Ferguson Partners

Hiring Forecast 2021

Hiring Forecast 2021 Highlights

Following a year filled with unprecedented challenges, we look to the forces that will shape the industry in 2021, informed by the work and insights of our global team. In Ferguson Partners' **Hiring Forecast 2021**, we share key hiring trends expected to be top of mind this year.

A snapshot of those included:

- **Succession planning** remains a significant global trend across the real estate industry, impacted by COVID-19 and the global financial crisis (GFC). Market, talent, and internal dynamics have caused organizations to rethink and reconfigure existing succession plans.
- **Diversity and inclusion (D&I**) is a critical priority. Firms across the globe are seeking diverse talent at every level of the organization with gender and ethnic diversity as key priorities. This impacts all roles, and to fill them talent must often be found outside the industry.
- **Environmental, social and governance (ESG)** will continue to grow in importance due to investor demand and will drive hiring of sustainability/ESG leaders who will adhere to practices that assist with attractive valuations. There will be considerable demand for leaders committed to ESG integration.
- **Technology** roles will keep pace with the robust adoption of tech within companies. Cloud computing, big data, and e-commerce are priorities and will demand this talent, while other roles are in high demand: data analysts, scientists, AI and machine learning specialists, digital transformation experts, and more. Remote workforce models are accelerating and as businesses digitally transform, reskilling and upskilling are key.
- **Infrastructure** will see high demand for investor talent with sector-specific networks and the ability to put capital to work. ESG will also be critical, with a need for talent experienced in renewables/climate investing. The pandemic has illuminated a need for connectivity, driving demand for talent possessing digital infrastructure investing experience.

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1 Global Trends

> *Close attention continues to be paid to a candidate's leadership and culture building capabilities.*

Succession Planning at CEO/C-Suite Level

- As reported last year (but also exaggerated this year due to COVID-19 adversely affecting the older population) succession planning is a significant global trend across the real estate industry. Following the global financial crisis, many seasoned leaders remained in the industry as needed to assist companies through workouts and restructures. As the industry recovered, they stayed on to capitalize on market opportunities.
- At many public and private real estate companies, succession plans had been created but now need to be done once again. In some cases, individuals became impatient for the opportunity to step-up and self-selected out, while others were recruited away to one of the many bull market opportunities that arose over the last few years.
- Like other cyclical businesses, real estate has often suffered from "missing generations" of talent, and today some firms are looking to fill the gap between a CEO's departure and the next generation of leaders prepared to take the helm.
- In most situations, both an external search and internal assessments are completed to identify the best solution for the business. Close attention continues to be paid to a candidate's leadership and culture building ability. All longlists and shortlists are expected to be diverse.
- Step-up candidates are moving into president roles as an interim step to the CEO seat. In many instances both step-up candidates and lateral moves are sought and assessed.

Diversity and Inclusion

- Firms across the globe are seeking diverse talent at every level of the organization with gender and ethnic diversity as key priorities. For Boards, this often means seeking Directors from outside of the real estate industry — technology, logistics, and luxury consumer goods are industries frequently looked at by real estate companies.
- Functional expertise will continue to be another area focused on diverse talent, especially when the candidate pool can be expanded outside of the industry to others that are further down the D&I path, for example: human resources, technology, legal, finance, accounting, capital markets, and capital raising.
- For real estate-specific roles, clients are adjusting the role criteria for diverse talent, open to flexibility on seniority, location or asset class, etc. As firms map succession plans, they are strategically moving high-potential, diverse talent into roles that can stretch an individual's skill set and/or leadership responsibility. It is generally acknowledged that diversity attracts diversity, so having a pathway for internal talent to step into leadership roles is important.
- Diverse talent to fill client/investor facing roles is highly sought after.
- We will continue to see further hiring of leaders within the D&I space to join HR teams, often reporting directly to the CHRO or even the president/CEO of the firm. Individuals that have built and executed D&I plans are in hot demand and compensation is quickly growing for this role.
- D&I employee surveys are gathering quite a pace across the industry. Investors are also seeking D&I action plans. Investors are realistic about the challenges facing the industry with respect to improving D&I numbers. The mantra seems to be that if a company has diversity challenges, they must be acknowledged and a plan put into place to correct them over time. This plan will then need to be monitored and amended as needed.
- In the real estate investment management world, D&I talent is being pursued for external investment committee roles. Again, acknowledging that the D&I problem cannot be solved overnight, a real estate investment manager (REIM) can reassure investors that this is another check and balance until the leadership team more accurately reflects their investor community.

