Real Estate Alert
A Green Street News Title

More Sluggishness Seen in CRE Job Market

Commercial real estate companies are signaling a more bearish stance on hiring following a year of muted property sales, according to executive-search firm **Ferguson Partners.**

A survey of public and private investment shops and brokerages by the Chicago-based operation found that half of respondents plan to keep their staffing levels steady this year, with 14% anticipating decreases in their workforces.

At 64%, the combined no-growth projection reflects a dramatic drop-off in hiring over a two-year span — as is typical with a plunge in sales. In 2022, when most real estate firms were still well in growth mode, just 39% reduced their headcounts or kept them the same. That figure then jumped to 58% in 2023 as a hostile debt market and economic uncertainty drove down property sales of $25 million or more by 52%, according to **Green Street's** Sales Comps Database.

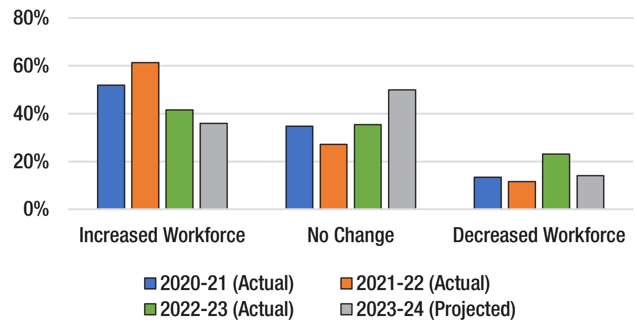
For this year, just 36% of survey respondents said they expect to increase staffing. That's despite widespread expectations that deal volume will improve amid a projected decline in interest rates and increased capital availability. "Irrespective of people's projections, especially with inflation far from under control, we expect at least the first half of 2024 to be an equally challenging year, akin to 2023," said **William Ferguson,** co-chair and chief executive of the global talent-management firm.

The reality, Ferguson noted, is that many real estate firms are under increasing fee pressure due to declining property values. This, coupled with lower acquisition activity and weaker-capital-raising efforts, will force more consolidation in the real estate sector. "There will undoubtedly be more pressure on profitability, and scale will matter even more going forward," he said.

Case in point: As of February, property values across sectors were down 9% from the year prior while falling 21% from their March 2022 peak, according to the most recent Commercial Property Price Index from Green Street, the parent of **Real Estate Alert.** Meanwhile, pledges to commercial real estate vehicles from U.S. pension systems dropped 50% last year to their lowest level since 2013, according to a separate Ferguson Partners report.

In that environment, it was natural for investment and brokerage shops to take a more defensive stance on hiring. Last year, finance-and-accounting specialists, asset-management professionals and property-management staffers were the functions in greatest demand, ahead of transaction and capital-raising personnel, according to the survey.

Real Estate Firms Turn Bearish on Hiring



Source: Ferguson Partners

In the current environment, Ferguson said, owners and operators can only drive cashflow and value by focusing on their existing portfolios. "Acquisitions and raising new capital to drive incremental cashflow is simply unrealistic," he added.

Last year also registered a slowdown in resignations and voluntary separations — another strong signal that the hiring market has slowed. In 2023, just 19% of firms reported increases in departures, down from 35% the year prior.

Meanwhile, 49% reported that such exits stayed at the same levels and 32% saw decreases, up from 21% in 2022. Among workers who left their employers in 2023, 66% took other positions in commercial real estate.

Clearly, the market that once so heavily favored job hunters has flipped. "It's all supply and demand, and the reality is, there wasn't as much human-capital demand in 2023 versus 2022," Ferguson said. "At least through June in all probability, you are not going to see compensation increase significantly, and you are not going to see [significant] hiring."

The Ferguson Partners U.S. Real Estate Compensation & Hiring Pulse Survey aggregated responses in the final months of last year from 178 firms working in the sector. ❖