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PRIVCAPRE REPORTS /

In-depth Analysis From
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CAREERS

Building a Career in Real Estate

With insight from experts at:

Forest City Ratner

Hodes Weill & Associates

Cornell University

Clarion Partners

Hunt Realty Investments

WX New York Women Executives in Real Estate

Terra Search Partners

Climbing Further up the Career Ladder, Faster

Millennial Y workers have already made names for themselves as leaders in fields like media and technology. Now they are poised to make a significant impact on the commercial real estate sector, with a shortage of skilled 30-to-45-year-olds leaving room for the younger generation to scale the career ladder at an unprecedented pace.

In a series of interviews featured in this special report, senior real estate managers, academics, and recruiters discuss the causes of this shortage of midlevel professionals—including the lure of competing industries and the bloodletting of the financial crisis—and its consequences. For younger professionals, this could include far greater responsibility, sooner than they expect.

David Gilbert, CIO of Clarion Partners, puts it best when he says the younger professionals are “going to own this place” sooner than they ever thought possible, and that he hopes they will be ready to handle the power.

It is a sentiment shared by David Funk of Cornell University and Matt Slepik of Terra Search Partners, who participated in our panel discussion on careers and compensation. Funk and Slepik suggest it could take a worker 20 years, in different real estate disciplines, before he or she is ready to be a leader. Early promotion could result in leaders with a more limited range of experience, and fewer people going into the less “sexy” professions of asset management and financial control.

But what happens in mid-to-late career when you’re aiming to be the next chief executive officer or trying to get a seat on the board of a public or private company?

Forest City Ratner Companies’ CEO MaryAnne Gilmartin, Hodes Weill & Associates principal Susan Swanezy, and WX president Paula Schaefer discuss getting more women onto boards of directors and the skills women need to take them to the top of their fields.

Enjoy the issue.

Zoe Hughes
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The Building Battle for Talent

Growth in commercial real estate sector employment has resulted in a battle for talent across the industry. And competition for skilled professionals is primed to get stronger, with fewer graduates entering the field. This should accelerate promotion times for young professionals and boost compensation levels, say David Funk of Cornell University and Matt Slepín of Terra Search Partners.



Bio

David Funk

Director
Cornell University, Baker Program in Real Estate

Funk completed his Ph.D. at the University of Wisconsin-Madison with an interdisciplinary focus on real estate and university administration. He worked in the real estate sector for eight years prior, with responsibilities in construction, property management, and development. During this time, he founded Capstone Properties and Capstone Property Management. Before joining Cornell, Funk directed various full-time and executive MBA programs, including at the University of Alabama's Manderson Graduate School of Business.



Bio

Matt Slepín

Managing Partner
Terra Search Partners

Slepín founded Terra Search Partners in 2006. Prior to this, he was a partner with several executive search firms, including Heidrick & Struggles and Ferguson Partners. Slepín has held leadership, management, and functional roles within the real estate industry for more than 20 years. He was founder and executive director of the Multifamily Housing Institute and has also held roles at the National Housing Partnership; the National Association of Housing Cooperatives; the Resolution Trust Corporation; NV Commercial, a northern Virginia-based commercial property company; and Reilly Mortgage, a leading apartment lender. He graduated from Oberlin College.

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PrivcapRE: David, at Cornell University you monitor commercial real estate job opportunities. What's happening in the market?

David Funk, Cornell University: We've been tracking the commercial real estate job market since 2006, and when we started, we thought things were good. In 2007, there were all these jobs that we were tracking—and then suddenly [job numbers] fell off a cliff. But I'm pleased to say that this past summer was the best summer ever, including 2007. We hit a peak [and have had] three straight months of the highest number of job opportunities. And so it's pretty clear that it's back to a seller's market.

What are those job opportunities?

Funk: Development has been hot. Now, development is still not the number-one opportunity, but the increase has been pretty spectacular. It's in third place in terms of opportunities. Ironically, multifamily has been hot, [but it has] started to tick down the last couple of quarters. Retail has been a surprisingly hot area for hiring. It's not greenfield [development or] new shopping centers; it's malls that are transitioning, malls that are being refit. It's the retail industry recognizing that they need to re-envision their shopping centers. And that's creating jobs.

Matt, what are you seeing from the

“We tell our students—and their average age is 28—that they're probably going to get greater responsibility, greater stress, early in their careers than during past generations.”

—David Funk, Cornell University

C-suite perspective?

Matt Slepín, Terra Search Partners:

Our experience is more anecdotal, of course, than it is statistical, but we're at an all-time high in terms of the work we're doing. The biggest demand is in those mission-critical areas. And, I've got to say, it's development for us.