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> **ESG has helped with more attractive valuations in public and private markets and better spreads in debt financings.**

Environmental, Social and Governance

- In recent years, environmental, social and governance and its many considerations have gained prominence in virtually every industry due to investor demand. More recently, adherence to ESG has helped with more attractive valuations in public and private markets and better spreads in debt financings. Assets/companies with poor ESG performance can be at risk of becoming orphaned.
- In the investment management industry, ESG has become an increasingly important factor in assessing both investment and risk mitigation opportunities. Most sophisticated pools of capital have committed to ESG integration by hiring or appointing ESG leaders — some of whom assume the role in addition to their existing portfolio — and creating a structure in which they report to the CEO, CIO, or the investment committee. In addition, we continue to observe demand for talent within specific ESG/sustainable investing strategies. We have seen demand for investor, operating partner, and product specialist talent in this area. While most ESG investment strategies are focused on environment and climate or climate technologies, we are also observing a surge of demand in social strategies.
- Within the corporate and real estate investment trust (REIT) space, our observation is that while most players in the industry are hiring sustainability/ESG leaders to ensure appropriate reporting, policies, and practices, some players are also considering ESG-related activities to expand their product offerings.

Technology

- The pace of technology adoption is expected to remain robust. The adoption of cloud computing, big data, and e-commerce are high priorities for business leaders and necessitate a data-driven, technology forward mindset at the top, critical today for traditional C-suite roles, including the CEO, and also extending to Board members.
- Chief technology officers and chief data officers are key to achieving technology priorities. There has also been a significant rise and interest in encryption (cybersecurity), robotics (automation), and artificial intelligence (Big Data + IoT).
- A large-scale shift to remote working and e-commerce has driven a surge in work-from-home arrangements and the creation of new digital business models. Having the talent, resources, and skill sets to operate digitally transformed businesses is critical in the real assets industry. Diversity in tech talent will also be imperative.
- Data analysts and scientists, AI and machine learning specialists, robotics engineers, software and application developers, and digital transformation specialists are growing in demand. Process automation specialists, information security leaders, digital marketing and strategy specialists, and Internet of things (IoT) specialists are emerging.
- The CISO role will continue to be in demand, building capabilities to prepare for and respond to the ever-increasing threat of enterprise security and cyber risk mitigation in the industry. Cloud roles and competencies related to cloud computing, the next generation of computing, are in high demand. These roles require both technical and digital business acumen. Additionally, roles focused on AI, advanced data analytics, and robotic process automation (RPA) technologies will continue to increase.
- Companies in real estate are looking to hire from outside the industry, embrace new technology, and invest in training programs that identify skills and competencies needed to improve digital dexterity. They will need to reskill and upskill their workforce as emerging technologies and remote workforce models accelerate in adoption.

