

IRC Global Real Estate Practice Thought Leadership In Partnership With Rhodes Associates

Surge of Investment Capital Into Global Real Estate Markets Alters Search For Human Capital *The Growth and Complexity of Real Estate Transactions Puts Premium on Experienced Deal-Makers*

There is an increasing flow of investment capital into global real estate markets, creating a bigger and more sophisticated deal-making environment and putting a significant premium on the most experienced real estate executives, according to Steve Littman and Jane Lyons, Managing Partners of New York City-based Rhodes Associates and Real Estate practice group leaders for IRC Global Executive Search Partners.

“Today’s global real estate markets are generating a greater need for experienced real estate professionals with specific experience originating, structuring and closing increasingly complicated real estate transactions. In addition, there are similar needs in other areas of investment such as operations and asset management,” Littman shares. “Today, if an organization has a particular talent need, that need tends to be more complex and nuanced than it was five years ago. The clear trend is toward knowledge and experience.”

Lyons says moves by experienced real estate deal-makers, asset and portfolio managers, and top-notch capital markets experts into private equity, family office enterprises, investment advisors and smaller, privately held investment management firms in past years are also raising the stakes for more institutional real estate firms to attract the same level of talent.

“It is no longer a buyer’s market. There are a lot of firms looking at the top 10% to 20% of the real estate executives in the marketplace, and this top tier of highly qualified candidates has more career options and job offers than it has over the past several years. The competition to attract the best talent is intensifying.”

Littman and Lyons point specifically to 4 trends in global real estate to show it is no longer a buyer’s market for top talent:

1. Compensation for key leadership roles continues to rise, with many now commanding a 25%-50% increase (in some cases, 100% or more) from 2012/2013 pay levels. Middle-management pay ranges are up 10%-25%, or more.
2. Many of the most experienced executives are now seeking compensation guarantees, comprehensive employment agreements, and/or severance safeguards.
3. Hiring companies are also finding themselves having to “sell” opportunities to potential hires in a more aggressive manner than in past years because of the increase in competition for talent.
4. Because of this competition for top talent, when a top performing executive resigns from their current firm, these companies are becoming increasingly aggressive with counter-offers in an attempt to keep that top talent from leaving.

The rising attractiveness of real estate investment is driven in part by low interest rates, the perceived risks associated with alternative investment vehicles and the instability of foreign governments and markets, Littman says. “Even with its ups and downs, real estate has always been one of the greatest generators of wealth in the world. Today, investment allocations into real estate are increasing. It is a natural consequence that as the competition among real estate investors escalates so too, does the pressure to attract and retain the senior level of talent who can create and execute successful real estate strategies, from start to finish.”

Global Dynamics

Littman compares the flow of global investment capital to that of a river. This flow of capital has to go somewhere. While some investors try to capitalize on its ebbs and flows by picking stocks and bonds, there is an increasing amount of capital flowing into a variety of real estate investment vehicles seeking better yield and preservation of capital. Sovereign wealth funds and high net worth individuals generally look for a reasonable return on their investment and, also as important, protection of their equity.

Right now there is a large tributary of this financial river flowing from China and another is pushing capital downstream from the Middle East. These tributaries of investment capital are seeking a safer haven, and because of low interest rates and market stability, an increasing portion is flowing to the United States.

Mounting evidence of this surge of capital can be seen in a variety of ground-up, redevelopment, and adaptive re-use projects in markets such as New York, Boston, Washington, D.C., Miami, Los Angeles, San Francisco and Chicago. Two Texas markets, Houston and Dallas, are also becoming increasingly attractive to foreign investors.

On the global stage, the attractiveness of real estate investments in other perceived safe havens such as Germany and the United Kingdom is fueling new real estate deals in those economies as well. The significant flow of capital being invested into real estate private equity also broadens investors' view of where the strongest investment opportunities are globally.

Shifting Talent Needs

“The implications of this flow of investment capital are that everything is more global in scope, the technology is getting faster and the deal structures are more complicated, therefore you need professionals who are more talented and highly motivated with cutting edge business/deal skills,” Littman notes.

The competitive nature within today's global real estate markets was framed a few years ago, when the most enterprising of real estate organizations shifted their focus from a then-struggling U.S. real estate market to mature and emerging markets in Europe, Asia and Latin America, Lyons comments.