Funk: There's really not a huge pipeline [of talent coming] into real estate. There are not a lot of folks who are being professionally trained. Combine that with the fact that we've had five years where a lot of people got washed out...and that tells you there's a real competition for talent [today], even in the beginning analyst position.

Slepín: We placed someone a year and a half ago as a regional development head for a merchant builder. It was a hard search to find the right person, because it was a very competitive geography. We placed the guy, and he lasted six months, [because] someone else one-and-a-halved his salary. Well, we'd already one-and-a-halved his salary.

He came back to us and said, “I'm sorry, I've gotta do this. My kids are now going through college based on this.” So, that war for talent...it's mission-critical work, because you have a high-rise halfway [developed and] you can't mess that up. That's where the bloodiest part of the war for talent is, and it's this way across the country.

How do you retain the talent? Is it all about the compensation?

Slepín: It's a very interesting question. What makes people happy in a job in the long term? And what makes someone vulnerable to someone like us to our phone call? It's not just money. In fact, money's only a small piece of that, because they have to be unhappy in some way. A question for an employer is how to have your people not be vulnerable. And a

“Mission-critical work... [is] where the bloodiest part of the war for talent is, and I think it's this way across the country.”

—Matt Slepín, Terra Search Partners

whole lot of it is stoking net-worth creation opportunity and trust. [It's employees saying] “I like working where I work. I love my colleagues. [My firm has] great ethics.” A couple of ethical missteps in a company and someone's now vulnerable.

Funk: The issue of being able to retain [talent] is going to get more difficult. We looked at the age of [workers in the] real estate industry, and it's an interesting number. The average age in the [national] workforce is almost 42 years old. In real estate, it's 51 years old. There's only one occupation that is older, and that's farmers. So, we're going to see this turnover. And you think it's bad now... you're seeing much more long-term incentives, golden handcuffs. People who are getting ahead of this [trend] are recognizing that it's going to really be competitive.

Is there a skills gap in the industry?

Funk: There's a huge gap. We tell our students—and their average age is 28—that they're probably going to get greater responsibility, greater stress, early in their careers than during past generations.

Slepín: It's interesting. It takes 20 years in your career before you're ready to take off, and you kind of toil in the fields like the farmer. You need war stories. You need to have lost a bunch of things. You have to make bad decisions and good decisions. Maybe you pop your head up at age 40 and say, “Hey, I'm fully experi-

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David Funk of Cornell University, Matt Slepik of Terra Search Partners

enced. Now I can go run something.” [But] maybe people will be pushed more quickly going forward because of the lack of talent in some of these generational shifts.

Funk: What’s really interesting is who is going to do the asset management, property management, and other things. I love to see a student who will take an opportunity in asset management, work their way through the industry, have experience in finance, and in development, have good tenure at each location, but nice, logical five-year steps. Because when you talk about leading a real estate enterprise at age 40, if you come out of one functional area [such as] private equity, you’re not going to be that effective in running a multifamily platform. The folks who have the broad exposure, that’s where they really hit their stride. We track applications to job opportunities. A couple of years ago, there were 517 applications for every private equity [real estate] job. There were 19 applications for each job in property management. So, sometimes

students cannot enter the industry where they want to. If they can just redirect [themselves] where there’s a bit less competition, they find they can do a lateral move or a move from property management or asset management, to private equity later. It makes for a great career.

Slepik: Property management—which is the most stable job in the industry and, as we think about operating platforms, really defines companies at this point—is huge. But the number of MBA [graduates] in property management or who run property management companies, is very low. That is a wide-open field, and I often recommend people look at that, because in property management you often have people without a college degree running a property. So, someone with an MBA who gets in at midlevel, then learns that business and then comes in, not for the goal of then going into private equity but to run a company—they can run a REIT.

How does all this tie back to compensation? What’s happening in

terms of salaries and bonuses?

Funk: If you look over the last eight years, through the cycle, what you saw pre-2007 were steady compensation increases in the base [salary of between] 3.5 percent and 4 percent. [Between 2008 and 2011, you saw] 1 percent to 2 percent increases. Now, with the seller’s market and with the competition for talent, you would expect to see a rebound, [but] the past year was 3 percent...so base salaries haven’t moved all that much. Where you see the movement is in bonuses, and people are becoming more sophisticated with their bonus structures. It’s more [about] long-term incentive programs. Where it might have been a 20 percent [bonus], now you’re seeing more 30 percent, or 40 percent on the back-end performance. ■

How to Get More Women Into Real Estate C-suites

What does it take for a woman in the male-dominated field of real estate to reach the C-suite or the board of directors? High-ranking women from Forest City Ratner, Hodes Weill & Associates, and WX discuss mid-to-late career progression and the skills women need to succeed.