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> **Investment talent with sector-specific networks and the ability to put capital to work continues to be in high demand.**

Infrastructure

- Investment talent with sector-specific networks and the ability to put capital to work continues to be in high demand. Due to the increased prominence of ESG, we see significant interest in investment talent that has experience in renewables/climate investing. In parallel, the pandemic has shed light on the importance of connectivity, therefore we are observing strong interest in talent with digital infrastructure investing background. However, given the dynamic nature of the asset class, agility and ability to pivot from one subsector to the other will remain an important consideration.
- Given the importance of liquidity management, we continue to see the trend towards a centralized treasury/liquidity management function in the asset class for larger general partners (GPs).
- Geographic reach and a network of senior advisors have paid off for investors in time of constrained mobility vis-a-vis sourcing and diligence of investment opportunities. Asset management talent that can influence and help portfolio companies continue to perform against the investment thesis will remain of interest to investor organizations.
- We continue to see interest in strong distribution talent as investors gear up for the next rounds of fundraising and contemplate product innovation.
- We expect growth in the infrastructure secondaries market over the next number of years to put pressure on the already small investment talent pool in the sector.
- Food logistics is emerging with a focus on agribusiness infrastructure. AG tech and infrastructure will be imperative as food security has become extremely important.

2 Asia

> *In a year driven by change, we have seen increased focus on organizational efficiency which will lead to some changes across 2021 and beyond.*

Hiring Trends

- In a year driven by change, we have seen increased focus on organizational efficiency which will lead to some changes across 2021 and beyond.
- Decentralization of talent across key markets has been a prominent theme with many firms, as managers require more boots on the ground in multiple areas at the expense of a large HQ serving an entire region.
- There will be an increased effort among firms to focus on senior "impact hires" responsible for origination, with an expectation that junior talent will execute. Consequently, there will be additional focus on hiring, retaining and developing junior talent.
- 2021 will bring new entrants to the APAC region, many with big balance sheets and/or access to low-cost corporate debt to fund teams or platform acquisitions, getting a piece of the market with scale.

Asset Classes

- We continue to see the emergence of residential as an institution asset class in APAC.
- Many Australian REITs are replacing their CEOs, an increasing trend across many prominent companies.
- An ongoing demand for logistics, and any subsets of logistics, including cold storage, data centers etc.
- Significant growth in the renewables space will continue throughout 2021.
- There is continued interest in APAC credit products, mainly focused on Australia.
- Growth in listed real estate is on the rise and projected to continue.
- A marked growth in corporate private equity driven by businesses selling non-core assets in Japan.

Functions/Roles

- We can expect to see a continued build out of corporate infrastructure including investor relations, finance, operations, and research to support multi-product platforms.
- Asset management and operational expertise across real estate, infra-structure and private equity.
- Investor relations and capital raising continues to be a big part of the APAC opportunity.

Compensation Trends

- Executive and senior level compensation has remained flat to slightly up year-over-year, a result of APAC performing better than the U.S. and Europe, relatively.
- From a performance perspective, the highest performers are being looked after at the expense of average performers (as with U.S. and Europe). The caveat here is that managers are reassessing the best performers as work from home has allowed the usually less vocal individuals to demonstrate their true worth. At the same time, some of the more naturally vocal individuals have proven less efficient when working remotely, and their output has done the talking.
- Industrial/logistics sectors have performed well.
- From a functional perspective, asset management has done better than acquisitions teams, which are below target.

Crystal Ball Predictions

- APAC investors will get more comfortable with funds as the pressure to deploy capital increases, opportunity to travel to underwrite assets remains limited and the investor world stops waiting for distress.
- Insurance and pension funds with boots on the ground will push more aggressively into the third-party space to serve like-minded investors that have not yet built a team.
- There will be an increase in M&A as new entrants to APAC market want to scale quickly and are willing to pay high valuations.
- We will see a push for more vertically integrated platforms — developer/operators building fund management and fund managers building developer/operator capabilities in house, especially in the logistics space.

3 Europe

> *In a year of unprecedented change and senior management transition, we have seen a corresponding demand in C-suite hiring.*

Hiring Trends

- Leadership change: in a year of unprecedented change and senior management transition, we have seen a corresponding demand in C-suite hiring.
- ESG is climbing up the hiring agenda as companies recognize the importance of tackling this pressing issue given that real estate accounts for approximately 40% of carbon emissions.
- Protests last year have heightened awareness of the necessity for D&I to increasingly incorporate Black, Asian, and additional minority ethnicities, as well as gender diversity.
- Pan-European development professionals are being hired as real estate private equity investors seek to maximize yield in what has been a competitively priced market.
- Given the change in fund regulation by the Financial Conduct Authority in the U.K. last year, there has been an increase in demand for non-executives and senior independent directors.
- Investment directors are in demand as GPs have successfully raised more capital than anticipated and need proven expertise to deploy it.

