

INVESTMENT IN TALENT IS UP UP UP!



Just as property investments have continued to increase, the cost of acquiring and retaining talent has skyrocketed. Kent Elliott, a RETS founding principal, notes that it has resulted in sticker shock for some companies. In one instance, a West Coast firm seeking an asset manager expected to pay a salary in line with its current employees, but discovered that competitive salaries had grown by \$30,000 to \$40,000 beyond that level. “They had to bring in someone at a much higher compensation – and of course that created its own problem.” Kent says, “Ultimately, they gave raises to all their star performers.”

Entering 2016, demand continues at the same feverish pace seen last year, causing compensation to rise for new and existing employees.

During the past three years, compensation packages have increased an average of 15% to 25%, and in tighter, more competitive markets like San Francisco, they have spiked by 40%.

Several factors driving the remarkable increases:

- Low unemployment at all positions in the commercial real estate field. A or B players

are fully employed and bring bargaining strength to the table.

- Less new talent is entering the commercial real estate industry.
- Interim or temporary positions are slow to fill because most CRE professionals are employed; often the temporary staff are booked 30 to 60 days ahead.
- The current, most active positions are in Asset Management, Construction/Project Management, Financial Analysis and, of course, the field property level positions.

RETS' 2015 activity reflected these trends, with retained/contained searches increasing to almost 25% as companies sought exclusive agency arrangement with RETS. Clients are taking a more focused and defined approach to recruiting new talent. In comparison, interim or temporary searches were down as the low unemployment of CRE professionals left fewer available for interim work. Many found full-time positions or left the industry.

For Q1 2016, RETS has seen the following trends emerge:

- Recruiting remains strong, with open searches unchanged from 2015
- Northern California represents 50% of the open searches

- Asset Management roles are in the greatest demand, as are Financial Analyst positions.

RECOMMENDATIONS TO CLIENTS

Review the compensation components and range for the key positions required in 2016. Be prepared to stretch for A players and bind them via an employment contract, a signing bonus with a scheduled payout and some form of long-term incentive.

- Develop, approve and memorialize an efficient, effective interview process: define the stakeholders, agree on the position summary and compensation program, make interview times a priority despite other company demands, and market the company's stability, growth and culture. Candidates no longer sell their merits – now employers must market their attributes.
- For interim or temporary employment needs, plan ahead to secure the best candidates.