Sunday Summary: Why Can't CRE Get In on the Jobs Action?

BY THE EDITORS   DECEMBER 4, 2022 9:00 AM   REPRINTS

AMID LAYOFFS AND A WORSENING ECONOMIC CLIMATE, THE HERD OF COMMERCIAL REAL ESTATE BROKERS IS THINNING.

ILLUSTRATION: KEVIN FALES

There was a lot of chatter in the run-up to Friday's jobs report that the news would be a lot less rosy than in previous months.

Happily, that was not the case. The economy added 263,000 jobs and the employment rate held steady at 3.7 percent, according to the Department of Labor.

SEE ALSO: The Best New Office Amenity? Beer Brewed Downstairs.

Of course, it's a big economy. Not all sectors are doing equally well. (Just ask employees at Amazon and Twitter how it feels to be in tech right now.)

One sector where employees seem to be leaving the field at an alarming rate has been commercial real estate.

“I think … it’s going to be a thinner brokerage community in the next two years,” a broker from JLL told Commercial Observer.

Some of this has to do with the fact that brokers at a lot of the big firms were not getting mentored by their elders during the pandemic. Some of it has to do with the fact that so much of a broker’s life is commission-based, and younger brokers couldn’t wait around for the big whale client to save them — and didn’t want to take a draw on their salaries until they did. And a lot of it has to do with the fact that office business is a lot less robust than it was back in 2019. The jolt to the tech market has ramifications down the line. (Speaking of which, Meta decided last week that they didn’t need all that sweet, sweet Hudson Yards space and are giving up 250,000 square feet when the lease is up.)

Firms have been allowing the attrition to happen on its own, but they’ve also helped it along. JLL announced big severance packages in the third quarter, and CBRE announced about $300 million in staff reductions on its recent earnings call.

This is not to say that there haven’t been hirings, though. While proptech, like a lot of other tech, has been looking worriedly at market trends, there haven’t been the same massive cuts that we saw at the big tech or real estate firms — and some firms, like TheGuarantors, are even in hiring mode. Plus, this week we checked in on the early classes of real estate novices that were chosen for Project Destined, Cedric Bobo’s program to bring diversity into the real estate business starting at the college level, and the class members we spoke to were thriving.

“It is definitely a mission that is necessary for the world because the real estate industry is a historically white, male-dominated space,” said Myles Franklin, an investment analyst at Cortland. “I don’t think that speaks negatively towards white males, but you typically gravitate towards people that are like you, so white males are going to gravitate towards white males. Therefore it’s important to put people that aren’t necessarily like them in front of them, and that’s women and people of color.”

And business still proceeds with hirings and elevations, even during the rocky times. Avison Young just tapped Kevin Swartz (formerly of BrightSpire Capital) to lead its tri-state debt and equity team, and VTS named Swaroopa Penikelapati as its new chief technology officer.

Plus, it’s not as though no transactions are going on. Skanska took a 7,149-square-foot space at 230 West 41st Street, as the construction firm builds out subway stations at 53rd, 145th, Ninth, Whitehall and 59th streets over the next three years. And construction giant AECOM renewed 45,000 square feet at 100 Park Avenue.

Due south

In L.A. there was some brisk office business at Silverstein’s U.S. Bank Tower, with five leases totaling 72,000 square feet. But there was also some interesting industrial business, too — Thor Equities picked up an 83,227-square-foot warehouse for $30.3

According to CommercialEdge's recent market report there's currently 713.6 million square feet of industrial space under construction nationally, and the sector has closed a jaw-dropping $71.9 billion in sales in 2022.

And nonindustrial real estate is still good business (very good business) in the Sunshine State.

It's true, Florida's chief financial officer, Jimmy Patronis, is waging culture war on "woke capital" (most recently by divesting $2 billion from BlackRock because Patronis says it's too focused on ESG), but that doesn't mean capital is necessarily fleeing the state.

The Malaysian casino operator Genting Group is looking to get $1 billion (yes, "billion" with a b) for a 15.5-acre site with 800 linear feet of direct frontage on Biscayne Bay, which is more than four times what they paid for it 11 years ago.

Genting no doubt sees which way the South Florida wind is blowing; there have been a ton of new developments breaking ground and going up. Just last week, Florida East Coast Realty (owned by the Hollo family) vacated its longtime headquarters at 100 South Biscayne Boulevard to make way for a 1,049-foot-tall, mixed-use skyscraper that it is developing. Likewise, Aria Development Group and Merrimac Ventures shelled out $17.5 million for a 34,800-square-foot site (the last available site at Miami Worldcenter) just east of the Miami Central station.

And a very big piece of real estate news is apparently in the works: the Poarch Band Creek of Indians, a tribe based in Alabama, is looking to purchase Miami's Magic City Casino. (Casinos saw a lot of action this week; Blackstone agreed to sell its stake in the MGM Grand, and the Mandalay Bay hotels to Vici Properties.)

With all this activity we almost forgot that it was one of the biggest weeks in Miami: Art Basel.

If you missed the show, it's worth taking a little time Sunday to read our interview with Darca founder Craig Robins, one of the earliest advocates of Art Basel, and his wife Jackie Soffer, CEO of Turnberry Associates — the ultimate Miami power couple.

See you next week!