



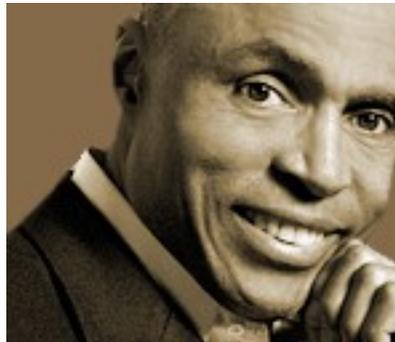
**Feb. 20, 2013**

## **Guest Blog: Property Management—No Longer the Stepchild, but Leadership Challenges Continue**

*By Matt Slepín and Bill Whitlow, Terra Search Partners*



*Matt Slepín*



*Bill Whitlow*

We used to say that property management was the stepchild of the industry. However, with the scale, technology, and professionalism brought to property

management over the past decade, the stepchild syndrome is no longer the case. The capitalized value of even a modestly improved bottom line at the property level can significantly enhance enterprise value, so the operations platform is mission critical.

Nevertheless, there remain significant hurdles in finding forward thinking, impactful people to lead operations, particularly in our industry's larger organizations. Why is this the case and what is the industry doing about it?

Multifamily housing, at least the property management side, is a people intensive business. People most typically start in property management from the ground up, at the site level. Most start in leasing, maintenance or site management and are young people seeking entry-level jobs versus a clear goal to starting a career in real estate.

If they are talented and stick with the business, they will be promoted into multi-site management and oftentimes into VP roles. Some obtain (or start with) college degrees, but a surprising number of VP level property management professionals have not completed college.

The investment disciplines have the opposite dynamic. Graduates from top-flight schools and in particular MBAs, are drawn to acquisitions, development and finance. These are the young people recruited into organizations as future-leaders and they are rarely gaining early experience in property

management.

Our challenge lies in the gap between these different career paths in the business. In the past (some people call it “old school”), moving up the property management hierarchy generally brought out the leadership skills to just run more and more properties and more and more people. But, with the changes in the industry to a more corporate model, particularly in the REITs, leaders in property management require a different skillset than can be found on the path up from the site level.

Marketing skills, financial skills, technology skills, strategic thinking, and a deeper understanding of the non-property management different disciplines are now required for the top tier of leadership in property management. The skills gained by the future-leader types on the investment side are just the types of tools needed in the top tier of management, particularly if they are combined with some meaningful experience in operations. But these twain are not typically combined.

Looking over the evolution of the industry, Fred Tuomi, the EVP and President of Property Management at Equity Residential, who is retiring next month after 34 years in the industry and almost 20 years with EQR, notes that the increased emphasis on operations is “due to longer term investment horizons and public ownership and have been enabled, and indeed driven, by advanced business

intelligence tools.”

Tuomi adds that “in the past, property managers were expected to be generalists; the business today is driven by specialization and therefore a culture dependent upon extreme collaboration as well as compliance.” Property managers today grow up in this environment and “this model will hopefully allow for more career ladders within the industry and more entry by those from other lines of business.”

With this gap in the candidate pool for senior management, many companies have looked outside of the industry to attract talent to come in mid-career, but success has been spotty. Some have recruited professionals from the hospitality industry as leaders in multifamily management. But while our sector can learn a lot from hospitality, finding people with the right fit and a long-term commitment to our sector has been a challenge.

Switching people over from hospitality to multifamily might be most successful in the middle ranks versus the top leadership ranks in the business. Over the years, the industry has also recruited military officers into the business; they bring in a strong hierarchical people management discipline, but have sometimes struggled to learn the creativity and innovation needed in the private sector.

One company famously hired a generation of talent from disparate sectors such as the rental car industry, but they did not successfully integrate that talent over

the long term into the business.

To address this, companies have been changing their training and recruiting models. They have been actively recruiting young people, including college graduates and MBAs, to build a career in the business, starting them at the site level, but articulating a clear career path up the ladder.

Now, with the different discipline tracks in property management such as marketing or technology or renovations—and people hired at the site or in corporate roles in these different disciplines both at entry level and mid-career—multiple career paths are being established. This strengthens the business model. They are now training and mentoring property management professionals, not just for their immediate job requirements, but also for broader leadership skills.

We've not yet seen rotational programs, where college grads or MBAs come into the business and rotate through the investment and property management disciplines, but that is likely the future for creating broad career paths and future generations of multi-disciplinary leaders.

Property management in the multifamily business has evolved significantly beyond the stepchild syndrome, but there are still challenges. Even with the revolutions in business model and business practice, we have a shortage of strong leaders who can take the discipline to the next level and an even shorter list of

leaders who might move from property management up to COO and even CEO of our leading companies.

And, given the number of women across the board in property management, we have far too few in the executive suite. As our industry evolves its recruiting and training / career path practices, worthy leaders to take these enterprises to the next level will be found both from within the property management ranks as well as other disciplines within the business. Stay tuned, because the property management discipline will continue to increase its importance, impact, and overall leadership profile within our companies, far, far beyond those stepchild days.

### **About Matt Slepín**

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. Matt writes frequently on matters pertaining to human capital in the real estate business. To see additional articles written by Matt and others at Terra Search, click through to [www.terraresearchpartners.com](http://www.terraresearchpartners.com). Contact Matt Slepín at [matt@terraresearchpartners.com](mailto:matt@terraresearchpartners.com) or 415.433.2244.

## **About Bill Whitlow**

Bill Whitlow is a Partner with 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. To see additional articles written by Bill and others at Terra Search, click through to [www.terraresearchpartners.com](http://www.terraresearchpartners.com). Contact Bill Whitlow at [bill@terraresearchpartners.com](mailto:bill@terraresearchpartners.com) or 415.433.1630.