

# 2016: Still in the Seventh Inning?

## TRENDS FOR THE NEXT YEAR AND HOW WE GOT WHERE WE ARE

By Matt Slepik, Terra Search Partners

The current state of the apartment sector is like the seventh inning of the longest baseball game ever played, and the game is tied. The crowd is roaring and the excitement continues, even after too many hours. The end of the year is also like the seventh inning stretch and provides us with the opportunity to reflect on the game so far: who will win and whether we might see extra innings.

I cannot prognosticate on the markets or the timing of the cycle. I will leave that to others. We all know that the market will turn—we just don't know when, how abruptly or how deeply. But as an active recruiter in the real estate business, I can help think through the circumstances for organizational matters and career planning at this late stage in a mature cycle.

### HOW WE GOT HERE

When I started in the real estate business in the '80s, multifamily was the blue-collar dude at the white-shoe party of the institutional investment world. No one wanted an apartment building on the cover of their annual investor report. How times have changed! Multifamily has become a darling—a consistent best, low-beta performer in the institutional real estate investment world.

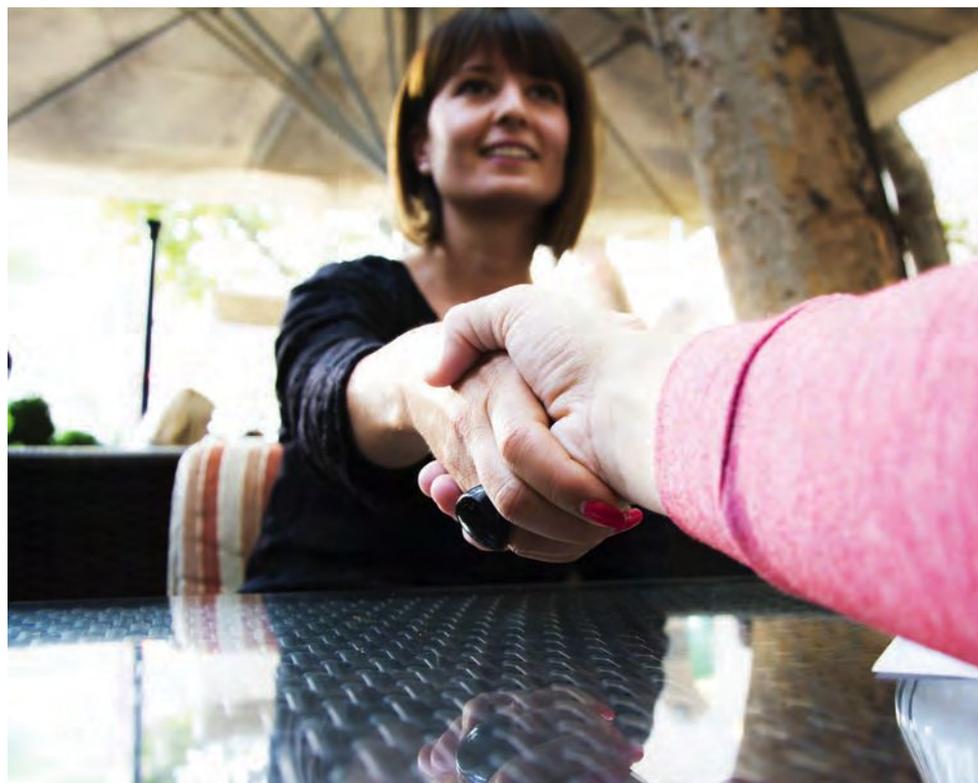
The sea change has been the sophistication brought about by the combination of the large-scale, long-term-hold owners, particularly the REITs, and the changes facilitated by technology. The large companies have created business platforms that have moved the business from a collection of assets to true world-class operating companies.

