to raising municipal revenue is time-tested and relatively efficient.³

At first glance, transfer taxes can seem a lot like property taxes, as both involve a levy on the value of individual properties. But transfer taxes actually work quite differently, and these differences make them far less efficient and far riskier for the local economy.

The key distinction is that transfer taxes are irregular, meaning you don't pay them every quarter or every year—only at the time of a sale.

Whenever someone sells a home, an apartment building, an auto repair shop, an office tower, or any other non-exempt property, cities that have a transfer tax get to collect a share of the sale price. Typically it's the seller who pays, though some cities charge the buyer, or split the burden.⁴ And the rates can vary widely as well, climbing as high as the 6 percent tax on high-value sales in San Francisco.

Transfer tax rates in various US cities

City	Threshold for top rate (\$)	Highest rate (%)
San Francisco, CA	25m	6.00%
Los Angeles, CA	10m	5.95%
New York City, NY	25m	4.58%
Pittsburgh, PA	0	4.00%
Philadelphia, PA	0	3.28%
Baltimore, MD	1m	3.25%
Santa Fe, NM	1m	3.00%
Evanston, IL	5m	0.90%
Stamford, CT	1m	0.50%

Source: ITEP, Sage Policy Group

Maybe the cleanest way to understand what makes transfer taxes so risky is that it's very much like claiming a stake in every single property. If the imaginary city of Gotham introduces a 3 percent transfer tax on real estate, the government gets something that's equivalent to a perpetual 3 percent stake in every home, office, and retail shop. Anytime a property changes hands, they collect their 3 percent of the sale price and then immediately claim a new 3 percent share alongside the new owner.⁵

Of course, letting the city claim 3 percent of every building drives down prices and makes properties less valuable to existing owners. With a transfer tax in place, buyers have to recalibrate bids to reflect the fact that they're only getting 97 percent of the home or building they want.

MYRIAD RISKS OF TRANSFER TAXES

Cities considering transfer taxes may be motivated by the best public intentions—like increasing the stock of affordable housing or helping homeless residents—but there's no avoiding the inherent problems of this approach. Transfer taxes are highly inefficient and riddled with unappreciated costs, especially compared to established alternatives like the property tax.

➤ **Disproportionate impact on commercial properties**

Occasionally, proponents refer to a transfer tax as a "mansion tax,"⁶ particularly for proposals limited to high-value properties. But the heaviest burden falls on commercial properties, not wealthy homeowners.

That's because the typical commercial building is far more expensive than the typical home. So any high-value transfer tax will affect a much larger share of commercial properties than residences. In a big city like Los Angeles, 49 percent of all commercial and industrial buildings are worth more than \$1 million, compared to just 18 percent of homes.⁷

Commercial properties are more likely to be high-value

	Number of properties over \$1m		% of total value exceeding \$1m	
	Commercial & Industrial	Residential	Commercial & Industrial	Residential
Los Angeles	49%	18%	84%	35%
Denver	57%	17%	86%	31%
Nashville	50%	5%	79%	22%
Kansas City	24%	<5%	76%	13%
Cleveland	11%	<5%	73%	17%

Source: cSPA calculations

The bare fact that most high-value buildings are commercial means that any real estate transfer taxes with a minimum threshold will disproportionately affect commercial properties and the local economic activity these businesses enable.

➤ ***Reduced sales***

Because real estate transfer taxes only apply at the time of sale—no transfer, no tax—they also reduce real estate sales. And since they disproportionately affect commercial properties, they especially impede commercial sales.

It's exactly the same effect as a "sin tax," like a tax on cigarettes, alcohol, or sugary sodas. In those cases, the whole idea is to reduce sales by making the products prohibitively expensive.

