

# Largest Real Estate Brokerages Brace for Another Year of Declines in Deals

Some Industry Professionals Concerned Real Estate Market Won't Hit Bottom Until 2025



The five biggest real estate brokerages have pushed expectations for a recovery in deal activity to later in 2024. (Zach Lipp/CoStar)

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CoStar News

November 5, 2023 | 8:34 P.M.

The largest commercial property brokerages say they are looking for real estate market conditions to get as bad as they're going to get as soon as possible so a recovery can start in the next 12 months.

Executives for the five largest brokerages by revenue indicated in the past week while discussing their most recent quarterly earnings that they are still hoping that real estate

capital markets and leasing activity will start a tentative recovery in 2024, most likely in the second half.

Newmark executives said they've seen the low points their company's earnings performance, despite the difficult market, and that leasing will pick up as more companies make decisions about their office space needs as they get established in hybrid in-office and remote work protocols.

“We think we are at the bottom, and we think it’s only going to get better,” Newmark CEO Barry Gosin told shareholders during the New York-based company's earnings call. “The question is how much better.”

Questions about when good times will return for brokers in the battered transaction market have been on the minds of industry professionals throughout the year amid economic uncertainty, higher interest rates and demand patterns changed by the pandemic. While brokerages are talking about the next 12 months, those outside those firms say it could be longer.

[CBRE](#), [JLL](#), [Cushman & Wakefield](#), [Colliers](#), and [Newmark](#) executives began pushing back expectations for a quick recovery as early as May, warning of tough months ahead before they hoped demand would start to improve later this year.

## Timeline Pushed Back

The brokerages, however, in recent days have reported more sales and profits declines, and millions of dollars more in cost cuts, for the third quarter.

Deal activity continued to decline from last year's levels because of the higher rates, tightened lending conditions, and the persistent uncertainty regarding when businesses will start expanding again.

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JLL CEO Christian Ulbrich said he had expected markets to start recovering during the second half of this year.

He now estimates that it will be the second half of 2024 at the earliest, setting back the Chicago-based company's outlook for its longer-term financial performance.

"As a result of the industrywide softness and transaction activity, we are extending the timeline to achieve all of our midterm targets beyond 2025," Ulbrich said.

## Looking at 2025

Beyond the publicly traded brokerages speaking on earnings calls to investors, some other professionals estimate that the improvement could take place after next year.

Robert Shibuya, CEO of Mohr Partners, said the worst is yet to come.

"The consensus of the people I'm talking to every day is that the market is not going to get better in 2024, especially if you're capital markets-focused," said Shibuya, whose Dallas-based firm provides portfolio management and other services to tenants. "Most of what I'm hearing from brokers on the street is that hopefully, conditions will start getting better in early or mid-2025."

Shibuya said in one recent deal, a client scaled back its headquarters space in a gateway city by two-thirds, to 60,000 square feet from 180,000 square feet. Some of his investor contacts aren't making mortgage payments and can't refinance their loans.

"I'm pitching business with many of the Fortune 500 companies, and they're all telling me that they're shrinking their footprint dramatically," Shibuya said in an interview.

He said that delays in processing transaction data mean steeper declines will probably show up in results for the fourth quarter.

"I don't know if you've watched 'Game of Thrones,' but they have a saying, 'Winter is coming,'" Shibuya said. "I think winter is coming for commercial real estate. And winter will be all of 2024."

## Optimistic Outlook

Ari Ginsberg, professor of entrepreneurship and management at New York University's Stern School of Business, isn't surprised that real estate services firms have pushed back their recovery expectations.

"Things weren't looking great for the immediate future, and the brokerages, like all public companies, need to show a face of optimism, while at the same time being realistic," Ginsberg said in an interview.

He added that "given the uncertainty in the world and economy, the roller-coaster effect has created a fear of what's coming. We just don't know when things are going to get better."

Chad Littell, CoStar's national director of capital markets analytics, said that after eight straight quarters of declining office deal flow, transactions could pick up in the second half of 2024.

But property values could continue to fall — perhaps for several years — in the event of a Great Recession-magnitude downturn, he said.

"Typically, at inflection points of real estate cycles, increasing deal volume reinforces the price trend, not reverses it," he said. "In this case, that price trend appears to be lower from here."

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