NCREIF Fall Conference 2025

Accounting Committee

DAY 1 AGENDA

Introductions

Accounting Technical Update

Tax Update

NCREIF PREA Reporting Standards Update

Fair Value Accounting & Debt Manual Update

Hot Topics

DAY 2 AGENDA

Joint Session – Accounting & Performance

- Carried Interest Discussion and Application

Panel Discussion

- Fund Structuring: Key Considerations and Operational Complexities

ATTENDANCE

- Session check-in with the conference app for committee attendance.
- Check-in codes:
  - Tuesday: Accounting1
  - Wednesday: Accounting2
- Paper sign in sheets are at the registration desk.

CHAIR INTRODUCTIONS

Mark Wojteczko
Deloitte

Christy Daniels
Principal

Amy Pearce
SS&C Technologies

John Confrey
Forvis Mazars

Session code: Accounting1

CHAIR TRANSITIONS

Thank you to Mark Wojteczko as he completes his term as a Co-Chair!

Welcome to our new Co-Chair!

Nibha Gosai, Heitman

Session code: Accounting1

ABOUT US

- NCREIF is a Not - For - Profit Premier Industry Association
- Membership is comprised of Real Estate Investment Managers, Industry Consultants and Service Providers, Investors and Academicians.
- Leading source of institutional real estate performance data and information.

ACCOUNTING COMMITTEE - MISSION STATEMENT

To enhance the consistency, transparency, and verifiability of accounting and reporting for institutional real estate assets held in a fiduciary setting.

Reviews, develops, documents and promotes standards for accounting and reporting with the intention to supplement and in some cases, clarify, but not replace other established standards from authorized bodies, including but not limited to US GAAP.

Monitors the actions of applicable standard-setting and supervisory agencies and works with the Reporting Standards Council to ensure the entire organization is aware of these agencies' activities and as appropriate assists the Reporting Standards Council in communication with these agencies.

Provides members with tools and/or resources created through the collective efforts of the membership, and supports the activities of other NCREIF committees by supplying information and research when appropriate.

Session code: Accounting1

WHO IS IN THE ROOM?

Who is at NCREIF for the first time?

What discipline do you work in?

- Real Estate Investment Advisor
- Public Accounting
- Fund Administration
- Other

Session code: Accounting1

ACCOUNTING TECHNICAL UPDATE

Abby Shelley and Mark Wojteczko, Deloitte

Deloitte.

Together makes progress

Navigating Today's Accounting & Reporting Landscape:

Key Considerations for the Real Estate Industry

NCREIF Fall Conference | October 28, 2025

INTRODUCTION

Today’s speakers:

Mark Wojteczko
Audit & Assurance Managing Director
Chicago, IL

Abby Shelley
Audit & Assurance Manager
Boston, MA

Disclaimer

Keep in Mind

This presentation does not provide official Deloitte & Touche LLP interpretive accounting guidance. The views expressed are solely those of the presenter and are not formal Deloitte & Touche LLP positions.

Check with a qualified advisor before taking any action.

INTRODUCTION

Agenda

Today’s agenda:

01. FASB & SEC Regulatory Update

02. Today’s Real Estate Landscape and Hot Topics

FASB & SEC Regulatory Update

Overview of the FASB technical agenda

Recently issued rules and proposed standards share common themes: simplification and reduction of complexity, requirements for further transparency and disaggregation of income statement disclosures, and alignment of accounting standards with economic outcomes.

Final Upcoming Rules

Joint Venture Formations
Effective for all joint ventures with a formation date on or after **January 1, 2025**.

Improvements to Income Tax Disclosures
Effective for all public entities for fiscal years ended **December 31, 2025**.

Disaggregation of Income Statement Expenses (DISE)
Effective for all public entities for fiscal years ended **December 31, 2027**.

* For a complete set of upcoming final ASUs, review our latest **quarterly accounting roundup** on DART.

Recently Issued & Proposed*

Recently Issued:

- 2025-05: Financial Instruments – Credit Losses (Topic 326): Accounts Receivable and Contract Assets
- 2025-04: Clarifications to Share-Based Consideration Payable to a Customer
- 2025-03: Determining the Acquirer in the Acquisition of a VIE

Proposed ASUs:

- Accounting for Debt Exchanges [Final ASU expected Q1 2026]
- Topic 815 – Hedge Accounting Improvements [Final ASU expected Q4 2025]
- Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets [Final ASU expected Q4 2025]
- Interim Reporting – Narrow-Scope Improvements [Final ASU expected 4Q 2025]
- Statement of Cash Flows – Targeted Improvements [Board deliberations]

Research Projects

- Accounting for and Disclosure of Intangibles
- Accounting for Derivatives
- Agenda Consultation
- Consolidation for Business Entities
- Financial KPIs for Business Entities
- Statement of Cash Flows
- Hedge Accounting

Post Implementation Review

- Credit Losses
- Leases
  - *On 9/12, the FASB hosted a roundtable to discuss their PIR of Topic 842*
  - *This is aligned with the FASB's requirement to revisit standards after issuance*

The FASB agenda consultation

Earlier this year, the Financial Accounting Standards Board (FASB) issued an Invitation to Comment (ITC) requesting stakeholder feedback on their standard-setting agenda. The agenda includes variety of accounting and reporting areas that affect the real estate industry.
A few are highlighted below:

Equity Method Accounting	Exploring whether the existing equity method of accounting is necessary, or if it should be required to account for all investments under ASC 321 as investments in equity securities.
Definition of a Business	Exploring further revising the definition of a business (including the existing narrowed definition of a business and qualitative screen test put in place by ASU 2017-01).
Consolidation	Exploring the development of a single consolidation model, thereby simplifying and reducing complexity in applying the existing VIE and VOE consolidation models.
Common Control	Exploring adding a formal definition of the term "common control" to make it easier to determine whether entities are under common control.
Troubled Debt Restructuring	Exploring amendments to certain sections of the existing TDR guidance, including requiring the measurement of restructured debt to be at fair value.

The above list is not all inclusive. Review the full standard-setting agenda here. Comments were due to the FASB in June 2025.