Asset Classes

- There is a continued demand for logistics — with a more nuanced approach — as the sector continues to mature, incorporating the burgeoning e-commerce fulfillment market, urban infill, high flow-through, and big box.
- As private rented sector/build to rent becomes increasingly professionalized as an institutional asset class, so too has the hiring demand for professionals in this sector. This is still an embryonic market with a limited pool of talent, so candidates are often imported from North America or from complementary asset classes such as student accommodation and hospitality.
- More operationally intensive asset classes continue to be in demand as there is a secular trend away from traditional real estate in order to achieve higher returns. This includes areas such as data centers, life sciences, and self-storage.
- There is an increasing blurring of the lines between real estate and infrastructure as limited partners and GPs look at real assets in the whole versus as two, distinct investment asset classes.
- PropTech professionals are in the ascendant as the industry plays catch-up to other asset classes and embraces rapidly evolving innovation to stay competitive.

Functions/Roles

- Finance roles across the board from CFO level to financial accountants.
- Asset management as firms have triaged their portfolios and identified which investments need intensive management to avoid defaults.
- Capital raising and investor relations continue to be in demand as firms need to stay close to their investors, particularly in the face of diminished returns on 2017/2018 vintage funds.

Compensation Trends

- Executive and senior level compensation has stayed flat year-over-year, with a marginal increase in base salaries for mid to junior level employees, in line with inflation.
- Bonuses are reduced by 30–40% across the different levels of seniority where the executive and senior level professionals have taken the brunt of those reductions. Mid to junior level staff have seen a reduction of 26–27%.
- Many long-term incentive plans (LTIPs) and carry programs are now underwater with the latest vintage funds, which means that greater liquidity has been injected into the hiring market as senior professionals who would have previously been deemed unaffordable are now willing to leave their LTIPs behind to join a new firm.

Crystal Ball Predictions

- Increased demand for ESG professionals as sustainability, in particular, continues to be a major focus for the industry.
- D&I hiring will broaden across Europe and extend beyond gender diversity to focus on ethnicity.
- PropTech professionals will be hired to work alongside the traditional real estate experts. Effective data analysis and responding to the results will of the data will be particularly critical in terms of gaining competitive advantage.

4 North America

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> ***After many mid-level mandates disappeared at the start of the pandemic, these roles are rapidly returning.***

Hiring Trends

- Succession planning is likely to be the primary factor contributing to senior hires in 2021.
- After many mid-level mandates disappeared at the start of the pandemic, these roles are rapidly returning.
- Board refreshment will continue, resulting in multiple positions becoming available at many public and private firms.
- Many investment management platforms will build their retail distribution teams for the first time or expand existing retail distribution teams. Candidates with access to wirehouses, broker-dealer, registered investment advisors (RIAs), and interval funds domestically are in demand, as are those that can bring relationships with wealth management platforms overseas.
- The single family residential (SFR) mortgage industry is stronger than ever alongside the single home rental business. In 2020, the single family business enjoyed better growth and performance since prior to the GFC, set to continue on a more moderate basis in 2021. Homebuilders, residential mortgage firms, and single family home rental organizations have all benefited. This has been driven by unprecedented low interest rates, extended over a long period of time, and the relocation by many generations out of core, urban markets to the suburbs, or to the southeast/southwest. As a result, residential mortgage banks are going public and require Boards and capital markets-oriented CFOs. There are many more entrants into the SFR business, primarily homebuilders looking for executives experienced in the space. And the homebuilders are expanding into new geographies, looking for executives with track records in those geographies.

