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Is the real estate demand cycle broken? Uncertainty is the new norm for property professionals.

'This correction is very, very different': Executives say shifting public policy muddies the investment waters.

Industries including real estate are paying close attention to shifting trade policies. U.S. President Donald Trump, center, is surrounded by reporters as he discusses an accord with the United Kingdom this past week in the White House, saying the deal will be "the first of many." (Photo by Jim Watson/AFP via Getty Images)

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Before the pandemic started in 2020, commercial real estate executives spoke of property market demand that followed a fairly discernible cycle.

Buyer interest in offices, shopping centers, warehouses and apartments would ramp up until overbuilding forced a drop in construction, sales, property values and deals — until a gradual recovery restarted the cycle. That renewal is what the world's biggest commercial real estate brokerages were expecting for 2025 after years of high interest rates, inflation and falling demand in property deals.

Industry professionals say shifting trade policies in recent months have largely thrown the optimistic expectation out the window. Real estate owners, brokers, analysts and academics from across the country, from a prolific New York agent to a ranch investor in Dallas, are describing their own struggles wading through the current uncertain economic climate.

Whether it's a sense of malaise or confusion, professionals interviewed agree the sector emerging from the fallout of the pandemic is experiencing a shock from shifting U.S. tariffs on various countries and resulting nervous financial markets as clients tell brokerages they are waiting until they have more certainty.

"In the 41 years I've been brokering, I have never seen a higher correlation between public policy and the way the real estate markets are functioning," said Bob Knakal, CEO of BK Real Estate Advisors, based in New York City. "The one thing we always knew was when you could kind of feel the market shifting, and when we came out of downturns. But this correction is very, very different from past ones."

Executives for the world's largest real estate services firms and brokerages — CBRE, JLL, Cushman & Wakefield, Colliers, Marcus &

Millichap and Newmark — posted strong first quarters as leasing, sales and dealmaking extended gains in the first few months of the year. But executives declared in recent weeks that they don't know if that recovery will continue in the coming months.

"As the first quarter ended, most of our businesses were performing better than expected, and our new business pipelines were strong," Bob Sulentic, chief executive of Dallas-based CBRE, told investors during an earnings call last month. "Since then, driven by uncertainty created by the tariff situation, our outlook has become less clear."

While executives agree that the current economic situation is difficult and extremely fluid, not everyone is willing to declare a fundamental breakdown in the real estate demand pattern.

"I'd say that the real estate cycle as we know it is not broken," said James Cook, JLL's senior director for retail research in the Americas, in an email. "It's still a story of pricing and investment activity, driven by supply and demand. We just know there's a large dose of uncertainty added to the mix as we wait for clarity around the tariffs."

Murky tea leaves

Brokerages in recent years have been able to predict when activity would pick up, despite some uncertainty coming out of the pandemic and the later interest rate increases that were imposed to deal with inflation.

In past weeks, brokerage executives and analysts used the word "uncertainty" more than 40 times during a half-dozen earnings calls. Recovery — a word used dozens of times in prior earnings last fall as executives expected improvements in 2025 — was mentioned only twice in calls with the world's three largest brokerages: CBRE, JLL and Cushman & Wakefield.

Executives say the real estate industry has perhaps never — even in the first quarter of 2020, when COVID-19 shutdowns occurred within weeks of the quarter's end — been looking at the potential for such a dramatic shift in financial prospects.

"This feels different because nobody knows what their cost of operation will be because of tariffs," said Bob Shibuya, CEO of Dallas-based corporate real estate advisory firm Mohr Partners. "The components that they would normally factor into making a decision are a question mark."

Graycor, an Oakbrook Terrace, Illinois-based general contractor with offices throughout the country, said it's still seeing a heavy volume of work in high-demand real estate sectors such as data centers, manufacturing facilities and natural gas projects. But the firm is closely watching as clients pull back on riskier projects such as speculative warehouses or set aside projects that were years in the making.

"We're all trying to read the tea leaves and understand what happens next, but it's certainly murky," said Brian Gallagher, a South Carolina-based vice president of corporate development at Graycor. "We're not getting the same clarity that we're used to seeing."

He added that "I think a lot of the term VUCA," a business management acronym for volatility, uncertainty, complexity and ambiguity. The phrase is said to have been coined by the U.S. Army War College in the late 1980s to describe the uncertain new world order following the fall of the Soviet Union and the end of the Cold War.

“That term certainly applies today,” Gallagher said.

Hunker down

Shibuya said strategies are out the window at a time when the Trump administration is making unpredictable shifts on tariff policy.

“The Trump team could announce tomorrow that it has come up with a holistic tariff agreement with China or India,” Shibuya said in an interview. “In the meantime, companies are pausing because of the tariff uncertainty.”

Worries about tariffs and the broader economy are leading all players in real estate to become far more cautious, said Anthony Graziano, CEO of Denver-based research and advisory firm Integra Realty Resources.

“What real estate developers really don’t like is uncertainty," Graziano said. "In the real estate community, there is a notable decline in positive sentiment.”

Graziano said being in a recession at least comes with a road map to "hunker down and recover."

He said that “where we are now, you don’t know what might change in a day or how long of a recovery we’re looking at. That just relates to chaotic economic policy at the federal level.”

Some are taking the pause to streamline their business operations and cut costs, Shibuya said.

“I’ve had clients tell me, ‘We know we can't address what's not predictable, so let's address what we know,'” he added.

Deals go on

Bill Cawley, founder and CEO of Dallas-based Cawley Partners, said tariff concerns haven't killed any of his deals.

"I keep waiting for this tariff mess to stop a deal and it hasn't yet," said Cawley, whose firm recently purchased a more-than 5,200-acre ranch just south of downtown Dallas for a planned development. "One or two times it has paused or slowed down a deal, but it hasn't stopped a deal yet."

Cawley said the office side of commercial real estate is "more active than it's been in years," with the so-called big deal list circling North Texas going from a trough of roughly 1.5 million square feet in mid-2023 to up to 7 million square feet as of this week.

"The big deals are back," he said in an interview. "To me, Texas is different than most of the world. There's just a lot of positive activity here, and even though there's concerns tariffs could cause a recession, it's hard to predict, and I'm cautiously optimistic."

Shibuya said his brokers are in active negotiations on a couple of large deals with Chinese third-party logistics companies.

"I talked to the broker that was running those transactions and asked if they were put on hold or delayed, and he said they're moving forward," he added.

Graziano said he was at a real estate event a few weeks ago attended by institutional fund advisers where tariffs were the hot topic.

“Everybody was terrified, and then Trump invalidated the tariffs the next day,” Graziano said. “The real estate community wants more reductions in the interest rate, but that runs counter to tariffs, which are inflationary. The whole economic policy is tied together, and that’s what kind of has everybody on pause."