



NAREIM National Association
of Real Estate Investment Managers

Blazing a Trail to the Boardroom: Why Inclusive Leadership Matters

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Stephanie Pearson of Terra Search Partners shares her thoughts regarding the changing landscape of female leadership in the real estate investment management industry.

Female executives across a broad spectrum of the commercial real estate industry have been reaching new career heights in recent years, as women continue to make strides and step into a diverse range of roles in sectors where they once had very limited representation. Their success has positive implications for the industry as a whole and will hopefully serve as an impetus for the REIM community, which has been making efforts to achieve greater inclusion of females in the top echelon.

As an executive search professional who specializes in the real estate industry, it has been my experience that more women than ever before are moving into sectors outside of sales and marketing, which has traditionally attracted the largest concentration of females. It is in the financial sector where I have seen the largest influx of women moving into more prominent positions. For example, females now regularly fill a third of the seats at the capital raising conferences that were once primarily attended by men. And on the job, they are posting the same impressive numbers as their male counterparts. In addition, more women are rising up the ranks to the executive level, which may soon lead to an increase of female faces in the boardroom – a place where they are still noticeably absent.

Those seats on the board remain a crucial goal for female executives in all sectors of the commercial real estate industry, as gender balance in the boardroom has yet to become an industry norm.

“The demographic shift in the workforce is incredible, but when I meet with leaders in our industry, the overwhelming majority is white men over 50,” noted NAREIM CEO

Gunnar Branson, who was quoted in the 2013 NAREIM Human Resources Council Meeting Report.

New research shines a light on the gender imbalance in the upper tiers of REITS in particular. The Commercial Real Estate Diversity Report published earlier this year shows that only 10.2 percent of board seats among 175 REITS were held by women at the time of the report's publication. All REITS included in the report were being publicly traded on NASDAQ or the New York Stock Exchange at the time the study was being conducted.

"One challenge is in making sure that diverse employees get chances for career development," according to Heather McKay, VP of Human Resources at real estate advisory and services organization Bentall Kennedy. "In looking at industry demographics, we may see there are a reasonable number of women, but not as many in leadership roles. That could signal an unconscious bias," noted McKay, who was quoted in the 2013 NAREIM Human Resources Council Meeting Report.

Achieving gender salary parity at all levels of the commercial real estate industry is also an issue of crucial importance. Though I have never personally witnessed an instance of gender-based disparity in compensation, the statistics are disheartening. The wage gap has narrowed somewhat, but many females are still earning less than their male colleagues in the commercial real estate industry.

CREW Network took an in-depth look at men and women in the commercial real estate sector and found that women at the \$250,000 salary level rose slightly from 8% in 2005 to 11% in 2010. The research also showed that though the amount of men in this earnings category dropped several percentage points from 34% in 2005 to 31% in 2010, there were still nearly three times more men than women represented at the \$250,000 compensation level.

Separate research from the U.S. Bureau of Labor Statistics (BLS) shows that a significant earnings discrepancy still exists across various occupations in the real estate industry. Female property, real estate and community association managers made 78.2% of what their male counterparts earned on average in 2012, according to the report published by the BLS.

The wage gap continues to be an issue in the overall American workplace, however, even for those women who hold the highest positions in their fields. Female chief executives, for example, made 76% of what men earned in this same occupational category in 2012, according to the BLS.

I have hope for the future of the commercial real estate industry, though, as there are women at the top who are truly making an effort to move the needle on the issues of fair compensation and the advancement of deserving female talent. I have watched an increasing number of women rise through the industry ranks first-hand. All told, more than 35% of my placements have been women over the past three years. And last year,

40% of my placements were women. These female executives have moved into positions that include CFO, Managing Director, VP, National Director of Research and Regional Director of Finance. In addition to the financial sector, the multifamily industry has also experienced an increase in the number of women ascending into high-level positions in recent years.

Females who have climbed to senior positions in their fields of expertise can have a significant impact on other women in the industry by mentoring them. In the case of one female asset manager whom I placed last year, she largely attributes her success in the new position to the supportiveness of her female boss.

Industry organizations such as CREW and ULI are also providing opportunities for women to gain guidance from accomplished executives in their field. CREW, for instance, teamed up with commercial real estate services provider Cassidy Turley to develop an executive level mentoring program that launched in 2011. And the Urban Land Institute created the Women's Leadership Initiative several years ago, which aims to increase the number and visibility of women who serve in leadership positions in the real estate profession.

Developing female talent is key for keeping the industry moving forward, especially as the graying of the REIM community continues and new leaders are needed. Females in the top echelon have the power to profoundly influence company culture precisely because they are so much more visible throughout all parts of the organization. The way that person conducts herself and how she treats her peers and values her associates throughout the company becomes an immediate culture point, so she has the ability to bring about change that is beneficial to all genders at every level of her organization.

Those in the commercial real estate sector need only take a look at some of the biggest corporations in the United States to realize the sizable impact that female board members can have on a company's performance. The nonprofit organization Catalyst studied 524 companies on the Fortune 500 list across a five-year span and found that organizations with three or more women on their boards (for at least four out of the five years) dramatically outperformed those who did not have any female board members. They outperformed by 84% on return on sales, 60% on return on invested capital and 46% on return on equity, according to the findings published in 2011.

I am optimistic that we will see a higher representation of women in the boardroom as we move forward into the future. As more females climb the corporate ladder, particularly in the financial sector, it is likely that an increasing number of women will earn a place in the executive suite. And that achievement will, in turn, make them eligible to go after that highly sought-after seat on the board. We have already begun to see a shift, as according to the aforementioned Commercial Real Estate Diversity Report, 62% of the 175 REITS in the study have at least one woman director, which marks a significant improvement from 45% in 2012.

As the tide begins to turn, REIMs would be well served to set their sights on achieving greater inclusivity. Doing so will enable better leverage of talent, which is certainly in the best interest of all.

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About Stephanie Pearson: Stephanie Pearson 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 Stephanie and others at Terra Search, click through to www.terrasearchpartners.com. Contact Stephanie Pearson at stephanie@terrasearchpartners.com or 415.433.8888.