Asset Classes

- **Life Sciences**
  Life sciences is becoming an asset class in its own right and individuals with a strong track record in this sector are highly sought after. New funds are being launched to invest in this asset class and many large public pension plans have separate account mandates and/or deal-by-deal capital available to deploy. Individuals will continue to be recruited across investments, asset management, and operations.

- **Industrial/Logistics**
  Industrial/logistics continues to be a thriving asset class with a focus on both buying existing assets and developing new assets. Last-mile industrial is keenly popular, exasperated by the pandemic and individuals relying on online retail more so than ever.

- **Multifamily**
  - In a COVID-19 world, tenants are increasingly focused on identifying and creating spaces where they can comfortably work from home. Some are opting to move to larger units, while others are choosing to leave urban, high-rise apartments for the suburbs, offering more space and backyards. As these tenants relocate outside of urban cities, suburban markets are faring better in terms of demand, occupancy, and collections.
  - Lifestyle and community have increasingly become a focus, specifically given the work from home trend. We are seeing a rising number of landlords focused on hospitality amenities, local retail partnerships, and ensuring that tenants are connecting with each another.
  - In an increasingly difficult urban leasing market, landlords are motivated to retain tenants through additional incentives including rent reductions and other ancillary perks. In growing their tenant bases, multifamily owners have had to rely heavily on technology by implementing virtual leasing, 360 tours, and videos of vacant units on their company websites, proving remote leasing can be an effective strategy.
  - Before COVID-19, on-campus/student housing seemed like one of the safest investments; now it seems uncertain.

- **Retail**
  - Traditional retailers in physical stores have given way to digitally native brands, with medical retail, health and wellness, and other needs-based retail options such as pet services, salons, dry cleaners and service centers capitalizing on current market conditions and moving into brick-and-mortar locations.
  - Private equity and venture capital funds are becoming more active in the sector, looking to finance new retail ventures and seek out opportunistic investments.. This has resulted in increased demand for investment and acquisitions professionals who can assist in new strategies.
  - Compared to 2019, there was an overall decrease in demand for development talent.
- **Office**
  The future of office assets has been much debated. Due to COVID-19, many owners of office assets argue that more space will be needed, moving away from open plan and/or hot desking configurations. Others argue that working remotely will be here to stay in capacity, and that physical office space will shrink. Hiring for the office asset class has focused on debt capital markets professionals able to manage existing mortgages and lines of credit, and leasing professionals.
- **Hospitality**
  While the hospitality industry has experienced significant loss through the pandemic, sophisticated hotel owners, brands and third-party operators will make select human capital investments in high-growth areas. A heightened focus on hygiene and safety will unsurprisingly be of great importance moving through 2021 and beyond. Hospitality brands and operators will continue to be concerned with creating a safe and hygienic environment, but will also be focused on boosting guest confidence and loyalty through improved product health and safety awareness, leveraging content marketing and digital storytelling strategies. As Millennials and Gen Z segments become increasingly important within the travel industry, expect to see continued investments in technology and environmental sustainability. Finally, we may see select platforms enter new verticals such as seniors housing, where a guest-focused approach to operations is essential.

- **Seniors Housing**
    - The seniors housing industry is undergoing unprecedented change due to COVID-19. The pandemic has ravaged the industry, especially in its early stages as no one foresaw how quickly and devastatingly it could spread throughout confined spaces and to vulnerable residents. With no new resident admissions (given fear of COVID-19 spreading), increasing care costs for current residents, and attrition caused by resident mortality, the financial outlook is challenging and turnaround will not happen quickly. Consequently, values have become depressed across both the public and private players while the "private equity firms are circling."
    - On one hand, seniors housing is on the precipice of unprecedented demand given the aging Baby Boomer generation. Yet conversely, home health care alternatives being offered at much more attractive price points represent a huge competitive threat. Further, skilled nursing is dependent upon the vagaries of federal government reimbursement programs, more challenging to predict today than ever before.
    - Throughout 2020 and into 2021, the focus continues to be on operations. This is about the customer experience and being competitively positioned versus alternative offerings. It is also about the financial acumen to drive margins and the technology to drive efficiencies, a skill set required of the next generation of seniors housing leadership. Adding to this challenge is a shallow industry talent pool, with executives being recruited from logical adjacencies such as hospitality, health systems, and multifamily. CEOs who can recruit and retain an outstanding leadership team (including a great CFO and head of technology), create the customer experience, drive efficiency and profitability, and collaborate well with a Board/equity sponsor (e.g., a private equity owner) will be winners in what lies ahead.

