Executive summary | August 26, 2025

Wipfli Real Estate Leaders Exchange

Host: Cory Bultinck, Partner and National Real Estate Leader at Wipfli

SME: Dannielle Lewis, Partner, Tax — Construction and Real Estate at Wipfli

SME: Brett Polglaze, Partner, Organizational Performance — Management Consulting at Wipfli

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Facilitator: Austin Evans, Director at Profitable Ideas Exchange

Overview

A recent quarterly real estate leaders exchange convened industry executives to discuss critical topics impacting their operations and investment strategies. The conversation provided valuable insights into the current market landscape, recent legislative changes and the evolving technology in real estate. Key discussions highlighted both opportunities and challenges, fostering an environment for sharing best practices and lessons learned among participants. The five most important themes that emerged from this exchange include updates on new tax legislation, the strategic evaluation of accounting functions and technology adoption, persistent challenges in securing construction loans, the evolving landscape of opportunity zone investments, and crucial lessons learned from technology implementation.

New tax legislation update

The recent tax bill introduces several key changes impacting real estate, primarily focusing on accelerated deductions, modified investment incentives and critical extensions that influence strategic financial planning.

"One of the big changes involves bonus depreciation, now back up to 100%, offering significant deductions for new construction or acquisitions."

The new tax law restores 100% bonus depreciation for new construction or acquisitions, providing a major financial relief and significant first-year deductions. A tax partner advises accelerating improvements to qualify for energy-efficient credits, such as 179D and 45L, which are set to phase out by June 30, 2026.

Opportunity Zones 2.0 brings new designated tracks and a rolling five-year capital gains deferral, eliminating the prior December 31, 2026 cliff date. New zone designations are expected to begin in July 1, 2026, creating renewed investment opportunities..

The qualified business deduction (Section 199A) for business income has been extended, providing a 20% write-off to equalize individual tax rates with the corporate 21%, ensuring continued tax benefits. The legislation also increased the existing cap on state and local tax deductions (SALT cap) to $40,000 and has maintained the pass-through entity tax election, offering stability in these areas.

Opportunity zone investment evolution

The opportunity zone program has evolved with new legislation (Opportunity Zones 2.0) designed to refine the investment landscape and stimulate development in designated areas, prompting renewed interest and strategic considerations.

"If you held that qualified opportunity zone fund investment for 10 years, you get to step up to the full fair market value upon sale. Opportunity Zones 2.0 is back, with a whole new set of designated tracks in the future."

Executives confirmed opportunity zones help deals "pencil out" and attract new investors through tax benefits like capital gains deferral and fair market value step-up after 10 years upon sale. However, success critically hinges on selecting the right location and careful market assessment, as some zones have a greater need for investment.

One executive cautioned about managing distributions meticulously to prevent early gain recognition and maintain compliance with the 90/10 asset test. This demands precise financial oversight throughout the investment period.

Initially, many developers hesitated due to the program's complexity, numerous nuances, and the strict 10-year hold period, which was often longer than their typical investment horizon. Yet, as project investment horizons naturally extended to 10 years, the 100% gain exclusion became more appealing, making these deals attractive.

Opportunity Zones 2.0 offers a rolling five-year deferral and new tracks. Still, one executive noted limited offerings and significant compliance burdens, emphasizing the need for inherently desirable properties to begin with.

Challenges in securing construction loans

Real estate developers are encountering significant difficulties in securing construction loans, with many lenders showing a clear preference for permanent financing rather than initial construction funding.

> *“Many lenders are interested in being the takeout lender on the back end of construction, but nobody wants to be the construction lender; you have to build it before you can take out the debt.”*

An executive highlighted the current challenge of obtaining favorable rates and terms for construction loans, particularly for multi-family projects in specific Western states (Idaho, Utah, Nevada). This reflects a broad sentiment among participants facing similar financial hurdles, especially for ground-up commercial projects.

Many executives agree that regional and local banks often serve as the most viable options for construction financing, as larger lenders tend to shy away from this initial development phase. Developers frequently need to assist in syndicating a group of banks to secure full loan amounts, further complicating the process.

While multi-family projects remain difficult to “pencil” financially, build-for-rent townhome developments are currently proving more viable and are being pursued as an alternative. In contrast, an executive from a Texas real estate group reported a steady market with double-digit growth, highlighting significant regional variations.

Evaluating accounting function and technology adoption

Executives are strategically evaluating accounting functions to optimize efficiency, leverage technology, and redeploy staff into higher-value, more strategic roles within their organizations.

"Technology acts as a force multiplier, not a means to reduce headcount, but to empower our staff to meet growth challenges and new market opportunities"

Executives widely agree that technology acts as an efficiency play and a force multiplier, shifting staff to higher-value tasks rather than reducing headcount, which addresses current workforce shortages and capacity challenges. The consensus is that accountants are rarely "not busy."

One executive plans to automate accounts payable processes by year-end, which will eliminate manual invoice entry and free their controller for strategic work. Another executive automated vendor invoice submission and coding via smart artificial intelligence, significantly reducing manual tasks for an AP intern and aiming for 75%-80% vendor adoption.

Cloud-based systems for payables (like Nexus) and credit cards (like Divvy) proved phenomenal for multi-location operations, successfully eliminating paper flows and improving documentation, especially for hotel sites across various states. The host emphasized the importance of continuous process evaluation and technology investments, warning that delayed adoption leads to astronomically high costs later due to significant pain and spend.

Lessons learned from technology implementation

Implementing new technology requires rigorous due diligence, clear communication and a proactive stance to overcome significant barriers and align expectations with actual system capabilities.