SEC Priorities

Mission

Protect investors

Facilitate capital formation

Maintain fair, orderly and efficient markets

Rationalization of disclosure practices

- Executive compensation roundtable

Changes to PCAOB

Frequency of interim reporting

Capital formation

- Expanding non-public reviews
- Simplification of filer statuses
- Expansion of EGC accommodations

Crypto Rulemaking

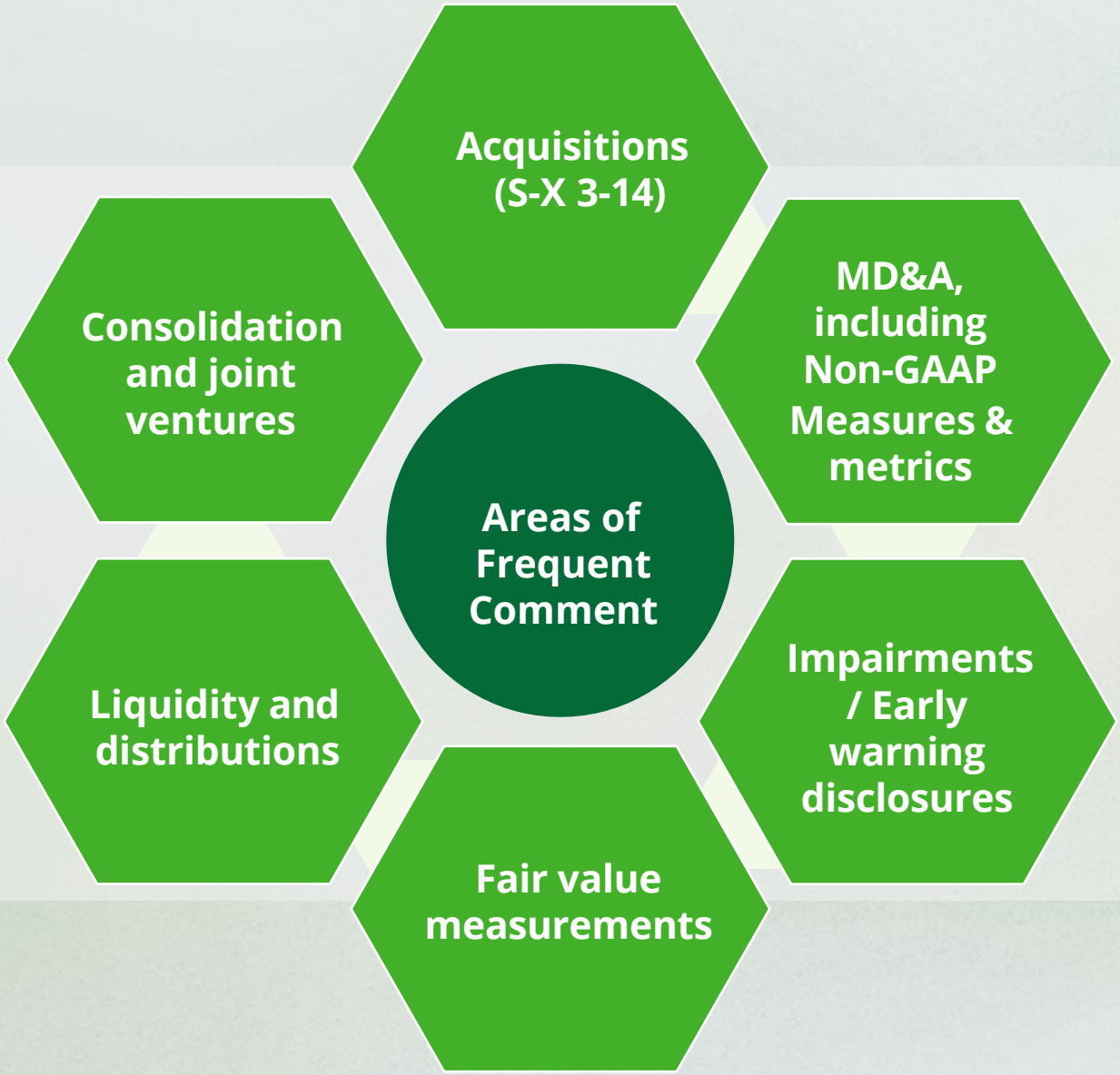
- Crypto Task Force
- GENIUS Act
- Hosted roundtables

Foreign Private Issuer (FPI) Concept Release

Existing rules

- Cyber, Clawback of executive compensation, SPAC
- Climate Rule: In March, the SEC voted to end defense of climate disclosure rules.
- Commercial real estate industry remains a focus area

SEC comment letters: Real estate continuing themes



Recent SEC comment letters: Real estate

Non-GAAP Measures

"We note you have excluded non-core property expenses to arrive at NOI attributable to [Company A stockholders]. Please address the following: 1) Please tell us and revise your filing to clarify the **nature of these expenses**; 2) Tell us and revise your filing to clarify how you determined the exclusion of these expenses is **useful to investors**; 3) Please clarify for us **if these expenses are normal, recurring, cash operating expenses** necessary to operate your business. Please refer to Item 10(e) of Regulation S-K and Question 100.01 of the Non-GAAP Financial Measures Compliance and Disclosure Interpretations."

Early Warning Disclosures

"We note that one of your centers has an **estimated fair value less than its recorded carrying value of approximately $[X] million and that you are monitoring for circumstances and events** in future periods that could affect inputs such as the expected holding period, operating cash flow forecasts and capitalization rates utilized to determine whether an impairment charge is necessary. Please tell us, and consider disclosing in future filings: The identity of the center in question, how you applied the guidance in ASC 360-10-35-29 to 35 and the Interpretative Response to Question 3 of ASC 360-10-S99-2 in your impairment analysis, **how you determined that the carrying value of the center is recoverable**, and how you considered the disclosure guidance in Item 303(b)(3) of Regulation S-K."

Fair Value Disclosures

"Please address the following with respect to your net asset value disclosure: Expand your disclosure to include a discussion of the **methodologies used to calculate net asset value**; Tell us whether your **calculation of property fair value includes any other material assumptions** (e.g., revenue or expense growth rates) and tell us what consideration you gave to providing disclosure about these assumptions (including sensitivity analyses)."

MD&A Disclosures

"We note your disclosure that you "have limited to no exposure to the more challenged sectors, including commodity office." We note that you own XX office properties and invest in commercial mortgage-backed securities. Please tell us and, if material, revise future Exchange Act periodic reports to **address the impact these investments have had on your operations**."

Consolidations and Acquisitions

"We note that . . . you completed the acquisition of an 80% noncontrolling ownership interest in [Company A] and that you are accounting for such acquisition using the equity method of accounting. In order to better understand the Company's accounting for this transaction please further tell us the following: 1) How the Company considered the variable interest guidance in ASC 810…and 2) If the acquisition did not result in the acquisition of a VIE, **how the Company considered the guidance under ASC 810…such that it resulted in the Company owning 80% of the [A] group but not consolidating the [A] group**.

Today’s Real Estate Landscape & Hot Topics

Today’s real estate landscape

Complex tenant and landlord financing transactions

Environmental sustainability and insurance

Private credit financing

Distressed debt workouts

Fractional ownership

Real estate asset redevelopment

Alternative investments and asset types

New technology and the rise of GenAI

The evolution of the commercial real estate landscape directly impacts financial accounting and reporting and introduces both **new opportunities** and **new challenges** for companies to navigate.

The impact of today's landscape on accounting and reporting

Complex tenant and landlord financing transactions

Complex financing transactions between landlords and tenants are the new normal - these require a nuanced understanding of existing GAAP for accurate financial accounting and reporting.

Environmental sustainability and insurance

Amidst an evolving sustainability landscape, accurate accounting and reporting for environmental events and transparent disclosure around the environmental impacts of real estate investments remain priorities.

Private credit financing

Understanding and interpreting the terms of higher risk, complex financing agreements by private lenders is critical to achieve accurate financial accounting and reporting.

