

Optimism on the Horizon: Talent Implications of the Shifting Global Real Estate Landscape



While [2023 left the real estate sector grappling with uncertainty](#), palpable optimism has begun to permeate the landscape in the latter half of 2024. This is driven by expectations of market stability, as key economic indicators like interest rates and inflation begin to stabilize. This creates favorable conditions for investors who are skilled at navigating investment cycles and maximizing value through strategic real estate operations.

But even as the fog of uncertainty begins to lift, buoyed by a clearer understanding of global monetary policies, there is still an air of caution in the market. When we asked real estate leaders across the globe which factors will most impact the health of their organizations via RRA's [Global Leadership Monitor](#), 84% named economic uncertainty and 52% named the availability of key talent/skills, making these the most commonly chosen options. Furthermore, only 59% and 40% of these leaders, respectively, feel prepared to respond to these issues, underscoring the cautious optimism prevailing in the market.

In Europe, diverse fiscal policies and inflationary pressures have led to a 30% drop in property values¹, necessitating localized investment strategies and alternative financing options. Asia Pacific (APAC) presents a mixed picture, with robust growth in markets like India and Vietnam offset by

slower recovery in others², driven by rapid urbanization and a growing middle class demanding residential and commercial properties. Meanwhile, North America shows signs of economic stabilization, despite concerns over potential recession and high interest rate levels affecting the housing and commercial property markets.

To shed light on this dynamic market, RRA identified four overarching global real estate trends and their leadership & talent implications across regions. These include:

- Capital restructuring and fight for liquidity
- A shift towards investment management platforms
- Changing momentum across asset classes
- Sustainability's continued importance in real state



Capital restructuring and fight for liquidity

Europe

The European real estate market is undergoing significant capital restructuring. Investment capital is available in smaller doses but lacks momentum in transactions due to uncertainty and asset holders' reluctance to re-price. European Union banks hold €1.4 trillion in outstanding commercial real estate loans³, necessitating new sponsorship or alternative financing. Liquidity is low, evidenced by a 51% drop in Q4 2023 real estate investment,

compared to the long-term average.⁴ Investors are focusing on rebuilding balance sheets and reducing leverage, creating a cautious market sentiment. This has led to a financing gap. For example, there is a €77 billion projected shortfall over the next four years in Germany.⁵ However, these conditions also present attractive opportunities for equity investors at favorable prices, fostering optimism for the remainder of the year.

APAC

In APAC, banks are diversifying revenue streams and reducing reliance on interest income by shifting towards capital market operations like underwriting, trading, and advisory services.⁶ Regulatory changes, market dynamics, and evolving corporate client needs are driving this shift. The high interest rates of the past 18 months have depressed asset valuations and raised financing costs, leading to decreased appetite among traditional

lenders. This has created opportunities for private lenders and prompted real estate players to explore alternative funding sources like bonds, REITs, and securitized products. These options offer flexibility and potentially lower capital costs. Prioritizing liquidity, firms in markets like China are increasingly considering strategically divesting non-core assets.

North America

In North America, investors are actively seeking innovative avenues to deploy capital due to challenging fundraising and deal environments. Factors like tighter liquidity, elevated interest rates, and increased economic uncertainty drive this shift. As conventional financing methods become more restrictive, investors are exploring alternative options,

such as "hard money lending," via which they can borrow money quickly by using property as collateral. They're also considering seller financing, lease options, equity sharing, and crowdfunding. These alternatives offer flexibility, expedited funding, and potential for higher returns, but also come with increased risks and costs.

What does this mean for real estate leadership & talent?

Given these capital shifts, there's a growing need for professionals with advanced financial acumen who excel in managing liquidity and treasury functions, rather than focusing solely on core assets. Real estate experts capable of navigating complex structuring are increasingly sought after, alongside those with a forward-thinking mindset and extensive experience in realizing value-add from standing assets. The emphasis is shifting away from individuals who simply ride economic waves and cycles.

There is also a noticeable demand for experienced capital raisers and investment managers proficient in co-investing, structuring separately managed accounts, GP stakes, secondary sales, and various fund structures. Firms should look laterally for these individuals, as they require specific and niche skillsets, including capital restructuring and prior cycle experience



A shift towards investment management platforms

Europe

As European real estate firms adapt their investment strategies, they are transforming into comprehensive investment management and operational platforms. This shift involves integrating operations, acquisitions, and development strategies; all of which are aimed at enhancing

investment returns and fostering long-term growth. This evolution mirrors a broader trend among real estate entities that are expanding their focus beyond traditional ownership and development to encompass a more holistic approach to investment management, including asset operation.

