Green Street
Real Estate Alert
THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

Downturn Spurs Succession Planning Uptick

A volatile commercial real estate market is renewing demand for succession planning and leadership recruiting as investment firms map out the road ahead.

While the overall pace of hiring has cooled in recent months as sales volumes have **slowed**, demand for senior-level pros has ticked markedly higher. Recruiters say more firms — from family offices and private regional players to large REITs and investment managers — are now looking to deepen their leadership benches.

The trend began to emerge several years ago, arising naturally as a greater proportion of real estate executives neared retirement age. But demand has surged within the last six months.

Part of the reason: The market downturn has executives questioning whether they are prepared to weather another five- to seven-year cycle, said **Korn Ferry** managing partner **Anthony LoPinto,** who serves as the firm's global sector leader for real estate.

For many, he added, the answer is no. As a result, "you have generational change happening. Executives are reaching a stage in their career where they feel the time is right to step down and set the stage for the next generation of leadership."

At the same time, the market slowdown has created space for public and private real estate companies to evaluate their future needs, noted **Deb Barbanel,** who leads the global real estate practice at **Russell Reynolds Associates.**

"With transaction volumes down, it is a very good time to reflect on the internal strength of your bench," she said, noting that her firm's leadership advisory practice is seeing more real estate firms assess and reflect on their talent pool "not only for the [chief executive] spot, but for other important roles to sustain the organization."

For many firms across the real estate landscape, the rising number of retirements coupled with the talent churn of the last few years has upended their succession plans, said **Gemma Burgess,** chief executive of **Ferguson Partners.** As a result, some companies "might be succession planning for the second time around," she noted. "In some organizations you have entire leadership teams that are all going to retire within a few years of each other."

For recruiters, that's creating more sudden succession assignments, Barbanel said. While the best practice for succession planning spans a few years and involves extensive interviews and evaluations of internal and external candidates against strategies, "we are seeing more [situations that need to be] decided within 12 months, if not sooner," she said.

While the overall number of search assignments across the industry has declined, recruiters said that those related to succession planning, which tend to be more time-consuming, have increased by at least 50% year over year. "The number of searches is down, but the number of searches that have a succession planning angle is up," said **Kent Elliott,** a principal at **RETS Associates.**

Recruiters also are seeing more demand from family offices and smaller regional firms that are aiming to expand. In many instances, those firms are led by founders who performed multiple roles, such as acquisitions, capital raising and management. "There is this whole generation that built [their] business on the back of a napkin," said **Lisa Flicker,** managing partner and head of real estate at executive-search firm **Jackson Lucas.**

Now, they are gearing up to retire in a market that has become substantially more institutionalized. "As we get to the next generation, they all agree that the person they need to bring in needs to have finance skills because so much of what real estate has become is financial structuring and engineering," she said. Those firms also are looking to add experience in data, research and even artificial intelligence.

Many are coming to the conclusion that the replacement actually requires a restructuring that necessitates more than one individual hire. "Sometimes with retirees, there's been a tremendous broadening of duties that they've just accumulated over time, and then maybe the firm has grown in [assets under management]," said Elliott of RETS. "Sometimes it really needs to be an inflection point to evaluate responsibilities and the scope of work." ❖