Distressed debt workouts

Lenders are finding new paths forward when working with their distressed borrowers. Investing in distressed or non-performing real estate debt may also provide a way for investors to purchase potentially valuable real estate at a discount.

Fractional ownership

Fractional ownership is allowing investors to invest in high-value real estate for less capital. With these structures come unique accounting and reporting implications, particularly around related repurchase, redemption and conversion rights.

Real estate asset redevelopment

As the way that people live, work and shop continues to evolve, investors are finding opportunity in underwater real estate to repurpose into higher performing residential or retail properties.

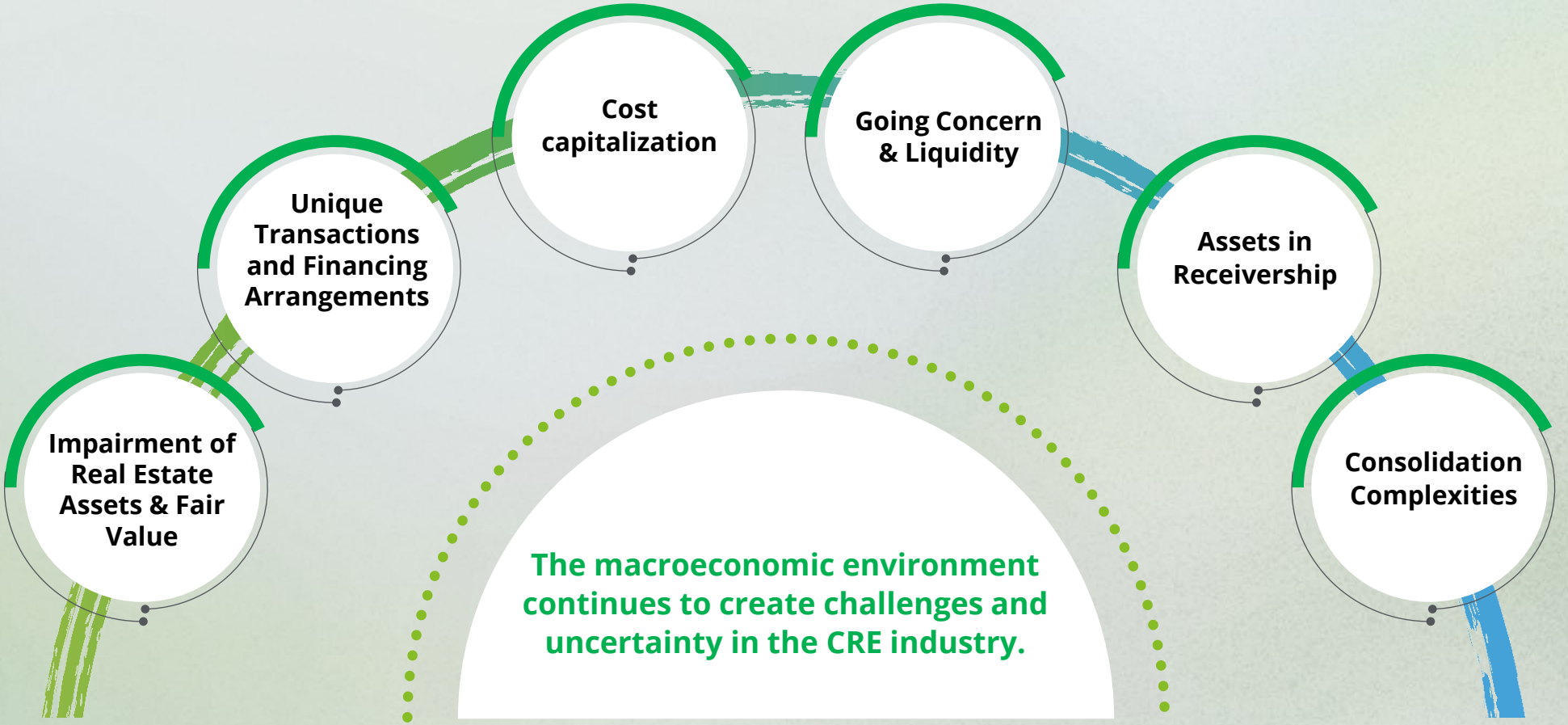
Alternative investments and asset types

Investors are looking to diversify, maximize returns and shield against market disruption by investing in alternative real estate assets. Asset types like data centers, logistics, warehousing, and storage continue to gain popularity.

New technology and the rise of GenAI

GenAI will have direct impacts on how we conduct accounting research, input data, review contracts, manage lease administration, and more. It will be a key influence in the evolution of our profession.

Real estate accounting hot topics



The present and long-term impact of the current macroeconomic environment on CRE assets **will vary on the basis of asset-specific factors** such as subsector, geographic location, asset quality, leverage levels, tenant-specific operations, and in-place lease terms. Accordingly, CRE entities should continually **monitor, evaluate, and update their accounting and reporting**, as necessary.

Impairment of real estate assets and fair value

Entities should consider whether early-warning disclosures regarding asset value and upcoming impairments are appropriate.

Assess the reasonableness of assumptions ensuring consistency with other relevant internal and external information, including the intended use of the asset.

The likelihood of identifying an impairment indicator increases when economic conditions deteriorate.

Certain assumptions may depend on market information that is impacted by the current environment or is more difficult to ascertain in times of decreased market activity.

Fair value estimates need to reflect the current views of market participants. Consider the highest and best use of the asset.

Unique transactions: Seller financing and joint ventures

Seller Financing

Seller financing activity has risen in the current environment due to more flexibility in determining interest rates, lower closing costs and the potential to negotiate more favorable terms.

- ✓ Evaluate probability of **collecting substantially all consideration**, which affects whether a contract exists for accounting purposes. This includes evaluating the amount and terms of any **down payments** made by the buyer.
- ✓ When determining the transaction price, **consider constraining to the portion that is deemed probable of collection**, rather than the stated price.
- ✓ The "probable" threshold is **required to be met in order to recognize a receivable.**
- ✓ Consider the **buyer's financial health, intent and ability to pay, and collateral** when evaluating collectability.

Joint Venture Structures

Entities are more frequently entering into joint ventures as they explore alternative sources of capital. These structures allow for shared costs and risk with others and limited upfront investment.

- ✓ When measuring investments **at fair value, assumptions will be impacted** by the macroenvironment, asset type and subsector.
- ✓ Evaluate the entity's **decision-making rights (participating and protective), kick-out rights and redemption rights** when determining consolidation conclusions.
- ✓ When accounting for partial sales to joint venture entities, if there is no change in control of the asset contributed (i.e., control is retained by the venturer), then it is accounted for as an **equity transaction**. When a change in control event occurs (i.e., when control is lost by the venturer), then the transaction is **accounted for as a sale** and the retained interest is measured at **fair value**.

To the extent that an entity enters into any nonstandard or unusual transactions, the entity should **consider the nature and purpose of the transaction** in determining the appropriate accounting, classification and disclosure.

