Russell Reynolds Associates

Talent Trends in Real Estate – 2023

1. Short-Term Slowdown & Cautious Optimism

Overview

While we expect slower hiring and some clients are "pausing" recruiting mandates, there is no evidence of major adjustments to 2023 talent strategies

Impact

Two themes are emerging around functional demand:

- An **emphasis on Portfolio Management.** Clients are "re-purposing" investment professionals into asset management, increasing analytical rigor of asset management and allowing investment professionals to apply skills in a new way, while more directly exposing asset managers to these individuals for collaborative learning across functions
  - Nearly 70% of global leaders are concerned about the availability of key talent, creating higher demand for cross-functional skills[1]
  - Portfolio Management roles are increasing in influence, positioning, and strategic input
- **Increase in using data analytics to optimize portfolios:** This is generally a newly created role, particularly prevalent within private capital environments

2. Focus on Alternative Investments

Overview

Increasing attention to alternative asset classes such as **manufactured and student housing, self-storage and single family residential**

Impact

- We saw new fund launches in 2022 and expect this activity to continue into 2023, with over **$250 billion in dry powder** focused on the North American real estate market[2]
- Infrastructure platforms embracing a **cross-pollination of talent**, in particular partnering with digital infrastructure and data center experts to capitalize on broader knowledge
- Conversion of office and retail assets into other/more broad categories
  - Historical office investors/owners seeking talent from mixed use, life sciences, health care and other asset categories in order to successfully re-position assets
  - Deep silo expertise is giving way to cross-asset class experience to support agility

3. Rise in Debt Funds

Overview

Clients who are focused on driving transaction activity, especially in an acquisition stagnant market, are creating or enhancing **capabilities within debt funds**

Impact

- Repositioning assets with floating interest rates puts pressure on owners. Debt funds are stepping in, refortifying the capital stack
- In 2022, six new firms launched debt funds. Globally, over 30% of private real estate debt funds were raised by the top five firms[3]
- Three themes are developing around debt funds:
    - Given higher productions over the past two years, we have seen **an increase in compensation for originations talent**
    - **Demand for gender and ethnic diversity** in an already limited talent pool
    - Increased attention on recruiting leaders with **equity expertise** who are open to applying their experience in a debt fund

4. Emphasis on Succession & Development

Overview

Clients are assessing **board composition and C-suite executives** in light of changing business strategies, while investing in talent development at all levels to increase retention

Impact

- **Investing in existing talent** creates three competitive advantages:
    - **Enhances stickiness** of high-quality talent through a demonstrated commitment to development
    - Focuses leadership on development needs and skill gaps in the organization, especially relative to changing environments
    - Demonstrates to mid and junior-level talent an emphasis on career development; **many of these individuals have not seen a downturn** and are anxious about their futures, thus the commitment is reassuring

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Sources

[1] RRA Analysis, Global Leadership Monitor Q4 2022

[2] Real estate investment trends and outlook: Winter 2023

[3] The Real Estate Debt 50 2022

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ 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.

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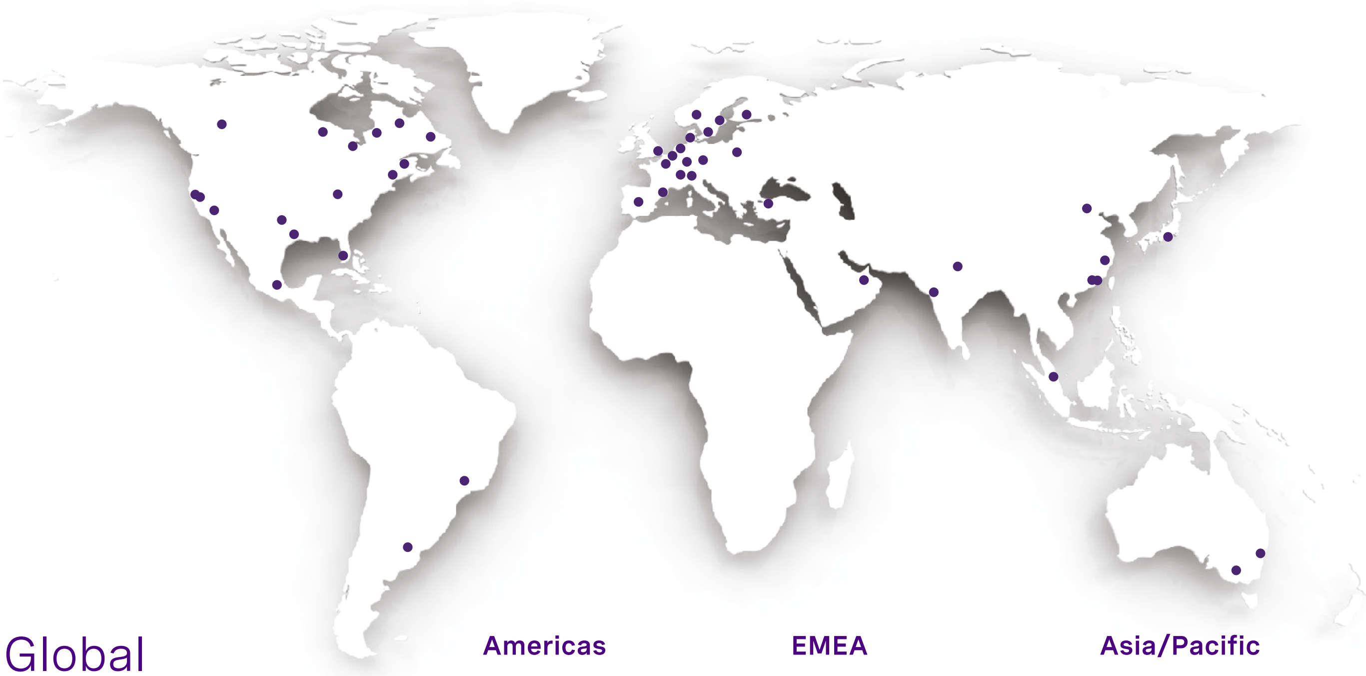

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