

A man and a woman in business attire are standing in an industrial setting, looking at a tablet together. The man is on the left, wearing a blue blazer over a light blue shirt. The woman is on the right, wearing a dark blue sweater over a light blue collared shirt and a necklace. They are both looking down at a tablet held by the woman. The background is a blurred industrial environment with yellow vertical pipes and a hanging light fixture.

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ONE BIG BEAUTIFUL BILL ACT

Policy to Property: How the Big Beautiful
Bill Will Impact Industrial Real Estate

Cresa Capital Strategies | September 2025



Signed into law on July 4, 2025, the OBBBA is a U.S. federal statute containing significant tax and spending policies. While the bill has broad economic implications, it specifically and substantially impacts the commercial real estate (CRE) and manufacturing sectors by permanently extending or enhancing key tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA). These changes aim to incentivize capital investment, domestic production, and economic development.

For Commercial Tenants, this bill provides substantial opportunities for owned and leased properties including:

Immediate Cost Recovery - Improvements

100% bonus depreciation on qualifying improvements and equipment allows full deduction in year one.

Enhanced Build-Out Negotiations

Landlords gain stronger incentives to invest in tenant improvements.

New Manufacturing Facility Benefits

New production facilities qualify for 100% real estate depreciation.

Improved Market Dynamics

Increased supply and modernized facilities expected to stabilize rental costs.

Strategic Timing Advantage

Benefits available for property placed in service after January 19, 2025 and before January 1, 2031.

Economic Arbitrage

Tenants will need to focus on their lease vs borrow analysis to ensure they receive a fair portion of the incentive versus owning the facility. This will depend upon the tenants ability to utilize the QPP incentive as further defined below.

IMPACT ON COMMERCIAL REAL ESTATE

The OBBBA revitalizes the commercial real estate sector by providing a more predictable and favorable tax environment for investors and developers.

100% Bonus Depreciation and Section 179 Expensing

A major win for commercial real estate is the permanent reinstatement of 100% bonus depreciation for qualified property placed in service after January 19, 2025. This provision, which had been phasing down, allows businesses to immediately deduct the full cost of eligible assets, such as furniture, fixtures, equipment, and certain interior improvements to non-residential buildings. This accelerated depreciation improves after-tax cash flow and makes capital-intensive projects more financially attractive. Similarly, the bill increases the Section 179 expense limits to \$2.5 million, with a phase-out threshold of \$4 million, making it a more viable tool for small to medium-sized businesses to expense improvements like HVAC systems and roofs.



IMPACT ON MANUFACTURING & MANUFACTURERS

The OBBBA is designed to provide major incentives for U.S. manufacturing, encouraging domestic production and modernization. At the core is the Qualified Production Property (QPP) provision, which—alongside bonus depreciation and R&D expensing—creates significant tax and financial advantages for companies investing in new or expanded facilities.

Tax Incentives for Domestic Production

Bonus Depreciation (100%)	Similar to real estate, the permanent restoration of 100% bonus depreciation allows manufacturers to immediately expense the full cost of machinery, equipment, and other qualified property. This provides a strong incentive for capital-intensive upgrades and expansions.
Qualified Production Property (QPP)	The OBBBA introduces a new, temporary 100% deduction for newly constructed “Qualified Production Property.” This provision is specifically tailored for new manufacturing facilities and allows a full write-off for these substantial real estate investments if construction begins between January 20, 2025, and December 31, 2029, and the property is placed in service before January 1, 2031. Cresa predicts that this incentive could induce new investors into the market – perhaps those investors that have traditionally focused on after-tax returns such as equipment lessors.
R&D Expensing	The act restores the ability for companies to immediately expense domestic research and development (R&D) costs, fostering innovation and technological advancement within the U.S.

Benefits for Manufacturers and Tenants

Improved Cash Flow	Full first-year expensing reduces taxable income, freeing up capital for operations, R&D, and growth initiatives.
Encourages Domestic Investment	By lowering the after-tax cost of facilities, the OBBBA supports U.S. plant construction, boosting competitiveness and job creation.
Build-to-Suit Tenants	For companies pursuing build-to-suits, immediate expensing of QPP can materially improve ROIC and credit metrics. Stronger ratios enhance flexibility, enabling more favorable lease terms, lower borrowing costs, and stronger standing with investors and lenders.
Recapture Consideration	If a facility ceases to be used for qualified production within 10 years, tax benefits may be clawed back.

QPP - ECONOMIC EXAMPLE

Manufacturing Facility Built Before QPP

A manufacturing facility built before the QPP provision took effect, or one that doesn't meet the eligibility criteria, depreciates its real property over its standard recovery period, which is typically 39 years on a straight-line basis. This means the company can only deduct a small portion of the building's cost each year for tax purposes. For example, a \$25 million facility would only have an annual depreciation deduction of roughly \$641,025 (\$25 million / 39 years), resulting in a modest tax savings each year. This is a slow, steady return on a significant capital investment.

Manufacturing Facility Built Under QPP

In contrast, a company that builds a new manufacturing facility under the QPP provision can take a 100% bonus depreciation deduction on the qualifying portion of the property in the first year it's placed in service. For example, using a \$25 million facility, the company can deduct the entire \$25 million cost immediately. This provides a large, one-time tax saving that significantly improves the company's cash flow.