"Sales folks for software can do everything you want, and it's not until you're really implementing that you find out what it is truly capable of and what it is not."

A critical lesson shared is to be wary of overly optimistic sales pitches, as true software capabilities often emerge only during implementation. One executive recounted switching back to industry-specific software after a broader enterprise resource planning system (NetSuite) failed their core needs, underscoring the importance of tailored solutions for main lines of business.

Brett Polglaze, partner at Wipfli, affirmed that real estate firms need platforms capable of managing both transactional (debits and credits) and relational data (contracts, permits), indicating that generic uses of business management software are often insufficient. Executives emphasize over-communication with teams about new platforms and ensuring feedback mechanisms are in place, even if not all feedback is implemented.

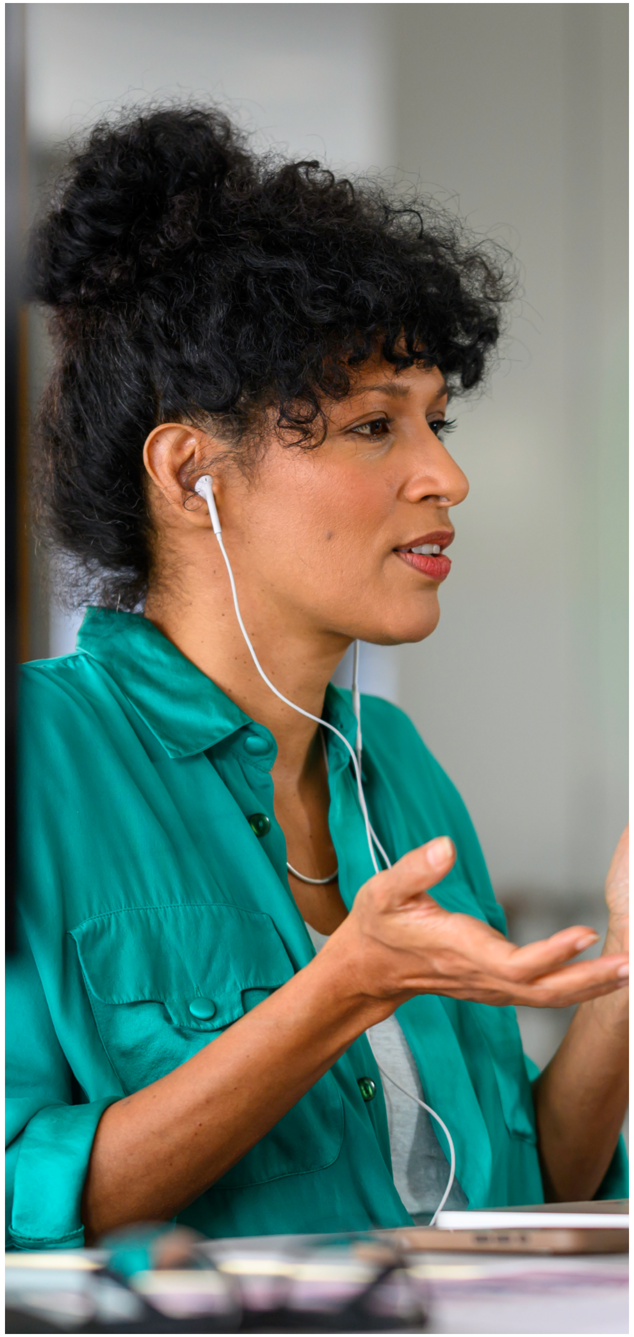
A common pitfall involves third-party integrations, where promised connections often rely on external vendors lacking necessary certifications or experience, leading to unforeseen delays and demands on the implementing company. One executive firmly halted implementation calls when promised functionality was not working, asserting the system must perform as advertised rather than forcing teams to "make it work."

Additional technology implementation insights

While general-purpose software platforms like NetSuite, Sage Intacct or Microsoft Dynamics Business Central are often labeled as “generic,” this perception typically stems from insufficient planning and requirements gathering during the selection phase. These platforms are designed to be flexible and scalable, and many offer industry-specific modules, wrappers, partner software or add-ons that can be tailored to unique business needs.

Key considerations during software selection:

- **Requirements gathering:** A thorough understanding of your organization’s functional and technical needs is critical. Skipping this step can lead to misalignment between the software’s capabilities and your business goals.
- **Vendor universe assessment:** Before contracting, it’s essential to evaluate the full landscape of vendors and solutions. Ensure the product you choose aligns with your operational requirements — not just broadly, but specifically. Paying for a solution that doesn’t fit your needs can lead to costly workarounds or underutilization.



Implementation challenges: Project management gaps

One of the most common hurdles during implementation is ineffective project management. Many organizations mistakenly assume that the vendor's project manager will oversee the entire initiative. In reality, the vendor PM is primarily responsible for managing their own resources and maintaining the delivery timeline.

Why internal project management is critical:

- **Ownership of internal resources:** Your internal PM should coordinate cross-functional teams, ensure accountability and maintain momentum.
- **Requirements traceability:** They must ensure that business requirements are translated into test cases and validated during user acceptance testing.
- **Risk and budget management:** Internal PMs are responsible for identifying risks early, managing scope changes and keeping the project within budget.
- **Communication bridge:** They serve as the liaison between internal stakeholders and the vendor team, ensuring alignment and transparency throughout the project life cycle.

The bottom line: Success with general purpose software hinges not just on the product itself but on how well it's matched to your needs and how effectively the implementation is managed. Investing in upfront planning and internal project leadership can dramatically improve outcomes and ROI.

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