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THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

Market Growth Has Driven Up Price of Talent

Demand for real estate professionals has pushed compensation levels to post-recession highs, recruiters say, making it costly for property companies to add staffers — and hold on to the ones they have.

As firms have expanded over the past couple of years, they've snatched up talent to the point that unemployment in the industry is virtually nil. Luring staffers from other firms now means offering them salary bumps of at least 20%, according to executive-search pros. What's more, companies must be aggressive about keeping current employees' salaries in line with the market, lest they be wooed by another shop.

"At the end of the day, the reality has to set in," said **Jana Turner,** principal at **RETS Associates,** a Newport Beach, Calif., search firm. "We have a supply-demand problem, and it just skews everything."

The tight job market extends across mid- and senior-level positions, from acquisitions to property and asset management to administrative roles.

Some firms are experiencing sticker shock. For example, a West Coast shop looking to add an asset manager expected to pay a salary in line with those of its current employees — but found that competitive salaries had grown some $30,000 to $40,000 above that. "They had to bring somebody in at a much higher compensation — and then they were faced with a dilemma," said **Kent Elliott,** a principal at RETS. "In the end they gave raises to their star performers."

Scenarios like that play out especially when firms in secondary and tertiary locations need to recruit from major cities, where salaries are typically higher. They may be able to offer intangible perks — lower cost of living, better climate and lifestyle — but ultimately must be willing to lift pay.

"The individuals who are moving to those [smaller] markets, although willing to make a lateral compensation move, have a harder time taking a haircut," said **Graham Beatty,** who recently joined search firm **Heidrick & Struggles** as Americas sector leader for real estate.

Rick Gillham, president of search firm **Gillham, Golbeck & Associates** of Dallas, agreed. "Regardless of how attractive the city, opportunity or location is, money is still a major driver — and it's still a candidate's market," he said.

Even in the major cities, firms can find themselves caught in a salary race when it comes to filling specific positions. In New York, for example, development specialists are in high demand amid a surge of construction. "Compensation could be up by 25-35%, sometimes even 50%, to get people in the top quartile of talent," said **Steven Littman,** president and managing partner at **Rhodes Associates** of New York.

And candidates can now be choosy in other ways. They're looking for companies with established platforms that have proven their ability to weather a downturn, so they can feel secure about their future. "It's not enough just to strike someone a big check," said **Andrew Fein,** a principal at Heidrick.

"Both parties are still doing a lot of due diligence on each other," said **Jennifer Novack,** who joined executive search firm **Sheffield Haworth** last year as a managing director and head of the global real estate practice. "Candidates are assessing: Is this a firm I can be at for the next 5-10 years?"

Meanwhile, companies are asking recruiters for data on salary rates even when they aren't hiring, to determine whether they're paying their existing staff at competitive levels, said **Chris Papa,** a managing director at executive-search firm **Bachrach Group.** Firms also are increasingly hiring professional human-resources officers who can help them design structured compensation packages and other ways to lure and retain talent.

"They want to attract the best — and they want to keep their best," Papa said. ❖