Scenario	Annual Deduction	Tax Savings (21%)	Timing
Pre-QPP (39-year depreciation)	\$641,025	\$134,615	Spread over 39 years
With QPP	\$25,000,000	\$5,250,000	All in Year 1

Ultimately, the QPP provision helps a new manufacturer recover its capital investment much faster, creating a strong economic advantage over older facilities and encouraging new domestic construction.

IMPACT ON DEVELOPERS & INDIRECT BENEFITS FOR TENANTS

The QPP provision creates strong demand for new industrial real estate, making manufacturing and production facilities more financially viable for both users and investors. Developers benefit from greater project feasibility and a stronger pipeline of opportunities, while tenants gain from the downstream effects of increased supply and improved building quality.

KEY IMPACTS

Increased Demand for Construction

QPP incentives spur a wave of purpose-built and renovated manufacturing facilities, creating a robust market for developers.

Enhanced Project Feasibility

Tax benefits available to manufacturers or third-party investors improve project economics, unlocking developments that might otherwise have been cost-prohibitive.

Expanded Industrial Supply

More facilities in the market can stabilize or reduce rents over time, giving tenants greater choice and leverage in negotiations.

Higher-Quality Facilities

Incentives encourage modern, energy-efficient, and technologically advanced properties, which can lower tenant operating costs.

Landlord-Funded Improvements

With permanent 100% bonus depreciation for Qualified Improvement Property (QIP), landlords are more likely to invest in tenant buildouts and renovations, directly enhancing leased space.



IMPACT ON INVESTORS

Investors/Owners stand to benefit from the QPP provision through both direct and indirect channels. The tax benefits for manufacturing companies can lead to a healthier, more profitable industrial sector, which in turn can lead to higher returns for investors.

Real Estate Investment

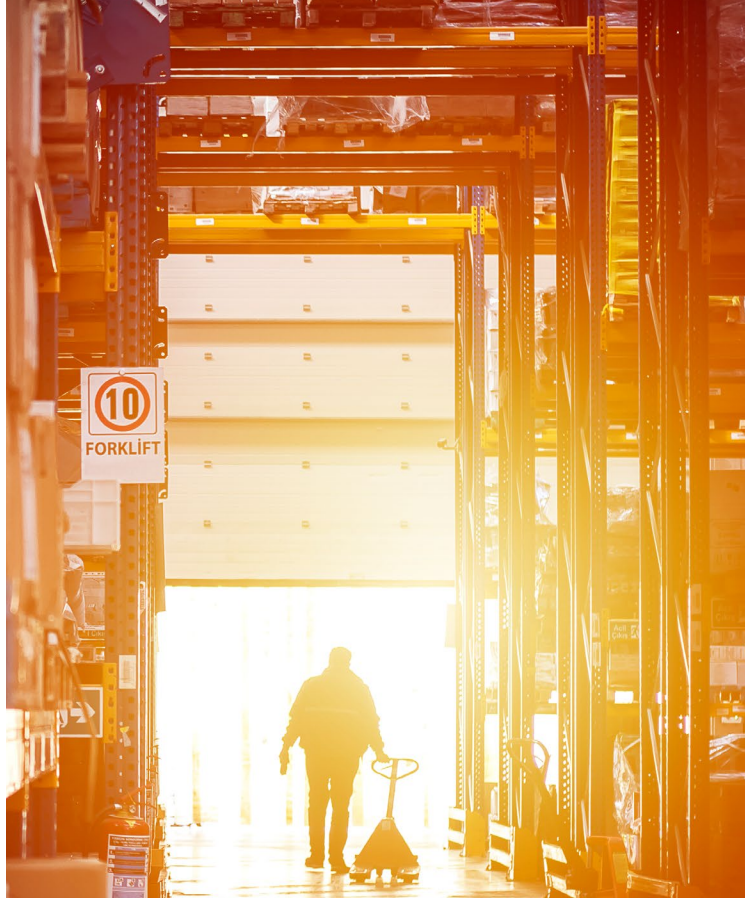
The increased demand for new manufacturing facilities makes industrial real estate a more attractive investment class. Investors can finance or acquire properties that are leased to manufacturers, benefiting from stable cash flows and potential appreciation in value. From the perspective of a Tenant's lease vs own analysis, the results may skew more to "own" if the tax benefits are not, to some degree, passed-thru to the tenant in a leased scenario.

Business Investment

By making US-based manufacturing more competitive and profitable, the QPP provision encourages investment in manufacturing companies themselves. Investors can anticipate higher after-tax returns from companies that are able to take advantage of this accelerated depreciation.

New Investment Vehicles

The tax changes may spur the creation of new investment funds and vehicles, such as specialized real estate investment trusts (REITs), private equity funds, or after-tax investors (historically focused on equipment) focused on the manufacturing sector. These funds could be designed to capitalize on the QPP provision and related tax benefits.



CONCLUSION

The OBBBA reshapes the tax landscape for CRE and manufacturing, with significant indirect benefits for occupiers. Tenants gain access to improved facilities, stronger landlord incentives for upgrades, and better negotiating leverage in an expanding supply environment. For companies evaluating their real estate strategy, leveraging these provisions can unlock meaningful savings, improved credit outcomes, and long-term operational advantages.

Source: [IRS.gov](https://www.irs.gov) • Technical Review provided by Barnes & Thornburg LLP

About the Authors

Blake Lacher, George Mack, and Jeff Smith are leaders with Cresa Capital Strategies, specializing in providing real estate and capital markets solutions for occupiers across North America. Together, they guide clients through largescale, critical transactions, helping them achieve better financial outcomes through tailored real estate strategies.

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