Tenant improvements and lease incentives

- **What is the difference between a tenant improvement and a lease incentive – and how are each of these items accounted for?**
  - Judgment will have to be applied to determine whether the lessee is constructing leasehold improvements or leasing built-out space.
  - Factors to consider:
    - What happens to unspent tenant allowance amounts? Are they credited as a reduction of rent?
    - Who legally owns the improvements?
    - What happens at the end of the lease? Are the improvements removed or retained by the landlord?
    - Which party is supervising construction and bears the risk of cost overruns?
    - Is the allowance limited to only qualifying fixed assets?
- **Why does it matter?**
  - Different income statement presentation (depreciation expense vs. contra lease revenue)
  - Impacts on lease commencement date and lease revenue timing:
    - For accounting purposes, if the assets constructed are concluded to be landlord assets, it is likely the lease has not yet commenced, and revenue cannot yet be recognized until the construction activity is substantially complete and the asset is ready for its intended use.

Real estate fractional ownership: DST arrangements

What is a DST?

- "DST" (Delaware Statutory Trust) is a type of legal entity and real estate ownership structure.
- Investors pool resources within DST entities to own fractional shares of real estate.
- In typical arrangements, real estate companies contribute property to the DST. They sell shares of the entity to outside investors and subsequently lease back the property.

Why are DSTs relevant?

- DSTs can be used to minimize or defer capital gains taxes on real estate sale proceeds through 1031 like-kind exchanges.
- DSTs are increasingly popular as a way for investors to diversify their portfolios and maximize strategic tax benefits.
- DSTs provide real estate entities with new sources of capital.

Key Accounting Considerations for DSTs - Consolidation

- It is common for the real estate company to retain a controlling interest in the DST, as it often retains all substantive decision-making rights and directs the use of the property.
- If a controlling interest is retained, the DST will remain consolidated into the real estate company, resulting in elimination of intercompany balances and recognition of NCI for outside interests.

Key Accounting Considerations for DSTs - Leases

- Repurchase options will result in a failed sale-leaseback. The seller-lessee will not derecognize the property and will account for the transaction as a financing arrangement.
- Successful sale-leaseback transactions result a right-of-use asset and lease liability.
- Depending on the consolidation conclusion, lease-related balances may be eliminated in consolidation.

There continues to be diversity in how DST arrangements are structured, which may impact the related accounting treatment. It is important to **understand the nuances for each arrangement** and consult with the appropriate parties around the accounting implications.

Interest capitalization

The principal objective of ASC 835-20 is to require capitalization of interest **on major construction projects. It is a GAAP requirement to capitalize interest** when the qualifications are met.

1. Interest incurred during the period in which the **activities required to get the asset ready for its intended use occur** should be capitalized, provided that expenditures for an active real estate development project have occurred.

2. Discrete real estate projects typically include separate cost records, considerable physical construction periods, and significant expenditures. Examples include **ground-up developments, demolitions and replacements of buildings, and significant expansion projects.**

3. It is **generally not appropriate to capitalize interest on assets that were previously operating** prior to being temporarily removed from service. Minor tenant build-out activities that occur in the ordinary course of releasing space are not typically characterized as a discrete real estate project eligible for interest capitalization.

Interest capitalization at the investor level is required for equity method investments that are entirely under development.

Going concern

Step 1 → **Step 2**

Conditions or events raise substantial doubt

Considerations:
- Current financial condition, including liquidity resources
- Obligations due or anticipated one year from date the financial statements are issued
- Funds necessary to maintain operations
- Other events or conditions

Extension options

- Refinancing options may not be as readily available in current macroenvironment
- Robust documentation required regarding intent and ability to refinance, including draft term sheets and discussions with lenders
- Consider the impact of entity's ability to meet existing and future debt covenants given existence of conditions or events that raise substantial doubt

Consider management's plans

- Management's plans will be effectively implemented within one year
- When implemented, will mitigate the relevant conditions or events that raise substantial doubt

Required disclosures

- Principal conditions or events that raised substantial doubt
- Evaluation of significance of conditions/events in relation to ability to meet its obligations
- Management's plans that alleviated substantial doubt
- Statement in the footnotes that there is substantial doubt

Assets in receivership

Revenue recognition criteria needs to be met prior to derecognizing real estate.

Under real estate revenue recognition criteria, a sale isn't recognized until control is transferred.

Although a borrower may lose "day-to-day" decision making rights when asset enters receivership, a borrower typically maintains a cure right (debt repayment right) whereby they can regain control of the asset.

Consolidation reminders and common pitfalls

Assuming Majority Ownership = Consolidation

- Determining the consolidation conclusion based only on majority ownership percentage held in a legal entity, **without considering the voting or decision-making rights** available to all equity interest holders and other service agreements entered by the legal entity.

Participating Rights in the Voting Interest Entity (VOE) Model

- **Incorrect identification of decisions** about matters of a type consistent with those normally expected to be addressed in directing and carrying out current business activities.
- An owner of a majority voting interest will be precluded from consolidation of a VOE if another party has a **substantive participating right in any decision** that allows it to effectively participate in significant financial and operating decisions in the ordinary course of business.

Participating Rights in the Variable Interest Entity (VIE) Model

- **Incorrectly identifying participating rights that would preclude consolidation** by another party or by the GP (in LP/LLC structures).
- To preclude another party from consolidating a VIE, the right must be substantive and **held by a single reporting entity** and **unilaterally exercisable relative to all of** the activities that most significantly affect the economic performance.
- Protective rights on their own do not preclude consolidation.

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TAX UPDATE

Ashley Graham and Mike Safra, Deloitte

Deloitte.

Tax Legislative Update

Selected Provisions Impacting Real Estate

October 28, 2025

INTRODUCTION

Today’s speakers:

Mike Safra
Tax Partner
Miami, FL

Ashley Graham
Tax Partner
Miami, FL

One Big Beautiful Bill Act

Selected Provisions Impacting Real Estate

Background

- On July 4, 2025, President Trump signed into law an Act to provide for reconciliation pursuant to title II of H. Con. Res. 14., which is commonly referred to as the "One Big Beautiful Bill Act" (the "Act" or "OBBB").
- All references to "section" are to the Internal Revenue Code of 1986, as amended.
- **Effective Date** – Unless otherwise noted, the provisions described in this summary apply to taxable years beginning after December 31, 2025.

Selected Provisions Impacting Real Estate

Key Provisions – Individuals

	OBBB	Current Law
Qualified Business Income Deduction (Section 199A)	• 20% deduction under current law made permanent.	• Deduction to an individual, estate, or trust of up to 20% of the qualified business income from certain domestic trades or businesses. Deduction results in a net tax rate of 29.6% for individuals at the highest tax bracket. • Deduction is phased out if the business is a "specified services trade or business." • 20% deduction for qualified real estate investment trust ("REIT") dividends. • The deduction is disallowed for tax years beginning on or after January 1, 2026.
Individual Income Tax Rates (Section 1)	• Tax rates established under the Tax Cuts and Jobs Act are made permanent. • One-year additional inflation adjustment index added to the 10%, 12%, and 22% tax brackets.	• The top individual income tax rate is 37% for 2025 taxable income over $751,600 for married filing jointly and $626,350 for single filers. • The top individual income tax rate is scheduled to increase to 39.6% beginning on January 1, 2026.
Miscellaneous Itemized Deductions (Section 67)	• Makes permanent the disallowance of miscellaneous itemized deductions (e.g., investment expenses, certain legal fees, and unreimbursed business expenses).	• No deduction is allowed to individual taxpayers for miscellaneous itemized deductions for taxable years beginning after December 31, 2017, and before January 1, 2026.