Transfer taxes create the same disincentive, only without any public health benefits. By making sales more expensive, they reduce people's ability to buy homes as well as businesses' ability to find space, start operations, and meet the needs of residents and the broader community. Studies of different cities and countries show a consistent and detrimental pattern, where a 1 percent transfer tax tends to reduce total sales by at least 8 percent.⁸

➤ ***Falling property values***

Not only do transfer taxes hamper sales, but they also drive down prices. The research on this point is consistent and dramatic, suggesting that a 1 percent transfer tax pushes property values down by at least that same 1 percent.⁹

It doesn't matter whether cities apply their transfer tax to buyers or sellers, prices will still fall. If buyers are expected to pay, they'll have less money to offer for the property because they need to reserve a share to pay the city. But making sellers pay doesn't solve the issue—because they're negotiating with buyers who know that a share of the property now belongs to the city (since a transfer tax acts like a small stake, as described earlier.)

And what makes this so toxic for municipal finance is that while you may collect new transfer tax revenue on the subset of properties that change hands in any given year, you're triggering an offsetting and permanent decline in the price, assessed value, and property tax bills of all properties across the entire city.

➤ ***Loss of tax revenue***

Transfer taxes don't just give cities a new stream of revenue, they also sap existing collections. And for a few reasons:

- a) Sales won't be as robust as expected, because transfer taxes create a disincentive for buyers and sellers
- b) Property taxes will underperform, as transfer taxes push down property values¹⁰

- c) Both effects—shrinking sales, falling prices—will be amplified in cities with higher commercial property tax rates or assessments, because transfer taxes disproportionately affect the commercial sector

The scale of these offsetting losses will depend on the size of the tax and the state of the local economy.¹¹ But even with a transfer tax rate of 1 percent and abundant commercial real estate activity, transfer taxes on commercial buildings are likely to generate 25 to 30 percent less money than anticipated, according to our analysis.¹²

With transfer tax rates of 3 to 5 percent, these losses multiply, siphoning away over half of all expected transfer tax collections from commercial properties.

And when the commercial real estate market is struggling—as it is across the country right now—transfer taxes are fully self-defeating, triggering a cascade of sale and price declines that fully offset or even overwhelm the expected revenue from commercial buildings.¹³

➤ ***Broader economic implications***

Beyond the local revenue losses, transfer taxes on commercial properties also raise widespread economic risks.

Local economies work best when storefronts, warehouses, and office buildings can be periodically repurposed as community needs evolve.¹⁴

To take a few contemporary examples, some malls may need to be converted to health care facilities to serve our aging population. Likewise, given today's global distribution networks, it sometimes makes sense to turn manufacturing facilities into warehouses or data centers. And in a world increasingly tuned to remote work, many cities are urging developers to undertake difficult conversions of older commercial buildings into new residences.¹⁵

Transfer taxes impede these necessary adaptations, by making sales rarer and more costly. So over time, cities that introduce transfer taxes will have more under-utilized buildings and a less dynamic economic landscape.

And when bad economic times do arrive, as they inevitably do, transfer taxes are a poor bulwark. That's because economic recessions are generally marked by weak real estate sales, which means weak transfer tax collections. By contrast, traditional property tax collections remain relatively stable in the face of economic turmoil.