Bio

MaryAnne Gilmartin

CEO
Forest City Ratner Companies

Gilmartin led the firm's efforts to build the 22-acre, mixed-use Barclays Center in Brooklyn and oversaw the development of the New York Times Building and New York by Gehry. In addition to these projects, Gilmartin has managed the commercial portfolio at MetroTech Center in downtown Brooklyn. She has been with Forest City Ratner since 1994, is co-chair of the Downtown Brooklyn Partnership, and is on the board of directors of the investment bank Jefferies Group.



Bio

Paula Schaefer

President
WX, New York Women Executives
in Real Estate

WX is an invitation-only association for senior women real estate executives in New York. **Schaefer** is also a senior vice president at Clarion Partners. Prior to joining Clarion, Schaefer was a managing director at Morgan Stanley for 15 years. She has also held asset management positions at both Reichmann International and The Yarmouth Group. She holds a degree from Georgetown University and an MBA from the Wharton School of the University of Pennsylvania.



Bio

Susan Swanezy

Principal
Hodes Weill & Associates

Swanezy was previously a managing director and head of distribution for Credit Suisse's Real Estate Investments Group and managing director at Stockbridge Capital Partners, focused on client relations and business development. From 2002 to 2007, Swanezy was a partner in Deutsche Bank RREEF's client relations group. She has also held roles at Deutsche Bank and UBS's real estate investment banking groups and at Chase Manhattan Bank's real estate lending group. Swanezy has a BS from the School of Foreign Service, Georgetown University.

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PrivcapRE: Many would argue that there is an underrepresentation of women in commercial real estate, particularly on the development side, in acquisitions, and among senior management and in the C-suite. Are there enough women at the top?

MaryAnne Gilmartin, Forest City

Ratner: I'm prone to the dramatic, so I would like to say yes. But in reality, when I look at [Forest City Ratner] as a microcosm of the industry, I would say that 75 percent of the developers in our organization are women. No doubt that has something to do with my presence and my ascension within the organization, [but] we run a meritocracy, and I would submit that so long as we're talking about meritocracies, women will rise. Still, I too often find myself in a room where everybody's a white male. It's less and less, but it still happens.

Susan Swanezy, Hodes, Weill

& Associates: Focusing on the meritocracy...that is something that needs to be emphasized in all aspects of the real estate industry. [When we are talking to women applying for WX scholarships] the number of women who talk about development—granted it's cyclical—is maybe one-third to 40 percent. But if you look at the

“There's one woman in an acquisition team at a prominent private equity firm who wants to get into development. She is saying, ‘What should my next step be? How do I get the right skills so that I can be a developer on my own down the road?’ That's smart.”

—Susan Swanezy, Hodes Weill & Associates

number of women in WX in development, it's 7 percent. So, 7 percent of just under 200 members are in development. We're seeing that in private equity, too...and in banking. It's up to women to focus on the meritocracy, as well as the employers to be flexible. There's no one-size-fits-all. It's within the organization to make it work for women, because we really see women dropping out at the midpoint of their careers.

In the private equity industry, are women clustered in certain roles, such as investor relations?

Swanezy: I would make the distinction between marketing and capital raising. There are women who come out of school who want to get into marketing and capital raising who don't have real estate skills, and I discourage them from going into marketing and capital raising at that point in their career. I say, “You can do it later in the career, but you don't want to be arranging meetings. You want to be advising [investors] on strategies, and the only way you're going to be an effective advisor is if you understand the benefits of one strategy versus another and what it means in terms of an allocation to [an investor's] portfolio.” And those are the skill sets that make a good manager or a good deal.

Paula Schaefer, WX: We agree wholeheartedly on this. We talk to young women out of school and we say, “Do not go straight into a marketing position,” because, as Susan says, you need to develop the skills. It's the individual's responsibility to get that well-rounded skill set that's going to help them through all phases of their career. The organization has to be flexible and has to encourage that, but it's up to the individual to find those opportunities. That's what we do with [the WX] mentoring program. We help them understand how to find those opportunities, how to self-advocate for those opportunities.

“[If a man] who ran a notable financial services company is having difficulty [getting onto boards of directors], imagine what it's like for a woman who's not yet in the C-suite or a woman who's served well and now is a retired CEO.”