APAC

In APAC, real estate developers are transitioning into investment management platforms. Prominent developers are adopting an 'asset light' strategy, establishing separate investment entities and specialized teams to raise funds from external investors. This allows developers to focus on property management and development, while also

attracting additional capital. This aligns with real estate's overall trend towards viewing investments as value-adding opportunities. For example, many global real estate players are optimistic about mainland China's renewed investment interest in Hong Kong, reinforcing this strategy's effectiveness.

North America

There is a significant transformation underway among North American real estate owner/operators and developers into comprehensive investment management platforms. Companies are integrating their operations, acquisitions, and development strategies to optimize

investment returns and foster sustained growth. This holistic approach enables more effective asset management and alignment with sophisticated investment strategies, bolstering their resilience and competitive advantage in the market.

What does this mean for real estate leadership & talent?

We expect stiff competition for executive talent with value-added investment, asset management, and cash generation skills, as these capabilities will dictate the winners for the next cycle.

In regions where real estate firms are increasingly adopting an investment-focused, asset-light model, firms are hiring

more chief investment and chief operating officers to lead sophisticated capital formation teams that manage portfolios, raise capital, and cater to institutional investors directly. The demand for capital formation and portfolio management talent is growing, driven by limited partners' preference to engage directly with operators.



Changing momentum across asset classes

Europe

Europe's office sector faces limited availability for top-tier buildings in sought-after locations, worsened by lower supply in new-builds. This has led to a significant undersupply of high-quality office space, with core markets like Paris, Frankfurt, and Amsterdam experiencing substantially higher rental costs, due to tenant demand for premium locations.⁷ However, many assets and micro-locations lag behind, creating a split market and leaving investors and tenants uncertain. In contrast, the logistics

sector remains stable, with increased demand and rising rents driven by e-commerce, nearshoring, and embedded rent increases in current contracts. The residential sector faces a significant supply shortage, with student housing and senior living offering strong opportunities but adding pressure to the overall market. Increased supply and standardized, modular living spaces are needed to control construction costs and meet demand.

APAC

APAC is witnessing a surge in data center investments in Singapore, Hong Kong, and Tokyo, driven by internet penetration and e-commerce growth. However, challenges like power supply and renewable energy now require data center design innovation. Simultaneously, there is a notable trend towards integrated living communities and mixed-use developments, particularly in Australia, where convenience and connectivity are highly prized. Growth in e-commerce

sales have continued to fuel demand for premium, high-quality logistics assets; this is particularly true for emerging markets in Southeast Asia such as Vietnam, Malaysia, and Indonesia, with China seeing the shoots of recovery. This contrasts to markets like Singapore, Japan, and Australia, which have managed to strike a balance in logistics per capita and merchandise trade.

North America

North American asset classes are exhibiting resilience across various sectors. While the return-to-office transition continues to prove difficult in some cities, optimism prevails in other sectors. The influx of new apartment supply—the largest in decades—is anticipated to moderate rent growth and enhance affordability for renters throughout 2024. Additionally, the region continues to lead the data center market, as there have been substantial investments in

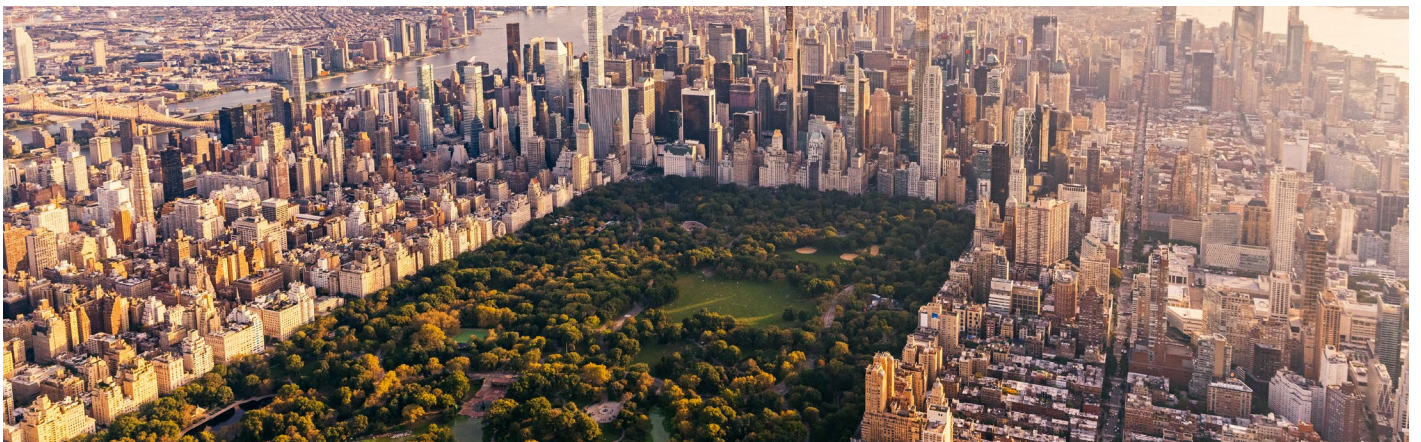
cloud computing and big data infrastructure in the US and Canada. Cities like San Francisco, Boston, Seattle, and New York continue to house numerous data center developments.⁸ This demand is expected to attract significant institutional investment throughout the year, as capital shifts from the struggling office sector to alternative assets.