The full picture

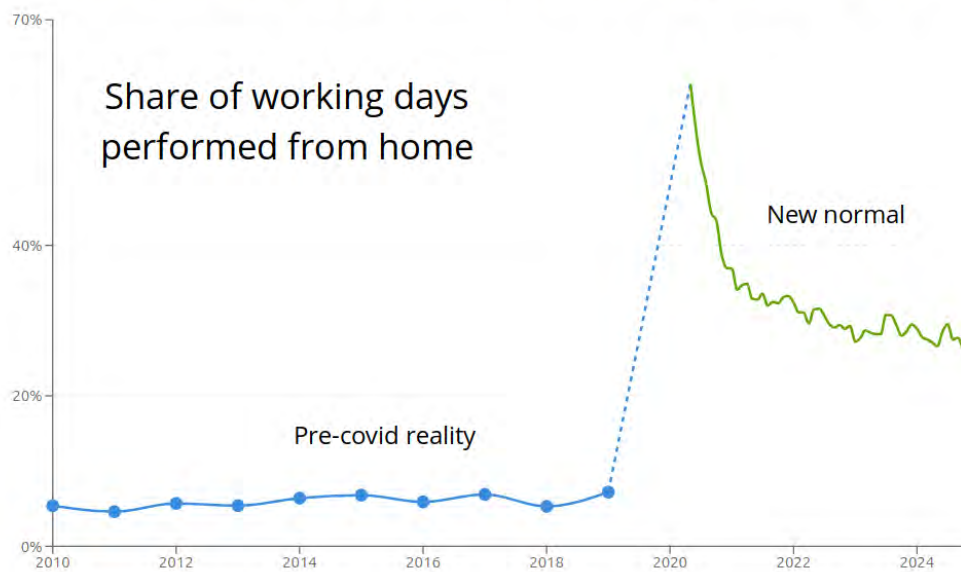
Looking across this full list of costs and benefits, it's clear that transfer taxes have a range of unique and serious weaknesses. Not only do they raise far less money than anticipated but they disproportionately burden already-strained commercial properties, reduce sales, drive down property values, prevent buildings from being put to their best economic use, and perform worst when needed most, in bad economic times.

NOW IS AN ESPECIALLY BAD TIME FOR TRANSFER TAXES

Right now, the market for commercial real estate is especially fragile.¹⁶ The rise of remote work¹⁷ and persistently high interest rates¹⁸ have completely undermined the financial viability of many commercial properties, including many of the high-value office buildings that are crucial to municipal tax systems.

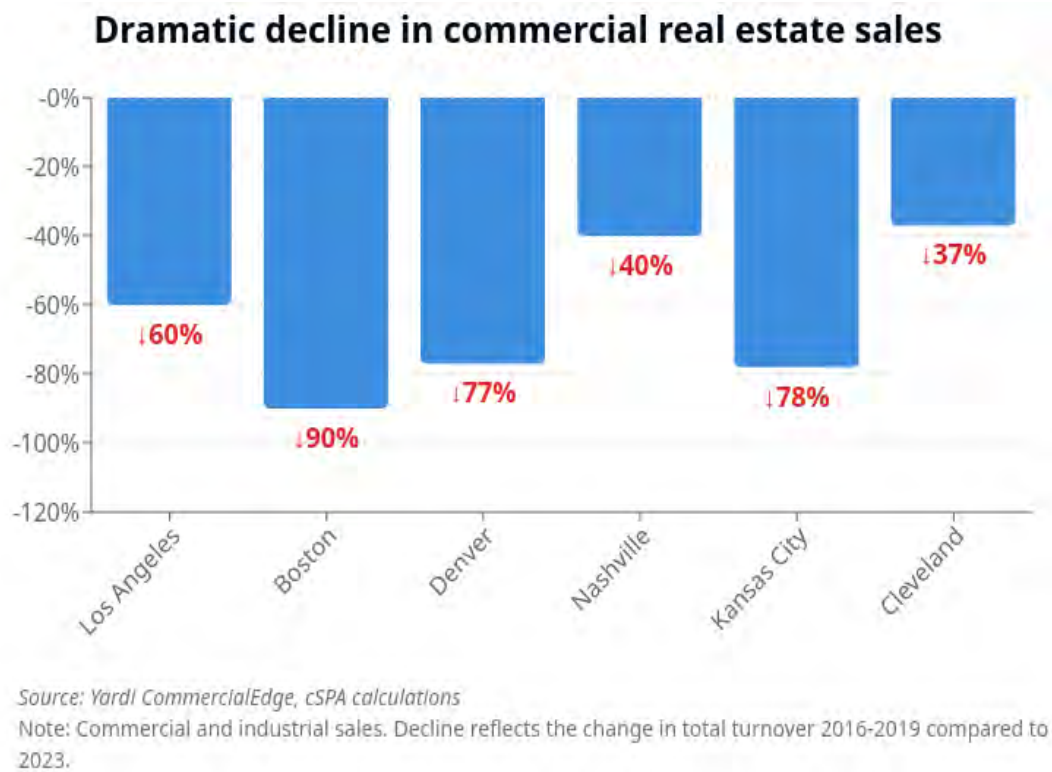
And while this isn't the first crisis to rattle commercial real estate markets, the key difference is that this time the problems aren't cyclical. The sector isn't necessarily going to bounce back, as it did after the great recession of 2007-2009. Instead, it's adjusting to a new normal, where remote work makes office space less valuable and retail outlets in central business districts can't cater to a steady stream of commuting workers.