—MaryAnne Gilmartin, Forest City Ratner

Swanezy: It is incumbent on the women. [You need] to have the skills. But there is this push to put women in marketing positions, even at senior levels. One woman [I mentored] was in infrastructure. She was a structural engineer, had a Stanford MBA, and was a terrific asset manager. She thought like an engineer but spoke like a businessperson and was incredibly effective. What did they want to do? They wanted to put her in marketing. I said, “Don't do it. Get the exposure to the investors, but have on your business card...that you're in the business of investing [on the investment committee] or asset management or project management, because you could raise your own fund down the road.”

So, how do we create more diversity?

Swanezy: Women need to advocate for themselves to make sure that they've got the skills and that they can craft something that works within the confines of their organizations. But, it is also incumbent on the organization, to make sure that it works, and women have to be clear about their expectations. There's one woman in an acquisition team at a prominent private equity firm who wants

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Susan Swanezy, Hodes Weill & Associates; MaryAnne Gilmartin, Forest City Rater; and Paula Schaefer, WX

to get into development. She is saying, “What should my next step be? How do I get the right skills so that I can be a developer on my own down the road?” That’s smart. She’s fine where she is now, but she’s thinking three to five years in advance.

MaryAnne, one of the issues that you’re also a real champion of is getting more women on to boards. Only 17 percent of corporate board members in the U.S. today are women. How do we improve that?

Gilmartin: I used to think a lot about [this], and then I became a CEO, and I started to get some phone calls from people looking for women on boards. So, I went through [a process of thinking] “How can I add value? Is this really going to be something I’ll be good at?” I realized it’s [about] governance, it’s judgment, it’s a business sense.

I was at a charitable event and sitting next to a gentleman who is retired from a financial services job, and I was thinking about whether I wanted to do this board post. Well, it turns

out [the gentleman’s] biggest regret as a retired CEO was [that he] never accepted a public board position or a paid board post, because now [he was] retired, he couldn’t get [him]self on a board. And I thought, if this gentleman, who ran a notable financial services company, is having difficulty, imagine what it’s like for a woman who’s not yet in the C-suite or a woman who’s served well and now is a retired CEO. The fact is, the time is now. This is something that I can do and that, as a person in the boardroom, I can invite women into the boardroom for this company and in other forms. It’s something where there’s a lot of room for improvement.

What are the key skills necessary to be considered for a board-of-directors role?

Gilmartin: It’s always about the knowledge base. You want to be the right horse for the course. The second is a champion. It’s very important, when you’re asked to be on a board, you have to have somebody that’s rooting for you. It’s better to be invited in than to be knocking on doors

“It’s the individual’s responsibility to get that well-rounded skill set that’s going to help them through all phases of their career. The organization has to be flexible and has to encourage that, but it’s up to the individual to find those opportunities.”

–Paula Schaefer, WX

asking for consideration. And the third is the confidence. I had what it took, but I had to convince myself of it, because that’s what women do. We’re all about “Is this a good fit for me? Am I going to show up and be the very best board member?” I’m not sure that a lot of men do that calculus. ■

Fast-Track Promotion

A shortage of 30-to-45-year-old real estate professionals will result in an unprecedented opportunity for young executives to progress quickly through the ranks, experts from Hunt Realty, Tri Pointe Homes, and Clarion Partners said at a recent conference



Patricia Gibson
President
Hunt Realty Investments

Bio

Gibson is responsible for the overall operations and strategic direction of Hunt Realty Investments, as well as its investment relationships with other Hunt entities. Prior to joining Hunt, Gibson served as senior vice president and director of structured finance and portfolio management for Archon, the real estate subsidiary of Goldman Sachs. Gibson has more than 25 years' experience in real estate finance and management.



Constance Moore
Director
Tri Pointe Homes

Bio

Moore was previously president and chief executive officer of BRE Properties. She was also managing director of Security Capital Group & Affiliates and has held several executive positions with Security Capital Group, including co-chairman and chief operating officer of Archstone Communities Trust. Moore is chair of the Fisher Center for Real Estate and Urban Economics Policy Advisory Board at UC Berkeley. She holds an MBA from the University of California, Berkeley, Haas School of Business, and a degree from San Jose State University.



David Gilbert
Chief Investment Officer, Head of Acquisitions
Clarion Partners

Bio

Gilbert is a member of Clarion Partners' executive board and operating committee, chairman of the firm's investment committee, and is responsible for the firm's investment research group. He previously worked at CalPERS and was global head of real estate for JP Morgan Partners. Gilbert has also held roles at Prudential Real Estate Investors, First Boston, and Salomon Brothers. Gilbert holds degrees from the University of Massachusetts and Wharton School University of Pennsylvania.