Selected Provisions Impacting Real Estate

Key Provisions – Individuals

	OBBB	Current Law
State and Local Tax Deduction For Individuals	• Limitation increased to $40,000 ($20,000 for a married individual filing a separate return (“MFS”)) and made permanent beginning with 2025. • Phased out by 30% for modified adjusted gross income over $500,000 ($250,000 MFS) until limitation reaches $10,000 ($5,000 MFS). • The limitation and phase out modified adjusted gross income amounts increase by 1% yearly for tax years beginning before January 1, 2030. That is, the limitation and phase out threshold for all taxpayers other than MFS is $40,400 and $505,000, respectively, for the 2026 tax year. • For any taxable year beginning after calendar year 2029, the limitation is $10,000 ($5,000 MFS). • No special provisions regarding taxes imposed on passthrough entities.	• The current limitation on the deduction for state and local taxes is $10,000 ($5,000 MFS). • The limitation no longer applies to tax years beginning on or after January 1, 2026. • IRS Notice 2020-75 announced the intention to issue regulations providing that state and local tax payments made by partnerships and S corporations are deductible by such partnerships and S corporations in computing non-separately stated income or loss.
Excess Business Losses (Section 461(l))	• Makes permanent the limitation on excess business losses for noncorporate taxpayers, and provides a modification to the inflation adjustment calculation. • The provision is made permanent for taxable years beginning after December 31, 2026.	• Section 461(l) disallows excess business losses for noncorporate taxpayers in excess of inflation-adjusted thresholds. Losses disallowed under section 461(l) are carried forward and are not subject to section 461(l) in future years but are subject to the 80% limitation on the deduction of net operating losses. • Limitation does not apply to taxable years ending after January 1, 2029.

Selected Provisions Impacting Real Estate

Key Provisions – Special Real Estate Provisions

	OBBB	Current Law
Special Depreciation Allowance for Qualified Production Property (New Section 168(n))	• Special 100% bonus depreciation for qualified production property ("QPP") placed in service during the taxable year. • QPP is generally the portion of any United States nonresidential real property that is an integral part of manufacturing, production, or refining of tangible personal property. The construction of the QPP must begin after January 19, 2025, and before January 1, 2029, and the QPP must be placed in service after date of enactment of OBBB and before January 1, 2031. • Qualifying production activities include manufacturing, production, or refining of tangible personal property. Production is limited to agricultural and chemical production. • QPP does not include any property to which the alternative depreciation system applies (e.g., taxpayers who have made a section 163(j) real property trade or business election). • Recapture rules apply in certain cases where, during the 10-year period after QPP is placed in service, the use of the property changes. • Property used by a lessee in a qualified production activity is not considered to be used by a lessor of such property as part of a qualified production activity.	• N/A

Selected Provisions Impacting Real Estate

Key Provisions – Special Real Estate Provisions

	OBBB	Current Law
Qualified Opportunity Zones (Section 1400Z-2)	• Establishes a permanent qualified opportunity zone ("QOZ") program that builds off the version originally enacted in 2017 with several modifications. • New QOZ designations would be made on a rolling ten-year basis beginning July 1, 2026, and each decennial July 1 thereafter, effective on the "applicable start date," defined as the January 1 following the date on which such QOZ was certified and designated by the Treasury Secretary. • The definition of "low-income community" is narrowed to census tracts that have a poverty rate of at least 20% or a median family income that does not exceed 70% of the area median income. In addition, a "low-income community" does not include any census tract where the median family income is 125% or greater than the area median family income. • Generally preserves the three taxpayer benefits achieved by making an investment in a QOF, at the taxpayer's election: ○ A temporary deferral of the capital gain reinvested in the QOZ; *Continues on next slide*	• Under current law, QOZs exist as an economic development tool used to revitalize distressed communities across the country. Created in the Tax Cuts and Jobs Act (TCJA), QOZs are eligible census tracts that have been nominated by state governors and certified by Treasury as eligible areas for qualified investments. Investments in qualified opportunity funds ("QOFs") are entitled to tax benefits at the taxpayer's election. There are currently 8,764 certified QOZ census tracts in the U.S. and five U.S. territories. These tax benefits include: ○ Deferral of recognition of capital gains arising from sale of property to the extent of the amount invested in a QOF. ○ Deferral lasts until the earlier of the sale or exchange of the investment, or December 31, 2026. ○ For QOF investments made before December 31, 2019, or December 31, 2021, and held through December 31, 2026, taxpayers receive a permanent basis step-up of 10% or 15%, respectively, with respect to the deferred gain recognized on December 31, 2026. ○ If the QOF investment is held for at least 10 years, taxpayers may elect to receive a permanent exclusion of tax on the appreciation of the investment through a full basis step-up to the fair market value of the investment when the investment is sold or exchanged.

Selected Provisions Impacting Real Estate

Key Provisions – Special Real Estate Provisions

	OBBB	Current Law
Qualified Opportunity Zones (Section 1400Z-2) (cont.)	○ A permanent 10% reduction (decreased from the maximum of 15% under the originally enacted QOZ program) in the amount of such gain that must be recognized if the investment is held for at least seven years (increased from five years under the originally enacted QOZ program); and ○ A permanent exclusion of future gains resulting from the QOF investment if the investment is held for at least 10 years. • Establishes additional taxpayer benefits for investments made in a newly defined rural qualified opportunity fund ("RQOF"). Qualified investments made into RQOFs receive an increased 30% basis step-up (rather than 10%), if the RQOF investment is held for at least 7 years. RQOFs are required to satisfy investment qualification requirements the same as QOFs but based on capital deployed solely in rural areas. • A special provision reduces the 100% substantial improvement threshold to 50% for QOZ investments in existing non-original-use QOZ buildings located in rural areas effective immediately upon enactment.	
Taxable REIT Subsidiary ("TRS") Asset Test (Section 856(c)(4)(B)(ii))	• Increases the TRS asset test threshold to 25%.	• Under the TRS asset test, securities of one or more TRSs may not represent more than 20% of the REIT's assets as of the end of each calendar quarter.