Remote work has stabilized at a very high level



Source: WFH Research

In some large cities, like Denver, Boston and Los Angeles, the market for high-value office space is effectively frozen, with overall commercial and industrial property sales having fallen over 50 percent from pre-Covid levels. Even smaller, less office-dependent markets have seen substantial sales declines, with no sign of a near-term turnaround.



Introducing a transfer tax on commercial properties in this distressed real estate environment only intensifies the challenges—virtually ensuring that cities collect vastly less than anticipated and potentially setting off a cascade of unintended consequences that could exacerbate deeper economic problems.

MEASURING THE IMPACT ON CITIES

Despite the clear downsides, cities around the country continue to pursue real estate transfer taxes. Los Angeles introduced a transfer tax in 2023, just a few years after Baltimore, MD and Evanston, IL did the same. Many more cities are considering new transfer taxes, including a coalition of municipalities in Massachusetts.¹⁹

Often, the motivation is laudable, tied to commitments around helping homeless residents or build affordable housing. But these kinds of real, important urban challenges require solutions that will work, and transfer taxes will always struggle to deliver meaningful revenue without triggering offsetting problems.

To understand exactly how a transfer tax would affect commercial properties, we've analyzed six cities that span the country and reflect the breadth of American urban life: Los Angeles, Boston, Denver, Kansas City, Nashville, and Cleveland. In each case, we studied the local tax system, evaluated the current real estate market, and communicated with local experts.²⁰

While each city is different, with a distinctive local culture and a unique mix of strengths and challenges, in all cases we found that a theoretical introduction of transfer taxes would prove far more costly than generally anticipated.

Expected losses from transfer taxes

Share of expected revenue lost to declining sales and falling property tax collections

	1% tax	3% tax	3% tax	5.95% tax
	Pre-covid market	Pre-covid market	Current market	Current market
Los Angeles	-40%	-56%	>100%	>100%
Boston	-35%	-51%	>100%	>100%
Denver	-52%	-68%	>100%	>100%
Nashville	-39%	-55%	-77%	-100%
Kansas City	-53%	-69%	>100%	>100%
Cleveland	-74%	-90%	>100%	>100%

Source: cSPA calculations

➤ **Los Angeles**

Los Angeles is unique among our chosen cities, in that it recently passed a very substantial transfer tax.

As of April 2023, Los Angeles applies a 5.95 percent transfer tax on property values over \$10 million, and 4.45 percent tax on those over \$5 million. And while the Los Angeles market does include some posh residences above these thresholds, the burden of this high-value transfer tax falls overwhelmingly on large commercial buildings.

Pressure from this new tax has kept commercial sales extremely low—not just well below pre-pandemic levels but down nearly 60 percent in the 4 quarters since the tax took effect.

Looking at different segments, office vacancy rates in the downtown have climbed from 24 percent to 28 percent over the last year.²¹ And the market for industrial properties has softened as well, though continuing demand from e-commerce and logistics companies provides some ballast.