What does this mean for real estate leadership & talent?

As asset classes shift and consumer preferences evolve, real estate firms need to attract and retain forward-thinking professionals who can identify market opportunities proactively, rather than following existing trends. This requires expertise in urban planning, asset conversion, community management, smart city technologies, and particularly consumer behavior analysis, among others. Such talent will play a critical role in adapting to the evolving landscape and maximizing opportunities across various asset classes.

There is a particular demand for real assets investing talent with a private markets mentality, particularly in regions

like Asia. Real estate, infrastructure, and private equity industries start to blend with the growth of data centers, marinas, airports, etc. Investment professionals who are equipped to look at both debt and equity opportunities from the traditional private equity, through private equity real estate, and infrastructure - and their associated costs of capital - angles are highly sought after as they are able to take advantage of current market opportunities. This further underlines the need for forward-thinking skillsets, including the ability to synthesize new perspectives and investment opportunities.



Sustainability's continued importance in real estate

While sustainability may have momentarily taken a backseat to other pressing issues in real estate, it's important to acknowledge that it continues to be a crucial focus for the sector. Sustainable real estate assets are important to both tenants and investors, who increasingly recognize the long-term value and resilience of environmentally-friendly buildings. Knowing how to

effectively invest in and manage these assets—ensuring buildings are not only compliant with current standards, but also future-proofed—is essential. There is a growing demand for sustainable buildings, driven by regulatory pressures and the financial benefits of reduced operating costs and increased asset value.⁹ Additionally, the Global ESG Benchmark for Real Assets (GRESB) highlights that

sustainability considerations are integral to the investment strategies of leading real estate firms.¹⁰ Despite recent shifts in priority, sustainability remains a critical factor in the creation of long-term, investable assets and continues to influence investment and development strategies across the sector and globe.

We don't see many regional nuances with sustainability; instead, there appears to be a global convergence towards higher standards. This worldwide shift is propelled by increasing regulatory requirements, evolving market

expectations, and a heightened awareness of the environmental impacts of real estate. Investors and developers across different regions are aligning their practices with internationally recognized sustainability benchmarks, leading to a more uniform approach to sustainable development. As such, understanding the global landscape of sustainability in real estate is crucial for stakeholders aiming to stay competitive and relevant in an evolving market.

What does this mean for real estate leadership & talent?

This necessitates the need for talent proficient in sustainable practices and green building management. As tenants and investors continue to prioritize sustainability, professionals with expertise in ESG standards, energy-efficient design, and sustainable asset management are increasingly sought after. These roles are essential

for ensuring compliance with current regulations and future-proofing against evolving standards. Effectively implementing sustainability measures can reduce operating costs, increase asset value, and enhance long-term investment resilience.

What's next for real estate leaders?

Global real estate leaders are starting to see optimism in the horizon, with each region facing its own unique challenges and opportunities. Navigating capital restructuring and liquidity remains a key focus, with alternative financing options and divestment strategies gaining prominence. The shift towards investment management platforms is evident, as real estate firms adapt their strategies to enhance investment returns and attract external capital. Changing momentum across asset classes requires a diverse talent pool that can identify market opportunities and adapt to evolving consumer preferences.

To thrive in this dynamic landscape, real estate firms must cultivate a diverse, skilled, and adaptable workforce capable of driving innovation, managing financial risks, and meeting evolving consumer and investor demands. By strategically recruiting and nurturing such talent, firms can effectively navigate market complexities and seize emerging opportunities. This proactive talent management approach is essential for fostering innovation, achieving sustainable growth, and maintaining competitive advantage in an ever-changing global market.

Authors

Deb Barbanel co-leads Russell Reynolds Associates' Global Real Estate practice. She is based in Los Angeles.

Gemma Burgess co-leads Russell Reynolds Associates' Global Real Estate practice. She is based in Chicago and New York.