Boards Trends

- Board recruitment activity continued at unprecedented levels in 2020 and should continue into 2021. There are a number of factors driving this demand. First, refreshment is a key driver, as ISS (among others) frowns upon Directors who have served on a particular Board for over 10 years. Second, with ESG so much in the spotlight, diversity matters. Most public Boards have a female Director now serving and are adding a second diverse appointment (overwhelmingly an African-American candidate). Diversity of thought and perspective continues to correlate with a culture that drives business success.

- Two other factors are also driving Director demand. Activists are becoming increasingly vigilant in the REIT sector and clients under siege are recruiting individuals with backgrounds in institutional investment management (such as retired REIT securities executives), whom investors find quite appealing as these Directors thoughtfully consider how Board decisions will be embraced by the investment community. And finally, there is still IPO activity (logistics, residential mortgage, etc.) where Boards of seven independents are being built from scratch, as well as spins, where underperforming assets are being spun into separate public vehicles, and Boards are being recruited for these new entities.

- One additional governance trend is worth noting. Ferguson Partners recently conducted research on the Boards of top performing public companies, discovering that at least two (and often three) independent Directors are gainfully employed executives. Unlike 10+ years ago, when clients preferred retired executives for Board positions, today's shaping factors of big data, the pace of change, disintermediation, COVID-19, etc., mean that CEOs desire Directors worried about these issues, also of great concern to them.

> **"** ***Diversity of thought and perspective continues to correlate with a culture that drives business success.***

Compensation Trends

- Within Real Estate Investment Management, bonus pools in 2020 were mostly flat year on year, remembering however that 2019 was, for most, a great year.
- Within owner/operators, bonus pools have been diverse across asset classes with some clear winners and losers.
- There has been/will continue to be bifurcation for bonus payouts between the excellent and average performers.
- There is much discussion about 2021 being a tougher year with respect to compensation, so some leadership teams have decided to hold some money back to help ease the pain.
- Salaries for 2021 are mostly flat (or modest increases to match the very low inflation rate).
- As many long-term compensation programs are underwater, firms are considering how to place new golden handcuffs on their key individuals.

Crystal Ball Predictions

- With the vaccine in the roll-out stage, some firms that have held back from making COVID-19-related cuts will begin to make needed headcount reductions. Once completed, there will be a wave of new, mid-level hires.
- Succession planning and D&I will continue to be the two biggest drivers of senior external hires.
- Many executive and non-executive search strategies will look both inside and outside of real estate for talent.
- We will continue to build brand new real estate investing teams as firms seek the returns offered by the asset class. The new businesses will be diverse from family offices to insurance companies and alternative investment management platforms.

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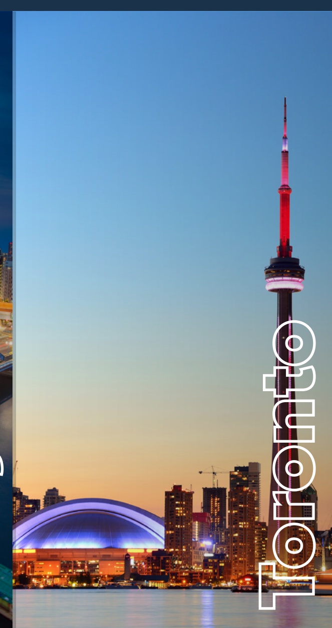

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