Given how little time has passed since Los Angeles's transfer tax took effect, it's too early to calculate the revenue gains and losses. But our modeling suggests that the city's effort to raise money from commercial properties will be completely undone by the combined effect of shrinking sales and falling property values, which will offset over 100 percent of expected gains.

➤ **Boston**

The commercial real estate market in Boston is struggling to recover from the combined effects of remote work and high interest rates. Transactions are stalled, vacancy rates are high, and assessed property values are dropping rapidly.²²

And Boston's budget is in turmoil as well. For decades, the commercial real estate market has buttressed city spending. But with commercial values falling sharply, this is no longer the reliable source of revenue it once was.²³

Looking ahead, Boston needs a new framework to maintain public programs. One option advocated by city leaders is a transfer tax on high-value properties, at a rate of 2 percent, which the city said would generate up to \$100 million.²⁴ But their estimate did not account for the kinds of offsetting losses that any transfer tax generates.

We find that Boston's transfer tax proposal would have triggered overwhelming losses on the commercial side of the market—up to \$3 in losses for every \$1 in expected gains from commercial properties. This is a stark finding, but the explanation is clear. With commercial sales at historic lows, a transfer tax would generate minimal direct revenue from commercial properties. And at the same time, by further depressing property values across the entire market, it would substantially reduce commercial property tax collections in the coming years.

Even in a different market environment, like the healthy one Boston enjoyed before the pandemic, a transfer taxes proposal of this size would have generated substantial negative effects, losing 43 cents for every dollar collected from commercial properties.

➤ **Denver**

Denver's commercial real estate market was hit hard by the pandemic, and it is still feeling the after-effects. Office vacancy rates are roughly 30 percent and have breached 40 percent in the central business district, as remote work makes the suburbs a more attractive site for small offices and daily retail.²⁵

As with other large cities, a "flight to quality" has helped sustain the value of high-end properties in Denver, though only at the expense of deep distress in lower-grade office and commercial space. Meanwhile, the proliferation of subleases suggests more fallout to come, as companies continue to re-assess their real estate needs.

Outside the office sector, Denver's commercial landscape looks somewhat healthier, as both retail and industrial spaces have shown more strength and stability.²⁶

If Denver introduced a 3 percent transfer tax in the current market, it would lose more than \$2 for every \$1 in expected gains from commercial properties. A larger tax, like the one in Los Angeles, would generate even larger losses.

In a healthier real estate market, like Denver enjoyed before the pandemic, the costs of a 3 percent transfer tax on commercial properties would be smaller, but still substantial, with losses of 60-70 cents for every dollar of anticipated collections.

➤ **Nashville**

Local population growth and vibrant tourism are boosting Nashville's economic fortunes and making the city a rare story of post-pandemic success.

The most direct benefits of this bustling activity have been felt in the retail sector, which shows low vacancy rates and stable growth in rents.²⁷ But the industrial sector is also showing strength, with Nashville a key regional hub for logistics and distribution.²⁸ And citywide office vacancy rates are relatively healthy, thanks to a "work from work" culture.

Still, Nashville hasn't fully escaped the combined impact of high interest rates and hybrid work. While the city has seen a fair number of smaller sales, overall commercial sales activity in 2023 was 40 percent below the pre-Covid norm.

In the city's current real estate market, a transfer tax of 3 percent would lose 77 cents for every \$1 in expected gains from commercial properties. A larger tax, like Los Angeles', would be fully self-defeating, losing a dollar for every dollar in anticipated collections.

Were the Nashville commercial real estate market as robust as it was in the pre-Covid era, a transfer tax on commercial properties would still generate substantial losses, roughly 55 cents for each dollar of expected collections on a 3 percent tax, or 39 lost cents on a 1 percent tax.

➤ **Kansas City**

Easy access to rail, road, and river transit has made Kansas City an attractive hub for transit and logistics, providing a tailwind to its industrial sector that has helped the city weather the challenges currently facing commercial real estate.

