

Real Estate Alert

'Tis the Season of 'Highly Bifurcated' Bonuses

Bonus season likely will yield mixed results for real estate pros amid an investment-sales market that still is very much in flux.

According to recruiters, it will be another year in which property-investment firms award bonus pools that largely are flat. That's due to a slow and uneven recovery in the sales market across sectors that has affected management fees and revenues. The upshot: For many shops, incentive pay is likely to be doled out unevenly as well.

Some companies must "pick [their] battles" and focus on rewarding top performers, as well as employees with skill sets that best match a firm's investment strategy, said **Gemma Burgess**, who co-leads the global real estate practice at New York-based **Russell Reynolds Associates**.

"Bonuses will be highly bifurcated," she said. "There's just so much change happening across the industry." Companies are "looking at skill sets and experiences and if the strategy is evolving ... they are going to have to cycle out people whose skill sets are less valuable."

That's in juxtaposition to just a couple of years ago, when fresh off a hiring spree, most firms were focused on retaining as many staffers as possible, regardless of performance.

A mediocre bonus is one way to nudge some employees out the door, said **Chris Papa**, a founding partner at **Jackson Lucas** of New York. During the hiring bull market before 2022, many shops expanded their benches with high-priced professionals. "Now it is like a level setting," he said. Firms are realizing, "maybe we don't need all of these people. [Companies] are just not going to be as active ... and their bonuses will reflect that."

To be sure, some firms are in stronger positions. "A lot of companies that we've spoken to trimmed their staff over the last few years and now have a core of top performers, with fewer

mouths to feed than in 2023 and 2024," said **Emily Von Kohorn**, who this year launched executive recruitment shop **September Search Partners** with partner **Jennifer Novack**.

Von Kohorn said her New York-based firm has heard of some modest upticks in bonus pools. "We would agree that there is continued differentiation based on individual performance and function as firms lean into groups that have contributed most in 2025," she said.

Professionals aren't feeling particularly optimistic. A poll by **RETS Associates** found that 41% of about 100 respondents are expecting bonuses to be slightly or materially down this year compared with last year, said **Kent Elliott**, a principal at the Newport Beach, Calif.-based firm.

That's an unusual level of pessimism likely fueled by "economic pressure and uncertainty or just reduced dealflow," he said. Another 35% predicted payouts would be flat, while just 24% expect an increase.

It will be the third consecutive year in which bonus pools are down or flat. The plateauing coincided with a runup in borrowing costs in 2022 that stifled investment-sales volume. Through the third quarter, property sales across sectors were up 21% year over year, according to **Green Street's** Sales Comps Database, which includes transactions of \$25 million and up. But activity remains well below its 2021 peak and the 10-year average.

Bonuses, as a rule, tend to reflect market activity, and compensation hit historic highs amid the most recent bull market. But the reality is that there also are lows that don't always allow for increases across the board. "They are good times because they are not frequent," Jackson Lucas' Papa said. "Those were the good days, but these are the normal days. This is average." ❖

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