

Bonus Expectations May Conflict With Reality

Investment professionals expect to receive higher bonuses this year than they did in 2022 — but those hopes might be dashed by the stagnant transaction market.

Some 70% of commercial real estate pros think bonuses will be up from a year earlier, while 25% expect payouts to be flat, according to a poll conducted by executive-search firm **Jackson Lucas** via its compensation-data platform, **Personal Salary**. The poll surveyed 957 staffers at real estate investment firms over the last few months.

Those expectations are set against a backdrop of declining sales activity and volatility in the debt market. For many firms, that reality likely has shrunk the bonus pool, leaving companies to weigh how to distribute a smaller pot. Those payments typically are doled out around yearend and through the first quarter.

Deciding allocations “is extremely difficult,” said **Chris Papa**, a founding partner at Jackson Lucas. He predicts most investment professionals will see flat bonuses, with a few top performers receiving minor bumps in pay. Firms “want to keep their talent happy, but the talent has to realize what the market is like.”

To that end, leaders are mulling various strategies, said **Lisa Flicker**, a managing partner and head of real estate at Jackson Lucas. Some firms are considering delaying bonuses until they have a sense of what other firms are willing to pay or are structuring so-called clawback agreements that require staffers who depart within a specified period after payout to return the funds. Others are evaluating employees to determine whom to prioritize for retention purposes. Indeed, senior leaders at some firms are contemplating forgoing their own bonuses so they can reward junior staffers they hope to keep on the payroll.



Many firms have invested considerable time, effort and money into recruiting staffers in recent years amid what was one of the sector’s most competitive hiring markets in memory. And

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with hopes of better buying opportunities and lower borrowing costs next year, they are keen to keep staffers in place. “Everyone remembers the pain of the war for talent. Firms worked so hard and spent so much money,” Flicker said. “They are afraid to make a mistake.”

Notably, expectations among staffers vary based on the lengths of their careers. None of the respondents with four years of experience or less expect to see lower bonuses. Of those with up to two years of experience, 69% said they expect an increase, while 86% of those with three to four years in the industry predict a bump.

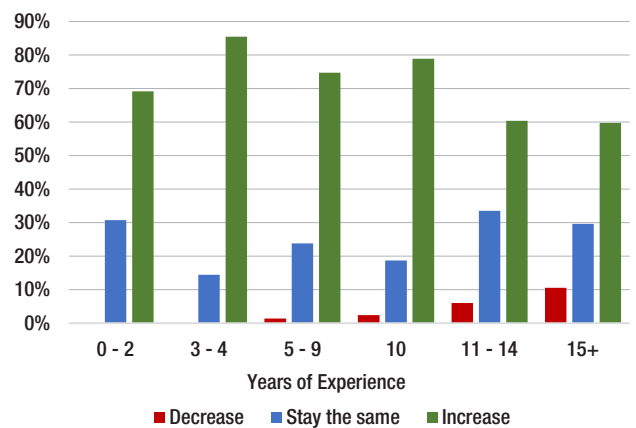
But just 60% of those with 11 years of experience or more expect to see an increase. And a third of those with 11 to 14 years in the business expect no change over the previous year. Those with 15 years or more in the sector were the most pessimistic, with 11% anticipating a decrease.

“Senior [professionals] have been through something like this, and they have more realistic expectations,” Papa said, noting that junior staffers might be more likely to depart following a disappointing bonus.

Confidence also varied by sector. Of those respondents working in the hospitality space, 82% predicted an increase, followed by industrial (78%), life science (77%) and multifamily (67%). Meanwhile, just 64% of those working in the retail and office sectors expected bonuses to be better.

That mirrors performance in those individual sectors, with industrial and multifamily still among the most favored asset classes with investors and hotel performance on a rebound. Across the board, sales are down, and pros [predict](#) a lackluster finish for the year. Meanwhile, property values are down 22%

Bonus Expectations by Tenure



Source: Jackson Lucas

from their March 2022 peak, according to [Green Street's](#) Commercial Property Price Index [published](#) earlier this month.

The last time recruiters [anticipated](#) a weak turnout for bonuses was in 2020, when the pandemic crushed sales activity and future performance was murky.

Today, “the challenges facing real estate firms ... [are] becoming real,” said **Frank Cohen**, who launched Personal Salary in 2019 and partnered with Jackson Lucas this year. “A lot of firms have been able to push these hard decisions to the future. And as it happens, pay is due every year, and when it coincides with a potential debt maturity and a higher interest rate, these decisions get harder and harder for firms to make.” ❖

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