At the same time, Kansas City has also benefited from low vacancy rates and healthy sales in its retail market.²⁹

And while the office sector was harder hit, the local economy is adjusting rapidly. A mix of residential conversions, landlord concessions, property upgrades, and an ongoing "flight to quality" have kept vacancy rates in the low teens—above pre-Covid levels but well below the worrisome peaks in other major cities.³⁰

Commercial sales, however, remain quite weak, having fallen nearly 80 percent below pre-Covid levels. And this steep sales decline makes transfer taxes particularly risky.

In the current market, the city would lose money if it implemented a transfer tax on commercial properties, thanks to the combined impact of reduced sales and weakened property values.

In a healthy sales environment, like the one that prevailed pre-Covid, offsetting losses would be smaller but still substantial: 53 cents for every expected dollar, even with a tax rate as low as 1 percent.

➤ **Cleveland**

One way Cleveland has adjusted to the reality of hybrid work is by shrinking its office market. According to CBRE, Cleveland is poised to convert more office space than any other U.S. city, mostly to multi-family but also to other mixed uses.³¹

Pulling unneeded space from the market has kept the office vacancy rate in check and limited rent declines, though it's notable that leasing activity continues to fall.³²

The story for retail is similar. Despite reports of widespread store closings, a lack of new construction has bolstered leasing activity and kept rental prices from dropping.³³

Demand for industrial space is perhaps the greenest shoot, as this has reduced industrial vacancy rates and pushed up rental prices.³⁴

Still, the two things that matter most, when assessing the impact of transfer taxes, are the number of transactions and the size of the commercial property tax. And while the sales story in Cleveland is decent, property taxes are relatively high.

For that reason, even a small transfer tax in Cleveland would be quite costly. Even if the market environment were closer to pre-Covid health, a 3 percent tax would cost the city 90 cents for every dollar it expected to collect from commercial properties, while a 1 percent tax would trigger 74 cents in offsetting losses.

CONCLUSION

Raising revenue in a thoughtful and efficient manner can help cities address pressing local challenges, like rising homelessness or a lack of affordable housing. But some approaches, including real estate transfer taxes, come with significant and sometimes self-defeating trade-offs.

Transfer taxes on commercial real estate have a host of weaknesses and inefficiencies. Not only do they dampen sales and drive down prices, but they raise far less money than anticipated and reduce economic productivity.

What is more, since all high-value transfer taxes disproportionately affect commercial real estate, they end up weighing down a sector that is already struggling to find stability in a world of hybrid work and high interest rates.

And while transfer taxes would certainly affect different municipalities in different ways, the core challenges hold across cities large and small, from north to south and coast to coast.

Cities considering transfer taxes should fully assess the likely costs and benefits, while carefully comparing their findings against proven alternatives like the traditional property tax.

METHODOLOGICAL NOTES

Working across cities requires a range of data sources and methodologies.

To assess the size and composition of local real estate markets, we use public assessment rolls published by individual cities. These rolls allow us to calculate the total value of commercial real estate in each market, encompassing commercial, industrial, and retail properties. They also allow us to determine the share and total value of high-value properties in each city. Note that Boston is an exception, as until recently it had not shared its assessment roll but instead provided a gross number for commercial property.

By comparing the total value of local commercial real estate against annual commercial sales numbers provided by Yardi's CommercialEdge, we can calculate the share of total value that trades in any given year, which allows us to track changes in commercial sales volumes over time.

Annual sales data also enables a static estimate of the potential revenue from a transfer tax on commercial properties, simply by multiplying the typical sales volume by the tax rate. Where possible, CommercialEdge sales numbers are benchmarked against the de-duplicated sales information contained in city assessment rolls.

With this static estimate in place, we then develop a dynamic model based on consensus findings in the literature (cited inline and in the endnotes.) This includes two core research results: 1) that property values fall 1 percent for every 1 percent increase in the transfer tax; and 2) that transactions decline 8 percent for every 1 percent increase in the transfer tax.

