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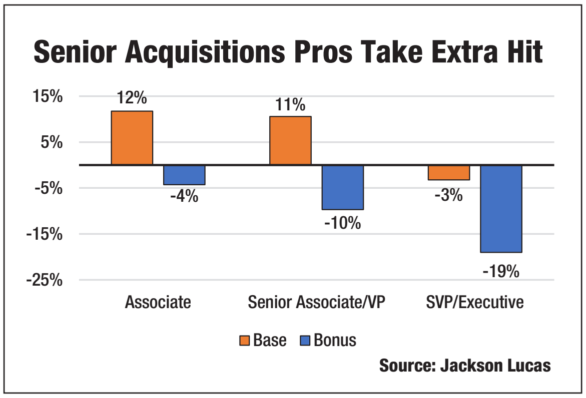
Property-Sales Slowdown Hammers Bonuses

Average bonus payouts for commercial real estate investment professionals fell 12% last year amid a marked slowdown in property-transaction activity.

The decline in bonuses was offset partially by a 3% average increase in base salaries, leaving total compensation about 3% lower year over year, according to a poll conducted by executive-search firm **Jackson Lucas.**



Lower payouts were all but guaranteed given the slowdown in trading volume last year — sales of at least $25 million fell 52% across asset classes, according to **Real Estate Alert's** published rankings. However, they also stand in sharp contrast to workers' expectations.

In a separate poll late last year, about 70% of respondents said they expected their bonuses to increase despite market headwinds. Junior staffers were particularly optimistic: None of the respondents with four years of experience or less had anticipated lower bonuses.

But with fewer sales creating smaller bonus pools, investment firms were forced to reduce payouts — though they did not apply those cuts evenly.

"There was a real flight to quality," said **Lisa Flicker,** head of real estate at Jackson Lucas. "Most of the bigger firms went through employee by employee, [asking themselves] 'Who do we absolutely want and need to retain?' "

That yielded some inconsistencies across roles among the 930 survey respondents. But overall, firms appeared to favor their lower-level staffers, who generally are more likely to seek employment elsewhere if dissatisfied. Most executive-level positions reported a 7% decline in their base salaries, while lower-level staffers averaged a 10% increase.

Chris Papa, a founding partner at Jackson Lucas, said that's likely because senior pros have more experience weathering downturns. They also typically have some sort of equity interest that makes them more inclined to stay in place.

Midlevel staffers, meanwhile, have a longer-term horizon. "They're not living paycheck to paycheck," Papa said. "Midlevel folks are more interested in what the next five years will be like."

Among acquisition and disposition specialists, senior-level staffers saw a 19% drop in bonuses, leading to a 12% drop in overall compensation. However, lower-level employees saw far milder declines.

Bonuses for those at the senior associate and vice president levels working on transactions registered a 10% drop in bonuses but received an 11% bump in base salary, leading to a 2% increase in total compensation on average. Total compensation for associate-level workers, meanwhile, rose 5% on average, with a 4% bonus decline and a 12% increase in salaries.

However, the opposite appears to be the case in the development space, with high-level staffers seeing most of the upside. Senior development pros reported a 16% uptick in bonuses and an 11% rise in total compensation, according to the survey, while other workers in the segment, including project managers, posted a 48% cut in bonus payouts and an 11% drop in total compensation.

Other areas with sharp bonus declines included senior-level capital-markets and financing staffers, who averaged a 39% decline in bonuses and a 13% decline in total pay, and regional asset managers, who reported a 34% hit to bonuses and a 17% decline in total compensation.

There were a few bright spots. Property-management executives, for example, saw a 17% bump in bonuses and a 20% increase in total compensation.

Overall, demand for data on compensation from investment firms has been growing as the commercial real estate market itself has become more institutionalized.

"We are seeing firms take a more analytical approach to everything. There is a desire for data-driven decision-making in all aspects … including HR decisions," said **Frank Cohen,** a consultant who heads the search firm's real estate compensation practice. Investment firms "want to know that they are not alone in making these decisions. They want to know what the market is doing." ❖