

2026-2-25

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The biggest threat is that AI shrinks the office-using economy. MICHELLE HANKS/ BLOOMBERG NEWS

AI Worries Spread to Real-Estate Brokers

Selloff in commercial firms' stocks reflects fears that technology will erode fees

BY PETER GRANT

Commercial real-estate firms have a bruising fight on their hands: convincing investors that you need humans to sell stores, warehouses and offices.

Nothing less than the industry's future is at stake. Investors are assessing whether AI could eat away at the broker industry's lucrative advisory fees and commissions while virtually eliminating niche businesses such as appraisal.

Note

Many investors are already dumping real-estate stocks. Shares of **CBRE Group**, the world's largest commercial real-estate services firm, recently posted fourth-quarter results with record revenue, record earnings and a 2026 outlook that beat expectations. Its shares fell 8.8% that day, after falling nearly 12% earlier in the week.

The stock prices for peers such as **JLL**, **Cushman & Wakefield** and **Newmark Group** also nosedived, wiping away tens of billions of dollars of market capitalization for the sector.

Industry leaders were quick to push back, maintaining that their firms will mostly profit from artificial intelligence. They point to the potential to cut research and back-office costs while capturing new business tied to AI-driven demand, including data-center development, management and leasing.

Executives also play down the risks of disruption. They say most property deals remain complex negotiations grounded in proprietary market intelligence and longstanding relationships that technology can't replicate.

Note

"We don't get our brokerage leads online somewhere," CBRE Chief Executive Robert Sulentic said on his company's earnings call.

Real estate shares recently regained some of the ground they lost. But numerous AI startups pouring into real estate are also stoking fears.

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"The threat is the 28-year-old broker with AI who can deliver in two hours what used to take you two weeks," said Francis Huang, cofounder of Apers AI, a startup that designs AI systems for allocating capital in commercial real estate.

Real estate is the latest industry where investors are assessing whether AI will hollow out labor-intensive business models and compress margins at companies that sell expertise at high prices.

The biggest threat to commercial real-estate services firms, however, may not be that bots replace brokers. It is that AI quietly shrinks the office- using economy itself.

If companies can do the same work with fewer employees, they may need fewer desks, fewer floors and fewer leases, putting a long shadow over one of the industry's largest fee pools. Big office real-estate investment trusts are all down. **SL Green Realty** shares have fallen more than 15% this year.

CBRE's Sulentic acknowledged the risk, saying that "if there are less office workers in the long run as a result of AI, there will be less demand for office space." But any such shift, he added, would take time and wouldn't be an imminent threat to his business.

Commercial real-estate companies generate tens of billions of dollars in revenue each year with a formula built on relationships, local market intelligence and the human touch in negotiating complex deals. Top brokers walk the floors of countless buildings, swap insights over bad coffee, and turn years of schmoozing into multimillion-dollar commissions.

Still, new technologies have blindsided these firms before. **CoStar Group** pushed into the data business, creating dominance over information on building size, age, tenants and sale prices—data that the established firms once controlled and now pay CoStar dearly to access.

CoStar's rise was "one of the biggest failures of our industry," **JLL** CEO Christian Ulbrich said in a 2019 interview with The Wall Street Journal. "It describes the arrogance of the successful incumbent."

JLL has since invested in AI and other new technologies. The firm and others have also managed to keep technology challengers from pushing them out of brokerage, the industry's prize business. Repeated attempts by startups to digitize leasing and sales have struggled to gain traction, especially at the top end of the market where relationships are critical and pricing information is closely guarded.

Consider office leasing, one of the core businesses. Asking rents offer tenants only a narrow glimpse of the real economics buried in the deal, said Stephen Sheldon, an analyst with William Blair.

Good brokers must know what rents tenants are actually paying, as well as the going rate for such building services as freight elevators. Major investors and tenants also re--main reluctant to entrust multibillion-dollar decisions to unproven platforms.

Without a broker's expertise, tenants are "just scraping the surface," Sheldon said.

But the commercial real-estate industry has never faced a force as potentially transformative— or as fast-moving—as AI. While many analysts say investors are overreacting, they broadly agree that smaller, more standardized brokerage deals are more exposed.

"Would you agree that there is more disruption risk at the low to middle market part of the landscape," Keefe, Bruyette & Woods analyst Jade Rahmani asked on the JLL earnings call last week.

Some niche commercial property businesses face an outside threat from AI because they depend heavily on mostly public data. Sulentic conceded that appraisal could be an early pressure point for AI, noting that CBRE has already automated parts of the work overseas—driving down revenue per appraisal but boosting volume and profitability.

Many in the industry also expect AI to steadily squeeze margins. The longstanding model of showing up to client meetings backed by armies of researchers and associates will likely go away. Cheaper research and faster execution will push clients to demand a share of the savings, they say.

"AI doesn't replace you," Huang said. "It arms your competition with the ability to build relationships faster than you can maintain yours."

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