Selected Provisions Impacting Real Estate

Key Provisions – Special Real Estate Provisions

	OBBB	Current Law
Energy Efficient Commercial Building Deduction (Section 179D)	• Repeals the energy efficient commercial buildings deduction with respect to property the construction of which begins after June 30, 2026.	• Deduction of a maximum of $5 per sq ft. for new and existing buildings that reduce their energy and power costs by at least 25% with prevailing wage rules applying to secure the maximum value. • Taxpayers making energy-efficient retrofits that are part of a qualified retrofit plan on a building that is at least five years old may qualify to deduct their adjusted basis in the retrofit property (so long as that amount does not exceed a per-square foot value determined on the basis of energy usage intensity). • Tax-exempts and governmental entities are allowed to allocate the deduction to the designer of the building or retrofit plan (previously just governmental entities). • No termination date.
Exception to Percentage of Completion Method of Accounting (Section 460)	• Effectively allows the use of the completed contract method of accounting for residential real estate developers by replacing "home construction contract" with "residential construction contract." • Applies to regular and alternative minimum tax computations.	• Generally, a long-term contract or a contract that is not completed within the taxable year it is entered, must recognize taxable income under the percentage of completion method. For certain real estate developers (e.g., residential condominium developers), a special method permits 30% of the contract to be accounted for using the completed contract method and 70% using the percentage of completion method. • For certain real estate developers (e.g., developers of residential condominiums), the percentage of completion method can create phantom tax for which the taxpayer may not have cash flows from the project to pay for the tax liability.

Selected Provisions Impacting Real Estate

Key Provisions – General

	OBBB	Current Law
Deduction of Business Interest Expense (Section 163(j))	• Permanently excludes depreciation, amortization, and depletion deductions from adjusted taxable income ("ATI") for tax years beginning after December 31, 2024. • Applies interest limitation to business interest regardless of whether the taxpayer would otherwise deduct such business interest or capitalize such business interest under an interest capitalization provision. The amount allowed as business interest expense after applying section 163(j)'s interest limitation provision would be applied first to the capitalized business interest. The provision would not, however, apply to interest capitalized under section 263(g) or 263A(f). • ATI is computed without regard to amounts included in gross income under sections 951(a), 951A(a), and 78.	• Section 163(j) generally limits the deduction for net business interest expense to 30% of ATI. For taxable years before January 1, 2022, ATI was computed without regard to any deduction allowable for depreciation, amortization, or depletion.
Bonus Depreciation (Section 168(k))	• Permanently reinstates 100% bonus depreciation for qualified property acquired and place in service after January 19, 2025. • Amends section 168(k)(10) to provide a transitional election to apply 40% or 60% bonus depreciation on certain property placed in service during the first taxable year ending after January 19, 2025.	• 40% bonus depreciation generally allowed for eligible property placed in service in 2025. • 20% bonus depreciation generally allowed for eligible property placed in service in 2026. • 0% bonus depreciation generally allowed for property placed in service after 2026.

Selected Provisions Impacting Real Estate

Key Provisions – General

	OBBB	Current Law
Election to Expense Certain Depreciable Business Assets (Section 179)	• Increases maximum annual expense amount to $2,500,000 with a phaseout threshold beginning at $4,000,000. • Amounts are indexed for inflation. • Effective for property placed in service in taxable years beginning after December 31, 2024.	• Election to expense up to $1,000,000 of the cost of qualifying property placed in service during a taxable year beginning after 2018 (as adjusted for inflation, $1,250,000 in 2025). • $1,000,000 is phased out by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $2,500,000 (as adjusted for inflation, $3,130,00 in 2025).

Selected Provisions Impacting Real Estate

Key Provisions – Credits

	OBBB	Current Law
Low-Income Housing Tax Credit (Section 42)	• Permanently increases the State housing credit ceiling for allocation of the 9% low-income housing tax credit ("LIHTC") by 12% for calendar years after 2025. • Increases the availability of the 4% LIHTC for projects financed with tax-exempt private activity bonds by reducing the tax-exempt bond financing threshold from at least 50% of the aggregate basis of the building and land to 25% for tax-exempt private activity bonds issued beginning in 2026.	• Credit allowed annually over a 10-year period for the costs of building or rehabilitation of rental property occupied by low-income tenants. • For any calendar year, the total amount of housing credits available for allocation by a state is limited to the state housing credit ceiling. • For projects that are bond-financed, at least 50% of the aggregate basis of the building and land must be financed with bonds that are subject to a state's private activity bond volume cap.
Alternative Fuel Vehicle Refueling Property Credit (Section 30C)	• Repealed with respect to any property placed in service after June 30, 2026.	• Provides a credit equal to either 6% or 30% of costs for qualified alternative fuel vehicle ("QAFV") refueling property, up to $100,000 with respect to any single item of QAFV property placed in service in certain low-income census tracts or non-urban areas. • Prevailing wage and apprenticeship rules apply. • Credit terminates after December 31, 2032.

Selected Provisions Impacting Real Estate

Key Provisions – Credits

	OBBB	Current Law
New Markets Tax Credit (Section 45D)	• Permanently extends this credit and establishes an annual pool of $5 billion of tax credit allocation authority each calendar year beginning after December 31, 2025.	• Competitively awarded credit to taxpayers who make qualified equity investments (“QEI”) in certified community development entities (“CDE”), which in turn use substantially all of the investment to make qualified low-income community investments (“QLICI”) in low-income communities (“LIC”) or for the benefit of low-income persons. • LICs are designated by the Community Development Financial Institutions Fund (“CDFI”), a bureau within Treasury. • The credit is claimed over a 7-year period, with 5% allowed in each of the first three years, and 6% allowed in each of the last four years, totaling 39% of the QEI investment. • Credits are allocated annually and set to expire after the last $10B of investment authority is awarded for 2024/ 2025 (combined round) in the fall of 2025.
Transferability of Credits (Section 6418)	• Adds new subsection (g) prohibiting an eligible taxpayer from transferring any portion of the credits determined under sections 45Q, 45U, 45X, 45Y, 45Z, and 48E to a specified foreign entity as defined in section 7701(a)(51)(B). Otherwise, all transferable credits remain transferable until each credit terminates or phases out.	• Transferability applicable to numerous “eligible credits” including sections 30C, 45, 45Q, 45U, 45V, 45X, 45Y, 45Z, 48, 48C, and 48E. • An “eligible taxpayer” may elect to transfer all or a portion of an eligible credit. • Special rules allow REITs or UPREIT structures to transfer credits.

Selected Provisions Impacting Real Estate

Key Provisions – Credits

	OBBB	Current Law
Clean Electricity Investment Credit and Clean Electricity Production Credit (Section 48E and Section 45Y)	• Credit termination for solar and wind facilities that begin construction more than 12 months after the date of enactment and are not placed in service before 2028. • For solar and wind facilities that begin construction within 12 months after the date of enactment, these facilities must comply with the beginning of construction continuity rules to qualify for the credit. • For all other qualified facilities including energy storage technologies, the credits are subject to an accelerated phase-out based on the calendar year construction of the qualified facility began: 2034 (75%), 2035 (50%), and after 2035 (0%). • Credit termination for certain leased residential clean energy property (solar water heating property and small wind property) placed in service in taxable years beginning after the date of enactment, excluding solar electric property. That means residential rooftop solar installations are exempted from the leasing prohibition. • Prohibited foreign entity rules apply including material assistance restrictions. • Qualified facilities the construction of which begins on or before December 31, 2025, are not subject to the material assistance restrictions.	• Tech-neutral production tax credit and investment tax credit available for qualified facilities and energy storage technologies that is placed in service after 2025. • No fixed expiration date. • Prevailing wage and apprenticeship rules apply; Domestic Content and Energy Community Adders. • Transferable.