Businesses like AvalonBay Communities, Equity Residential, Camden Property Trust, Greystar and others lead the way, but there are still a ton of smaller-scale, boutique operators and devel-

opers in the business. Even with continued consolidation, they will forever remain a major part of the business, as owners, operators and developers. Smaller firms permeate the culture of the multifamily industry. There are virtues to both the large corporate and small business models. Both the large, institutional players and the small and mid-market players will continue to hire through the ninth inning and even after a correction.

### HOW TO HIRE, OR WHY THE YANG MATTERS

The yin and yang dichotomy is useful in understanding the nature of the business. As the Taoists teach, the complementary forces of the yin and the yang are within everything. I like to think of the yin as transactions, capital structure and development. In the old days of real estate, when companies were a collection of assets, the yin more than ruled. But think of the yang as including the other



# Talent Hiring Trends

side of the shop: operating platform, human capital, culture, “DNA,” management and operations.

The yang is of huge and equal importance to the common focus (capital, transactions) and is your guide to hiring and developing new talent. Your people are more than just a roomful of assets. They’re your firm’s DNA. While acquisitions and development might slow during an economic downturn, it’s the best time to build and improve the yang side of the shop.

## EXPERTS: WANTED

We are in the midst of the strongest development cycle the apartment business has seen since the irresponsible ‘80s. This is the cyclical (and yin) side of the business. If there’s an abrupt downturn, with billions of dollars of development in the pipeline, development and construction professionals will be at a premium at least until the pipeline has been built. There will be a lag, not a lead.

Professionals on the yang side of the business will always be in demand, and the industry will increasingly demand a more highly educated workforce. Property management has traditionally been the side of the shop where people could rise toward the top without college degrees. Many of our clients now make college degrees a requirement of entry for management personnel. This trend will continue, and opportunities on that side of the business will certainly survive a downturn.

## GENERATIONAL SHIFTS

Baby Boomers are starting to term out when it comes to their leadership in the business. Retirement at age 65 is the new booby prize, and we will be looking for new ways for 60 to 70

(and beyond) professionals to remain in the business.

It’s important for the Boomers to be passing the leadership baton to the next generation, though there are still many Boomers heading companies. This will be changing rapidly. We need to develop challenging and exciting work options for 65-plus folks so that they can continue their contributions to the business world, find better balance for their personal and work lives, and open room for the next generation. Retirement is not in the near or maybe even mid-term future, but thinking through balance, satisfaction and engagement are absolutely on the agenda.

## DIVERSITY MEETS TECH

There will be an increased focus on more diversity—gender, race, sexual orientation, age and other factors—in the industry. Having a workforce that at all levels, including senior management and in the boardroom, reflects a company’s clients, a company’s investors and a company’s future market is critical to success.

With that diversity also come new hires comfortable with technology. This economy demands that companies master the tools customers use to find your properties. Laggards on the technology front will never develop into distinguishable companies on the yang side of the equation.

## EXTRA INNINGS?

Whether we are going into extra innings or the market somehow turns and we are done in the ninth, long-term trends in the business seem inevitable. The back-to-the-city movement and increased density constitute a long-term shift due to multiple societal and environmental factors and will continue to be drivers for the multifamily business. The

sophistication of the major players and demands of capital and our marketplace will continue to drive the requirement for institutionalization of our operating companies. The yang will continue to be an increased driver of our businesses. Barring a financial calamity like the recent recession, great careers will continue to be made in the apartment industry, and the strongest companies will continue to help people make great careers.



## ABOUT MATT SLEPIN

Matt Slepín is the founder and managing partner of Terra Search Partners, a retained executive search firm helping real estate companies build great teams. Terra Search Partners serves many of the country’s foremost REITs, private equity firms, pension fund advisors, private developers and owners, family-owned businesses and non-profits. Slepín writes frequently on matters pertaining to human capital in the real estate business. See additional articles written by Slepín and others at Terra Search at [www.terrasearchpartners.com](http://www.terrasearchpartners.com). Contact Slepín at [matt@terrasearchpartners.com](mailto:matt@terrasearchpartners.com).