These are the very same senior professionals who are currently in the highest demand across global real estate markets. These globally experienced real estate executives are in the driver's seat. If they're going to make a move, they expect bigger salary guarantees, equity opportunities and, most of all, surety of capital, because they don't want to trade on their reputations only to see the capital sources dry up.

The escalation in competition for top real estate executives is also partly a function of their having so many different employment opportunities. These include alternative investment platforms, mortgage Real Estate Investment Trusts (“REITs”), specialty REITs, and private wealth managers that are also competing for talent, Lyons observes.

An Experience Premium

Due to the complexity of many of the real estate transactions drawing global investors' attention, there is a shift underway in terms of the attributes sought for originating investment opportunities that may cross time zones, regulatory boundaries and traditional views of the real estate industry. There was a time when many employers in real estate felt that attracting high potential investment professionals and training them on the specifics of real estate, or simply recruiting from an elite college or university alone would suffice to make their firms competitive. “There have been times

when real estate organizations were focused on the young hotshot, the so-called ‘rock star’ who could make things happen,” Littman says.

The current hiring trend is toward people with more sophisticated training and experience because today’s real estate investors are being recruited for their ability to be successful in achieving superior investment returns in a more complex global economy. There is a renewed respect for length and sophistication of experience to ensure that these complex deals are completed and managed in a way that will achieve or exceed the projected returns.

Littman and Lyons say the real estate business being done globally is far more complex than it was just a few years ago. Top real estate executives today find themselves dealing with overseas capital sources, managing bigger and more sophisticated deals and more highly structured transactions.

This alone is putting a higher premium on real estate executives with sophisticated analytical skills, an understanding of how to create financial leverage through the structure of a transaction, and outside the box thinkers who can create value through development, redevelopment or the repositioning of real estate assets.



About IRC Global Executive Search Partners

IRC Global Executive Search Partners is a market leader in the global executive search industry with a track record of more than 25,000 completed search assignments for more than 1,000 clients across industry segments and executive management functions. Our clients range from large multinationals to middle market companies that enjoy the advantage of working with leading local firms around the globe, providing them access to expert local market knowledge, the agility and commitment of owner-operated firms, and the global reach of a strong alliance.

With a growing roster of leading executive search firms across EMEA, the Americas, Africa, Asia and Australia, IRC Global Executive Search Partners has more than 300 accomplished executive search professionals working on six continents, and in more than 35 countries. Ranked among the world’s ten largest retained search firms, IRC Global Executive Search Partners has provided consistent and high-performance executive search solutions to its clients for the past twenty years. For more information about IRC Global Executive Search Partners, visit us online at www.IRCsearchpartners.com.

About Steve Littman, Global Practice Leader – Real Estate, IRC



Steven Littman is the President and Managing Partner of Rhodes Associates. During his more than 30-year career in executive search and organizational consulting, Steven has led more than 1,000 search and consulting assignments, specializing in the real estate industry, globally. Steven was also a Founding Partner of two significant real estate businesses, which were responsible for more than \$1B in real estate transactions – Rockwood Real Estate, an advisory and investment firm, and Rohman Realty (now Rhodie Group), a developer/owner of more than 3,000 multifamily units in the southeastern United States. Prior to founding Rhodes, Steven worked in Human Resources for two major corporations, the latter being Federated Department Stores. He is a member of the Urban Land Institute. He can be reached by telephone in New York at +1 212-983-2000 and by e-mail at steven.littman@ircsearchpartners.com.

About Jane Lyons – Global Practice Leader – Real Estate, IRC



Jane Lyons is a Managing Partner of Rhodes Associates. During her more than 25-year career in executive search and organizational consulting, Jane has completed more than 700 search and consulting assignments, specializing in the real estate industry, globally. Jane has assisted many of the world's leading real estate companies including banking, commercial lending, investment, and private and public owner/developers in recruiting their most successful executives. Jane serves on the Executive Committee for the Association of Real Estate Women. She is also a member of the Urban Land Institute, Pension Real Estate Association, and Mortgage Bankers Association. Earlier in her career, she worked in marketing and sales for the Wharton Business School and CBS, Inc. Jane holds a B.A. from the University of Maryland. She can be reached by telephone in New York at +1 212-503-0462 and by e-mail at jane.lyons@ircsearchpartners.com.