Alexander Prokot co-leads Russell Reynolds Associates' European Real Estate practice. He is based in Frankfurt.

Derek Poh is a member of the firm's Financial Services Sector. He is based in Singapore.

Trinity Sokan is a member of Russell Reynolds Associates' Financial Services knowledge team. She is based in London.

Acknowledgment:

"The authors would like to thank their colleagues Cem Turan and Anjelica Zalin for their contributions to this paper."

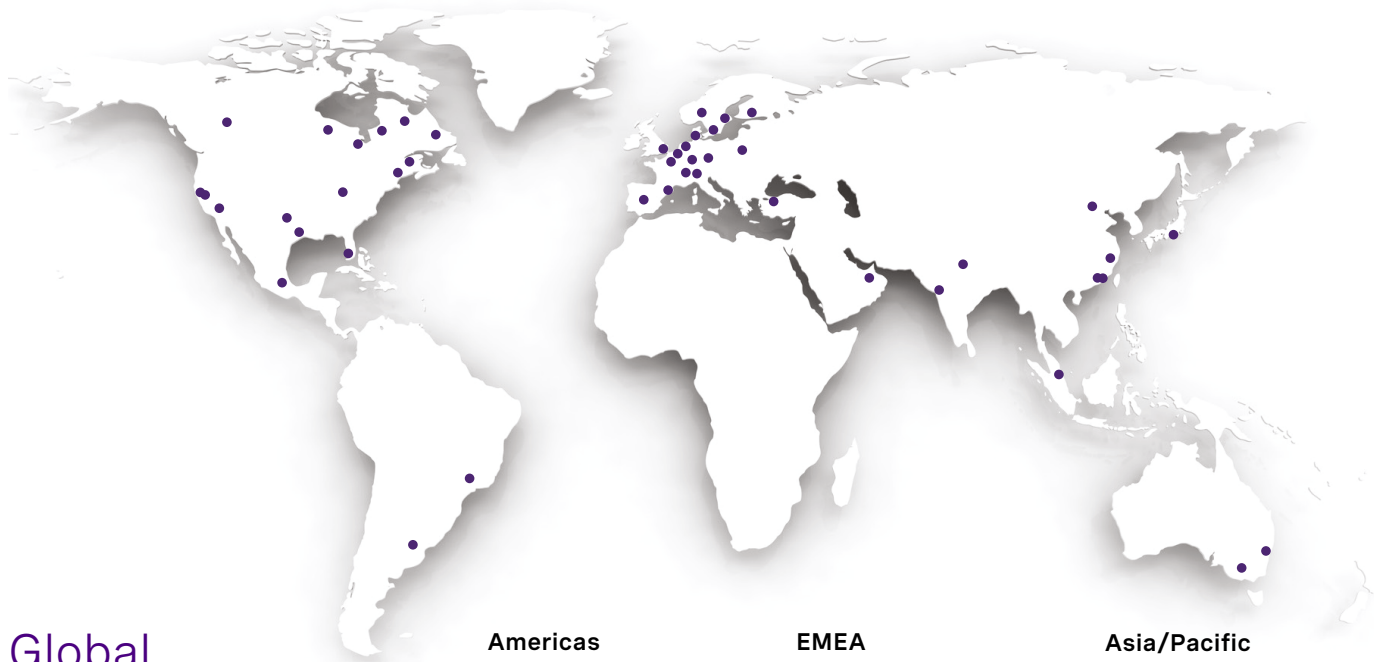
Footnotes

1. [European Property Market - Outlook H1 2024 | BNP Paribas Real Estate](#)
2. <https://www.imf.org/en/Blogs/Articles/2023/04/11/global-economic-recovery-endures-but-the-road-is-getting-rocky>
3. [Explainer: European banks and their \\$1.5 trillion commercial property headache | Reuters](#)
4. [Global real estate market outlook Q2 2024 | abrdn](#)
5. [CBRE Anticipates Europe's Debt Funding Gap to be €176bn between 2024-2027](#)
6. <https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/banking-industry-outlook.html>
7. https://www.savills.com/research_articles/255800/354869-0
8. [Global Real Estate Outlook 2024 \(jll.co.uk\)](#)
9. <https://www.us.jll.com/en/trends-and-insights/research/the-commercial-case-for-sustainable-buildings>
10. [Welcome - GRESB](#)

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

www.russellreynolds.com



Global offices

Americas

- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St.Paul
- Montreal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

EMEA

- Amsterdam
- Barcelona
- Berlin
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

Asia/Pacific

- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Shanghai
- Shenzhen
- Singapore
- Sydney
- Tokyo