

## Real Estate Executive Search Trends Ahead of the Economy

Be the recovery fast or slow, the next five years will define careers

Real estate trends do not drive the economy. Rather, they respond to cyclical investment fundamentals and the availability of funds. Within this cycle, however, the real estate executive search business has been a reliable predictor of changes in the economy, trending some six to nine months ahead of official government announcements. If this cycle holds true, the beginning rustles of new searches signals we've hit bottom and that the recovery has begun – or at least a significant bounce in a “W” king economic cycle, says Martin Nass, Managing Partner of the firm's Global Real Estate Practice based in New York.

“What the search business cannot predict, however, is the magnitude of that change,” Nass cautions. Whether the recovery comes hard and fast or is in fits and starts for years to come, remains unclear. But with more than 35 years experience within real estate and mortgage banking industries, Nass says he's seen this cycle repeated in 1980, 1986, 1989-90, and again 2000-2001. Each time, searches have ebbed ahead of the downturn and started flowing again before the recovery was in full swing.

Since late April of this year, client interest in initiating searches has picked up, both in the U.S. and abroad. Here's what Nass and his team –Tom Buckett, London; Alex Eymeiu, Hong Kong; and Bailey McKallagat, New York – are seeing as best practices among top players in the real estate industry today.

The uptick in the number of firms committing to searches may, indeed, be opportunistic– the result of short-term speculations and/or reallocation of funds toward less volatile hard assets with longer-term returns. But it could also be signaling that the turn-around has begun. There is plenty of smart money both within the U.S. and abroad just waiting for a perceptible increase in prices to begin investing again after three years of virtual free fall in real estate prices.

The Miami condominium market is a case in point. Units selling for \$850,000 just two years ago, can now be had for \$250,000. At some point, investors from overseas or here in the U.S., will pool a significant number of these assets and purchase at levels of \$100 million, or more, at a time. Instantly, this volume of activity will drive prices up, perhaps as much as 20 to 25 percent before leveling off. It may take only a couple of years for that Miami condo to be back at its previous high, or, it may take a decade or more. What is needed now, however, are dealmakers, relationship managers, and those well-connected within the finance industry who can bring both sides to the table and close the sale.

At first blush, it seemed that the unprecedented scale of layoffs that rippled through the financial sector in late 2008 and early 2009 meant top financial talent could be had on the street. While true to a limited extent, what we're hearing from clients is that procuring the necessary talent hasn't moved as swiftly as hoped. They had been looking to hire only those with real estate experience–steeped in the tradition of bricks and mortar–and the process has stalled.

Who these real estate companies should be looking at, however, are those with the financial savvy to figure out how to keep them in business in the short-term as billions of dollars in loans are coming due. The challenge now is how to make current properties more profitable, be it through becoming more appealing to tenants, improving properties' values, or opening new lines of businesses within the existing companies such as asset management on a fee basis. All this and positioning for a longer-term strategy for revitalized growth.



## Real Estate Executive Search Trends (continued)

Within the Real Estate practice, the skill sets most in demand seem to be: restructuring, credit analyses, distressed debt, and distressed property expertise. There are also real estate investment trusts, for example, looking to hire business development and capital raising professionals. But these skill sets are not unique to real estate. Across all of our global search practices, CTPartners is being asked to identify professionals with strong leadership skills and successful track records of restructuring companies in strategic and innovative ways.

Across the board, candidates are much more focused on the potential downside of a career move, than on the upside. Previously plotted trajectories have been all but wiped out. New mapping is required—on both sides of the hiring equation. Top talent, perhaps to a degree we haven't seen before, is far more skittish about leaving a well-entrenched position no matter how many rungs up the ladder or what coveted career trajectory the new role may offer. They're going to need to be persuaded that the real estate field, though under more scrutiny than ever before, is still awash in opportunity.

On the other side of the equation, the best-run real estate companies—and those who invest in them—will weather the economic downturn and emerge stronger, leaner, and more competitive than ever. They will be driven by leaders who are independent and innovative in their thinking, able to promote ethical cultures within their firms, and have the courage to make tough and creative decisions. There's always been competition for these savvy, deal-making leaders; but, it is going to grow more intense. We're already seeing this in Asia.

With Asia cash rich and China entering a new phase of aggressive capital deployment, this may be one of the first real estate markets to rebound. Asia, compared to the western markets in the past, has generally had less borrowing and less leveraged deals. But, it also has better fundamentals to pick up faster. Limited Partners are increasingly keen on Asian real estate opportunities because the region has better fundamentals for growth with both large mature markets like Japan and new and large emerging markets like China.

In terms of executive search, Blackstone's recruitment of Philip Levinson from REEF for their new Asian Capital raising team and the creation of large local currency funds is one recent example. China Investment Corporation is definitely on top of the list of active recruiters and we're also seeing IB bankers from U.S. investment banking real estate teams moving to principal investment capital raising roles in Asia.

In the U.S., some companies are bucking the industry trend of retrenchment. Taking advantage of the superior talent available, the real estate private equity firm Rockwood Capital has recently enhanced its senior management with two recent additions: Sharon Ann Miller as managing director of investor relations; and Scott Stuckman as a senior investment management executive and the head of the North Carolina Separate Account business.

AMB Property Corporation, a global logistic company with assets on every continent, has recently brought in highly respected James W. Green, formally at JER and Citibank, as managing director, global client services. The company also hired Anthony Biddulph from Blackrock as SVP, business development, Europe & Middle East, who is headquartered in London.

For professionals, the next five years will define their careers. For companies, the next five years will define their survival. In bringing the two sides together, buyers of human capital should understand that it is sometimes smarter to buy and 'warehouse' talent in the short-term, than it is to get caught having to pay unnecessarily in the months, and years, ahead as the economy cycles into recovery once again.