Young real estate professionals face an “enormous opportunity” for fast-tracked promotion, thanks to the industry’s acute shortage of skilled 30-to-45-year-olds, says David Gilbert, chief investment officer of Clarion Partners.

Gilbert says talent has been sucked out of sections of the real estate industry, from development and acquisition to asset management, in part due to employees being attracted to the booming tech sector, in part due to economic slumps. The situation, he says, means talented young professionals already in real estate have an opportunity to move up the ladder faster than they otherwise would.

“I cannot believe [some young people] don’t get it,” Gilbert said during the ULI conference in New York in October. “The challenge isn’t [about where you are in] five, six, seven years. You are going to own this place, and I hope you’re ready. Young people are going to go from [their current position] to a level of responsibility that will blow their minds.”

The challenge for today’s real estate leadership, Gilbert says, is preparing the next generation to take on more responsibility. “It’s not a challenge of getting the old people out of the way. Our challenge is to get [young people] ready.”

“It’s not a challenge of getting the old people out of the way. Our challenge is to get [young people] ready.”

–David Gilbert, Clarion Partners

The key is to put in place a clear talent-development program and leadership-succession plan, says Patricia Gibson, president of Hunt Realty Investments.

Describing Hunt’s internal emerging-talent program, which identifies potential senior managers and provides a career framework to build additional skills, Gibson told the ULI conference: “Succession planning is really about talent development,” adding that a succession plan is critical to showing younger staff, from associates to the next generation of leaders, how they can develop their own careers within an organization.

In 2009, Hunt partnered with the Teacher Retirement System of Texas to found Akard Street Partners, which invests in real estate operating companies. “Less than 15 percent of companies with fewer than 1,000 employees have a succession plan in operation. That’s putting a lot of companies at risk when people transition, walk out the door, or get hit by a bus,” Gibson says. “Our firm is about human capital. That’s our only collateral.”

The skills gap also presents a huge staff-retention issue for public and private real estate firms.

“This notion of career loyalty to a company, I don’t think it really exists anymore,” Gilbert told the conference. “Young people today will switch jobs in a heartbeat if there’s a [good] job opportunity.”

According to Constance Moore, former BRE Properties chief executive officer and director at Tri Pointe Homes, the way to test potential future leaders is to give them additional responsibilities and powers, either through committee structures or through special projects. “Not everyone wants to be CEO, but

“Not everyone wants to be CEO, but everyone wants to be developed. Everyone wants to have a career path.”

–Constance Moore, Tri Pointe Homes

everyone wants to be developed. Everyone wants to have a career path,” Moore said during the conference panel.

“Instead of thinking about [succession planning] as a negative, you get the opportunity to develop people,” she says. “Embrace that and it enhances your own job. It’s fun to be developing people, talking to them about their careers, and helping them shape the organization.” ■



▶ From the Archives

JVs & Co-invests



For Senior Living Deal Success, Use Facebook

Lead generation is critical to having a successful senior living asset or portfolio, say experts from Discovery Senior Living and Kayne Anderson Real Estate Advisors.



The Easiest JV Mistake to Make

Tips on sourcing and structuring JV partnerships, and common mistakes to avoid, from GID International's Kenneth Munkacy.

Industrial



Liquidity, Pricing and Opportunities to Sell

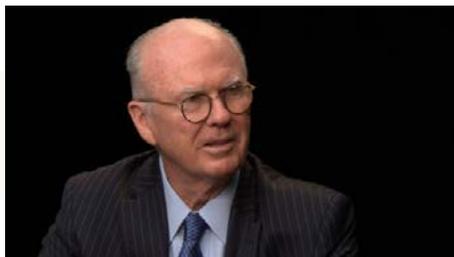
Panelists from W. P. Carey, Real Capital Analytics, and AXA Real Estate explore RE markets ripe for sales, growing appetite for portfolio acquisitions, and pent-up demand among sellers.



The Pan-Latin Opportunity

Equity International's Tom Heneghan discusses the group's presence in Brazil and Colombia, and how the firm navigates increasing investor attention in sectors such as Brazil's self-storage industry.

Operating Partners



Choosing the Right Partner

Crosswater Realty's Ted Leary says backing the right GP in the next generation of managers is like finding a needle in a haystack.



Capitalizing on the Public-Private Partnership

Columbia University's Lynne Sagalyn says private capital needs do so more than just be patient in executing public-private partnership deals.