

The Great American Office Space Slump

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To avoid problems, many banks are crossing their fingers and hoping the market will recover before the debt comes due. “A lot of banks are willing to extend the existing loans,” said [Rob Gilman](#), who leads the real estate practice at Anchin, a New York-based accounting firm.



It’s called “extend and pretend,” Gilman noted. But why would banks pretend? “Part of the reason,” he said, “is they haven’t marked their losses down to what I believe is the right level.”

Taxes are another issue for landlords whose properties are falling in value, said Anchin’s Gilman. “You can’t just give back a key these days and like, ‘OK, you know, I lost my property. I must have a tax write off,’” Gilman said. U.S. tax laws are very favorable to real estate, and many landlords can accumulate legally deferred tax bills that they pay off once they sell their property. But if the building’s value has declined, they may be on the hook to the IRS. That makes them even less able to pay off their loans.