For each city, we can then simulate the fiscal impact of transfer taxes, varying as needed both the size of the tax and the health of the commercial real estate market. This dynamic estimate is compared to the original, static estimate, to determine the size of offsetting losses.

The local property tax rate is an important variable in this calculation, as some of the offsetting losses come in the form of foregone property tax collections. The effective rate is a combination of the mill rate and any assessment adjustment (for example, a city with a 5 percent commercial property tax and 50 percent assessment adjustment has a 2.5 percent effective property tax rate.) For property tax regimes that involve both municipal and county-level levies, property tax losses would be spread across both taxing authorities.

ENDNOTES

¹ The Center for State Policy Analysis is a nonpartisan research center housed at Tisch College, Tufts University. Founded in 2020, it provides academic-quality information on a policy-relevant timeline. <https://cspa.tufts.edu/>

² These six cities were chosen to reflect the diversity of commercial markets across the US. They represent different regions as well as different market sizes.

³ For further detail on property taxes, see this useful summary from Thomson Reuters. <https://tax.thomsonreuters.com/blog/property-tax-101/>

⁴ Whether buyers or sellers are asked to pay is mostly immaterial in a game where buyers expect to be sellers, but different states handle this in different ways. See <https://www.pgpf.org/article/what-is-the-difference-between-the-statutory-tax-rate-and-the-effective-tax-rate/> and also <https://www.bankrate.com/real-estate/transfer-taxes/#how-much>

⁵ The key difference with an actual ownership stake is that transfer taxes don't entitle the city to operating profits—or oblige it to contribute to upgrades or other operating expenses.

⁶ Most recently, the “mansion tax” framing was central to the passage of a real estate transfer tax in Los Angeles. <https://www.latimes.com/california/story/2024-04-01/a-year-into-the-mansion-tax-l-a-s-luxury-market-hasnt-quite-recovered>

⁷ This comparison actually understates the disproportionate impact on commercial properties, because what matters is not the number of properties but the share of tradable value subject to the tax.

⁸ Key studies include: Dachis, Ben, Gilles Duranton, and Matthew A. Turner. “The effects of land transfer taxes on real estate markets: evidence from a natural experiment in Toronto.” *Journal of Economic Geography* 12, no. 2 (2012): 327-354 ; Fritzsche, Carolin and Lars Vandreil. “The German real estate transfer tax: Evidence for single-family home transactions.” *Regional Science and Urban Economics* 74 (2019): 131-143. ; and Davidoff, Ian and Andrew Leigh. “How Do Stamp Duties Affect the Housing Market?” *Economic Record* 89, no. 286 (September 2013): 396-410.

⁹ This consensus was acknowledged in a consultant's report prepared for the city of Boston, when it was contemplating a transfer tax. PFM Group Consulting LLC. “Economic Impact of a Real Estate Transfer Tax for the City of Boston.” October 25, 2019. Individual studies include: Benjamin, John D., N. Edward Coulson, and Shiawee X. Yang. “Real estate transfer taxes and property values: The Philadelphia story.” *The Journal of Real Estate Finance and Economics* 7, no. 2 (1993): 151-157 ; Davidoff, Ian and Andrew Leigh. “How Do Stamp Duties Affect the Housing Market?” *Economic Record* 89, no. 286 (September 2013): 396-410.

¹⁰ It will take time for declining property values to filter into reduced property tax collections, as assessments aren't consistently adjusted to reflect market changes. But the adjustment will eventually happen, with predictably unfavorable effects on city budgets.

¹¹ Higher transfer tax rates have bigger effects on sales and home prices. A healthier real estate market creates more taxable transfers.

¹² Our analysis and estimates all assume that transfer taxes are well designed, with sensible thresholds and clean interactions with the rest of the tax code, but that's not guaranteed. For instance, some cities require higher-value buildings pay a steeper rate on their full property value (not just the marginal value above the threshold). This creates steep 'payment cliffs' that discourage investment.

