

# The Real Estate Shift: Incentives, Limits & Liability

The real estate industry continues to evolve at a rapid pace. This article explores four developments impacting real estate today — federal tax incentives, California’s regulation of industrial development, PFAS contamination and trends in real estate finance. For developers, investors, owners and other stakeholders, understanding these changes is essential for managing risk, unlocking capital, and seizing new opportunities.

## FEDERAL TAX INCENTIVES

Schuyler “Sky” Moore, Tax Partner at Greenberg Glusker, noted that there are many tax benefits for real estate under the “One Big Beautiful Bill Act,” the new tax bill, including:

1. The extension and expansion of the ability to defer and exclude gain under the Opportunity Zone rules. The Zones will be redrawn every ten years, starting on July 1, 2026. The redrawn Zones will become effective at the start of the following calendar year (e.g., in 2027 for the Zones designated on July 1, 2026).
2. The ability to deduct 100% of the cost of purchasing or constructing buildings in the United States if the building must be used for the manufacturing, production, or refining of tangible personal property.
3. The exclusion of 25% of interest received by Banks and insurance companies on loans is secured by agricultural real property in the US.
4. The increase in the amount that can be deducted for fixtures to buildings under IRC Section 179.
5. The ability to defer tax for up to four years on the sale of farmland.

## CALIFORNIA’S AB 98

Kevin Sher, Real Estate Partner at Greenberg Glusker, explained that there is continued slowdown in industrial development, particularly in areas like the Inland Empire. In 2024, the Inland Empire added over 20 million square feet of new industrial

space, exceeding post-pandemic demand in the market and increasing vacancy rates. Development has therefore decreased, and there is presently a 10-year low in new industrial construction levels. Recent changes in state law may further decrease industrial development. On January 1, 2026, California Assembly Bill No. 98 goes into effect, regulating new warehouse construction and operations for industrial properties that are 250,000 square feet or larger. With the required buffer zones and setbacks from residential areas under the new law and the restrictions on truck routing, finding compliant locations for warehouse development in the Inland Empire and across many parts of California will become more challenging.

## PFAS CONTAMINATION

Sedina L. Banks, Environmental Partner at Greenberg Glusker, wrote: PFAS (per- and polyfluoroalkyl substances) are synthetic chemicals used since the 1940s in a broad range of industrial and consumer products. Often referred to as “forever chemicals” due to their persistence in the environment, PFAS migrate through the environment easily and are difficult to remediate. Ownership of a PFAS-contaminated property can result in significant long-term legal and financial consequences. Last year, the US Environmental Protection Agency designated two widely used PFAS, PFOA and PFOS, as “hazardous substances” under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). States, such as California, have also enacted PFAS-specific environmental laws, further expanding the scope of potential liability. To manage risk, companies should ensure that their environmental site assessments comprehensively assess the potential for PFAS contamination. Where an environmental site assessment identifies a property as a known or suspected PFAS source, companies should proactively evaluate and mitigate potential liabilities prior to property acquisition.



Banks



Kang



Moore



Sher

## FINANCING CONDITIONS

Brian Kang, Chair of the Real Estate Group at Greenberg Glusker, noted that the real estate finance market continues to be flush with capital, with private credit remaining a dominant force. While multifamily remains highly active, many lenders are shifting their focus to asset classes like retail in pursuit of stronger risk-adjusted returns. Office, once out of favor, is slowly regaining interest—par-

**In 2024, the Inland Empire added over 20 million square feet of new industrial space, exceeding post-pandemic demand in the market and increasing vacancy rates. Development has therefore decreased, and there is presently a 10-year low in new industrial construction levels.**



ticularly when priced at an attractive basis. Private lenders are increasingly stepping in to replace traditional banks, often assuming senior lender roles due to their speed and flexibility. Insurance companies also continue to serve as a reliable capital source for borrowers. Underwriting has become more localized and asset-specific, with industrial and retail properties continuing to perform well, while hospitality is approached with greater caution. Amid tightening traditional lending, hybrid structures like “dequity”—which blends debt and equity features—are gaining traction as sponsors seek flexible capital solutions. Despite economic uncertainty and elevated interest rates, competitive financing remains available for thoughtfully structured deals backed by strong fundamentals.

Learn more at [greenbergglusker.com](https://www.greenbergglusker.com).