



Senate Bill 414 – Climate Solutions Now Act of 2021

Position: Oppose

SB 414 would require newly constructed commercial buildings to meet increasing energy usage reductions, resulting in a net zero energy balance by 2033. It would also require substantial commercial renovation projects to achieve significant reductions in energy usage. Maryland REALTORS® are concerned about the ability of commercial real estate projects to meet these demands in the current market.

In contrast to other real estate sectors, commercial real estate has been hit hard by the COVID-19 pandemic. Commercial lending volume decreased approximately 60% in 2020, and lender losses in the commercial sector exceeded those of the 2008 financial crisis. National economists also predict short-term price declines for retail, office, and hotel properties of 4-7%. As a result, lenders are expected to be more selective and conservative in financing commercial projects going forward.

The requirements of SB 414 will make the approval of commercial projects even more difficult. The upfront costs to construct a net-zero commercial building can be up to 15% more than conventional construction. A combination of increased construction costs and decreased lending availability will reduce the financial viability of certain projects. That includes those like adaptive reuse of existing structures which are a growing component of successful smart growth and urban renewal efforts.

The mandates for commercial real estate in SB 414 can harm the recovery of the commercial real estate sector. For this reason, REALTORS® must request an unfavorable report.

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