Are Your Philanthropic Real Estate Plans Misaligned?

A hidden market inefficiency may be undermining your tax-advantaged giving.

THE DATA

primary

Expectation Sensitivity

The paper finds that long-term bond yields respond more to short-term rate expectations than to risk premia for short- and medium-maturity bonds.

This implies that investor expectations about future interest rates — not just risk or uncertainty — are the dominant driver of long-term pricing. In real estate, where long-term capitalization rates and donation valuations hinge on expected future cash flows, this creates a critical alignment challenge. If donors and advisors misjudge the persistence of interest rate expectations, they may time donations poorly, reducing tax efficiency or undervaluing appreciated assets.

Source: National Bureau of Economic Research · Published September 22, 2026
https://www.nber.org/papers/w35766#fromrss

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Expectations Drive Valuation

For example, a donor assuming a flat yield curve may undervalue a property if the market expects a prolonged rise in rates. This misalignment can reduce the tax benefit of a donation or result in an inefficient distribution from a CRUT.

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Structural Inconsistency in Giving Strategy

This structural inconsistency undermines the integrity of long-term charitable planning. A donation structured around a 'stable' rate environment may collapse if expectations shift unexpectedly, especially in high-value, long-term assets. The solution lies in stress-testing donor assumptions across multiple forecast horizons and maturities — not just in yield curves, but in the very logic of valuation.

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