Selected Provisions Impacting Real Estate

Key Provisions – Corporations

	OBBB	Current Law
Modifications to Limitation on Deduction of Excessive Employee Remuneration (Section 162(m))	• In the case of a publicly held corporation that is a member of a controlled group, payments made by all members of the controlled group are aggregated to determine the $1,000,000 compensation limitation for specified covered employees. • The deduction limitation for amounts paid in excess of $1,000,000 will be allocated pro rata to each member of the controlled group. • Certain REIT and other businesses organized in an UPREIT or Up-C partnership structure may be considered a single employer for purposes of the controlled group rules under section 414. This change would likely result in a larger amount of compensation – potentially including compensation paid by a TRS – subject to the deduction disallowance under section 162(m) than under the current rules, which are based on the affiliated group as determined under section 1504.	• In the case of a publicly held corporation, no deduction is allowed for applicable employee remuneration with respect to any covered employee to the extent that the employee's remuneration for the taxable year exceeds $1,000,000. • A publicly held corporation, as determined under the affiliated group rules of section 1504 (determined without regard to section 1504(b)), is required to take into account its distributive share of a partnership's deduction for compensation paid to the corporation's covered employees in determining its deduction under section 162(m).

Proposed Regulations on “Domestically Controlled” Status

Proposed Regulations on “Domestically Controlled” Status

Proposed Regulation REG-109742-25

- Domestically controlled QIE “Qualified Investment Entity” rules under Section 897(h)(2)
- Allows the stock in a domestically controlled QIE (which includes REITs and certain RICs) to be excluded from being treated as a US real property interest when disposed by a foreign person under FIRPTA
- The final Regulations from 2024 “look through” certain domestic C corporations that are owners of a QIE to the domestic C corporation’s shareholders when testing whether a QIE is domestically controlled
- The Proposed regulations remove the “look through” rule for domestic C corporations
- Proposed regulations do not appear to change the treatment of a qualified foreign pension fund, an international organization, or a domestic partnership for purposes of the domestically controlled QIE rules
- Proposed to be applicable, upon finalization, to all transactions occurring on or after October 21, 2025 and also offer taxpayers the ability to rely on the proposed regulations upon their publication in the Federal Register (and before finalization), as far back as to the applicability date of the 2024 final regulations (generally April 25, 2024)

Deloitte.

MAKING AN IMPACT THAT MATTERS since 1845

NCREIF PREA REPORTING STANDARDS UPDATES

Lauren DeMartini – MetLife Investment Management

Benay Kirk – Alter Domus

ASSET LEVEL REPORTING

- In August 2025 the NCREF PREA Reporting Standards was published and expanded to include recommended asset level reporting elements.
- With the pending release of the Debt Fund Manual and Index there was a pause on making any changes to debt fund elements.

- Key changes made were:
  - New RECOMMENDED frequency: SOI to QUARTERLY for Equity funds and SMAs.
  - New RECOMMENDED data elements :
    - Informational – Legal Share, Effective Share
    - Financial – Gross and Net Real Estate Asset Value, TTM NOI
    - Performance – Since Inception Gross & Net IRR, Gross & Net TVPI, Gross & Net TWR for qrt, 1-, 3-, and 5-year periods
    - Operations – Life Cycle, Lease Percent, Average WALT
    - Leverage – Loan Principal Balance, Loan Market Value, LTV (Principal), LTV (FV), DSCR, Interest Rate, Associated Derivative Type, Derivative Maturity Date, Debt Maturity Date, Fully Extended Maturity Date
    - Valuation – Discount Rate, Terminal Rate, Going-in Cap Rate, Three-year & Ten-year Rent Growth
    - Business plan – Projected Exit Date, Gross & Net Projected IRR

NEGATIVE NAV: 2026+ INITIATIVE

- Performance team is working on updating the white paper from 2011.
- Plan is to share the updated white paper with Accounting and Valuation Committees for their input on the topic.
- Potential issues to be vetted from an accounting perspective:
  - How handle working capital:
    - Cash at property
    - Interest expense
    - Other assets & liabilities
  - How handle if Fair Value the asset but don't elect to Fair Value the debt?
  - Do we discuss questions for funds that are not Fair Value Investment Companies?

DEBT MANUAL

- Debt Fund Manual is pending final approval and is scheduled for publication by end of October 2025.
- Upon approval, this manual will enter the standard recurring review and update cycle, consistent with other discipline-specific manuals. (The next scheduled review and update is anticipated in approximately 18 months.)
- 2026+: Review and update Reporting Standards Volume I specifically for Debt Funds.

➢Volunteers Needed!

ILPA REPORTING & PERFORMANCE TEMPLATES

- The ILPA Reporting Templates were updated and released in 2025 to incorporate items from the SEC's vacated Private Funds Rule.
- A Reporting Standards Taskforce has been working on a Performance Whitepaper – *Increasing Transparency in Performance Metrics for Private Closed-End Funds*
- The whitepaper's content support real estate managers who are asked to provide certain performance metrics including, but not limited to, requests to complete ILPA's new reporting templates.

ILPA REPORTING & PERFORMANCE TEMPLATES

- The whitepaper includes the below topics:
  - Calculating net fund level IRRs with and without the impact of subscription facilities
  - Calculating gross IRRs for the portion of the fund's portfolio that is realized and unrealized shown separately
  - Calculation and use of Multiple on Investment Capital (MOIC) and Investment Multiple/Total Value to Paid-in Capital Multiple (TVPI)
- The Total Global Expense Ratio (TGER) remains the established global standard for fee and expense reporting in private real estate.
- The whitepaper is pending final approval and is scheduled for publication in 4Q 2025.

DIVIDEND YIELD: 2026 INITIATIVE

- **Goal:** Develop a standard calculation and include in Performance Manual
- **Revised Goal:** Clarify the difference between yield and return, distribution and dividend, and numerator versus denominator in calculation methodologies.
- **Timing:** Reporting Standards plans to publish a whitepaper in the first half of 2026.

STANDARDIZED DDQ: FORMALLY RETIRED

- The goal was to develop a consistent set of qualitative questions and quantitative metrics in collaboration with ILPA.
- After careful evaluation, the taskforce concluded that the initiative does not offer incremental value beyond the resources and capabilities already available. As a result, the project has been formally retired.

NCREIF WHITEPAPER REVIEW

- A taskforce conducted a comprehensive review of 184 NCREIF white papers to assess relevance and alignment with current strategic priorities.

