Cushman & Wakefield Plans More Cost Cuts As Earnings Drop 95%

New CEO Michelle MacKay Says Full Review of Brokerage's Operations 'Already Well Underway'

Cushman & Wakefield, headquartered at 225 W. Wacker Drive in Chicago, reported a 95% decline in net income in the second quarter. (Gian Lorenzo Ferretti/CoStar)

By Randyl Drummer
CoStar News

July 31, 2023 | 8:34 P.M.

Cushman & Wakefield plans to slash another $40 million from its costs this year as incoming CEO Michelle MacKay undertakes a full review of the operations of the world's third-largest commercial real estate brokerage.

The Chicago-based company is the third major firm of its kind after CBRE and Newmark to announce declines in revenue and profits in the second quarter as the industry struggles with higher interest rates and lower real estate transaction volumes.

MacKay, who replaced John Forrester as Cushman's top executive on July 1, said the evaluation of the company's operations is "already fully underway."

The $40 million in cuts will bring the total expense reductions for the year to $130 million, she said. That represents nearly 10% of the company's total general and administrative costs, according to Chief Financial Officer Neil Johnston.

"We're going to do a deep dive and a heavy scrub," MacKay said of the review on Monday during the company's earnings presentation. "My No. 1 priority is ensuring that we're being great stewards of our capital, balancing investing for future growth with maintaining a healthy balance sheet and a strong liquidity profile."

Cushman's new round of cost savings comes as JLL, the second-largest commercial real estate brokerage by revenue, revealed it will put 61,281 square feet of its headquarters space in Chicago's Aon Center skyscraper on the sublease market.

Cushman first announced plans to cut costs last November, joining such industry peers as CBRE and JLL.

'Fresh Approach'

"I am taking a fresh approach, holistically review our business while introducing a more data driven methodology to the process," MacKay said. "This includes a deeper evaluation of cash flow, margin profile, growth expectations and core competencies for each business individually."

She added that "one of our main object in the process is to simplify Cushman's business structure, with an eye on strategic value to the company overall as well as long-term return potential; right size, right structure for all markets."

MacKay did not provide details on the announced temporary and permanent cuts, including whether they would involve additional layoffs. The company in May said it was permanently laying off over 700 employees in The San Francisco Bay Area's Santa Clara and San Mateo counties, according to public notices filed under California's Worker Adjustment and Retraining Notification Act.

The layoffs were in response to Cushman losing a contract to provide services at Google-owned properties, according to a notice from Cushman to affected employees cited in published reports.

Cushman reported revenue of $2.4 billion in the second quarter, down 8% from the same time last year, including a 9% drop in the Americas, the company's largest region.

The decline was mainly driven by a 31% decrease in revenue from brokerage fees and commissions as the softening economy contributed to a decline in commercial real estate transactions volumes and delays by businesses to make leasing decisions, Cushman said in a statement.

Net income was down 95% from the year-earlier quarter to $5.1 million mainly due to a 48% decline in investment sales and other capital markets income and a 20% drop in leasing fees, as well as lower earnings from Greystone, the multifamily finance company that Cushman acquired in 2021.

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Investment sales and other capital markets income declined 48% to about $192 million, and revenue from leasing fell 20% to just under $442 million, the company reported.

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