¹³ Note that the tax losses spread beyond city limits. By driving down property values, transfer taxes also reduce county and state property tax collections. And because they limit investment returns for homeowners, they affect federal capital gains tax collections.

¹⁴ For a fuller account, see Sage Policy Group, Inc. "The Unintended Consequences of Excessive Transfer Taxes." Report prepared for the Community Coalition for Jobs and Housing, June 2022.

¹⁵ New York, Minneapolis, Boston, Washington DC, and others now offer tax breaks or streamlined approval for office-to-residential conversions.

¹⁶ While conditions vary across the country, the US market is historically weak. One clear measure is the elevated delinquency rate on commercial mortgage-backed securities. <https://www.trepp.com/trepptalk/cmbs-delinquency-rate-soars-over-6-percent-driven-office-multifamily-office-nov-24>

¹⁷ Several years of research and tracking show the durability of remote and hybrid work. See the chart on page 7, and <https://wfhresearch.com/>

¹⁸ While high interest rates are not inevitable, the federal reserve expects rates to remain durably higher, and bond markets agree.

¹⁹ See the post-mortem in the Boston Globe. <https://www.bostonglobe.com/2024/06/07/business/housing-transfer-tax-sales-massachusetts/>

²⁰ The key numbers for each city reflect our best calculations. See "Methodological Notes" for details.

²¹ Vacancy rates from Colliers. Q3 2024 at <https://www.colliers.com/en/research/los-angeles/greater-los-angeles-office-research-report-2024-q3>

²² The total assessed value of all commercial property in the city fell 3 percent in 2024. Data from CommercialEdge show the sharp drop in transactions.

²³ Details are available in a separate analysis with contributions from the Center for State Policy Analysis. <https://bostonpolicyinstitute.org/projects/fiscal-fallout/>

²⁴ A thorough overview of the Boston proposal was produced by the Boston Municipal Research Bureau. <https://www.bmr.org/wp-content/uploads/2024/04/RU42624transferfee.pdf>

²⁵ Savills tracks local vacancy rates on a quarterly basis.

<https://pdf.euro.savills.co.uk/usa/market-reports/denver-mim-office-q3-2024.pdf>

²⁶ Market details reported by BOMA Denver.

²⁷ Matthew Real Estate Investment Services provides periodic snapshots.

<https://www.matthews.com/retail-market-report-nashville-tn/>

²⁸ See this snapshot report from Avison Young:

https://www.avisonyoung.us/documents/d/nashville/industrial-3q-2024-snapshot-report_nashville

²⁹ See Newmark Zimmer's retail market report. <https://www.nmrk.com/storage-nmrk/uploads/fields/pdf-market-reports/3Q24-KansasCity-Retail-Report.pdf>

³⁰ Vacancy rates from Colliers. Q3 2024 at <https://www.colliers.com/download-article?itemId=b3e4a113-8c41-4afd-b3a4-5dfe03abb1cb>

³¹ Full CBRE analysis at: <https://www.cbre.com/insights/briefs/strong-office-conversion-pipeline-will-boost-business-centric-downtowns>

³² Vacancy and leasing rates from Colliers. Q4 2024 at <https://www.colliers.com/download-article?itemId=59c87655-ba03-4cf3-9bf9-24feffe12b18>

³³ Fuller details on the Cleveland retail market from: Crains at

<https://www.crainscleveland.com/real-estate/cleveland-retail-vacancy-inches-marcus-millichap-year-end-report-says>; and Hoff & Leigh at <https://www.hoffleigh.com/cleveland-q3-2024-market-reports/>

³⁴ Newmark provides a snapshot of the Cleveland industrial market:

<https://nmrk.imgix.net/uploads/fields/pdf-market-reports/3Q24-Cleveland-Industrial-Market-Report.pdf>