- Based on the review, the following recommendations were made:
  - Archive: 140 white papers
  - Retain for Reference: 14 white papers
  - Integrate into Reporting Standards discipline-specific manuals: 3 white papers
  - Forward to committees (Research, Valuation, Performance) for review and update consideration: 27 white papers

GLOBAL DEFINITIONS DATABASE

https://reportingstandards.info/global-standards/

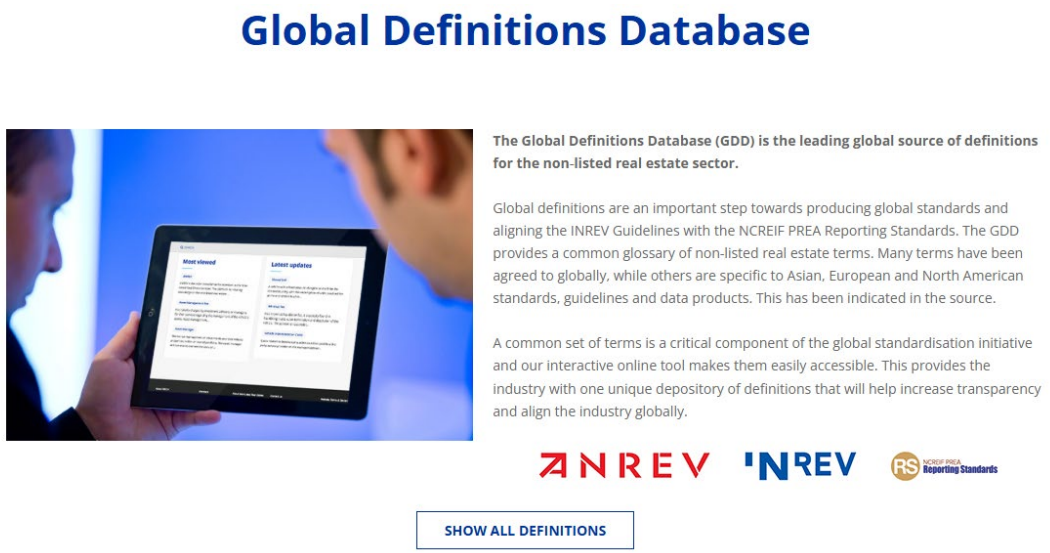
- In 2025:

✓ 11 Terms were globally converged

✓ 681 terms sourced from NCREIF Academy were added

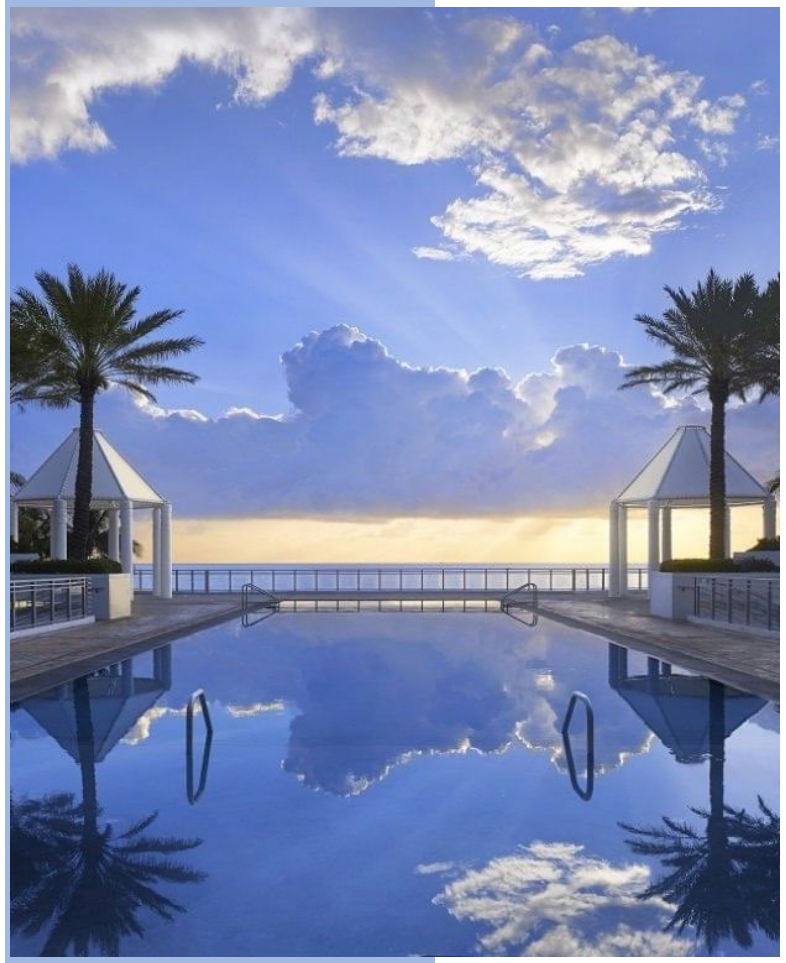
✓ The total number of globally converged terms is now 231

✓ 2 additional terms recently approved by GDD task force



QUESTIONS?

Email jkingsley@ncreif.org or
administrator@reportingstandards.info



FV MANUAL UPDATE

FV Manual Taskforce

- Richard Ziobro - PGIM
- Thomas James - PGIM
- Sara Farina – Plant Moran
- Benay Kirk –Alter Domus
- Daniel Kalish – Aztec Group
- Peter Bloomfield - KPMG
- Nicole Darling - KPMG
- Ronnie Thompson - UBS
- Jennifer Walker – EY
- Emily Halpin - RSM
- Adam Wilson - RSM
- David Swerling – PWC
- Nick Way - HL
- Nima Parikh - Invesco
- Jason Aguiar - EY
- Michael Bartman – PWC
- Charles Campany - PWC
- Rachel Landu - RSM
- Katherine Von Ahnen – PWC
- Saad Sheikh – Asana Partners

DEBT MANUAL UPDATE

HOT TOPICS

European Investors

Advisors with European investors commonly receive requests for INREV reporting (e.g., INREV NAV reconciliation schedules). The investors sometimes also request for some type of reporting from an audit firm on the INREV information. We understand that some advisors satisfy this request by having agreed-upon procedures performed on, for example, an INREV NAV reconciliation schedule. Are there other types of engagements that advisors have engaged their auditors to perform on INREV information?

Debt Modification VS Extinguishment

Accounting Considerations for determining Debt Modification or Extinguishment. Are firms looking at undiscounted future cash payments in determining if a gain/loss needs to be recognized or not if the loan terms are modified. Also what if a loan has matured and new debt is put on the property or the original loan is modified for a number of years?

Financial Reporting

1. How do people value OpCo's?

2. What information do you need from OpCo's for audit? What data does the business extract?

    a. Performance reporting impacts?

    b. Audit challenges that have risen?

3. Processes around expense reimbursement? Do people use flat admin fees percentages to allocate to properties? Or some type of GAV/NAV allocation?

    a.What is reimbursed by properties?

Financial Reporting

What systems or software are other institutional investors using to roll up data from investment advisors/sponsors for financial reporting?

THANK YOU

Session code: Accounting1