



2015 Global Real Estate Hiring Forecast

Senior Leadership Hiring Trends



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Dear Colleague:

We are pleased to share with you our 2015 Global Hiring Forecast. As 2014 comes to a close, three overarching trends have emerged that will continue to dominate commercial real estate and influence senior leadership hiring patterns in 2015. They are:

- Abundant equity capital to invest, which is also triggering significantly more activity in global debt markets—a possible warning sign that the current expansion cycle is at risk of becoming overheated
- Increased focus on leadership and Board succession/transition in the U.S. among REITs and investment managers
- Insurance companies and traditional asset managers will refocus on core/core plus investing in more mature markets such as Japan and Australia, and to some degree, Singapore, with less emphasis on opportunistic markets such as China and India.

Looking ahead to 2015, the U.S. is projected to see a 5% year-over-year increase in hiring of senior leaders. In Asia, senior-level hiring is expected to show a modest increase of about 2% year-over-year. In Europe, where regional and country markets vary from strong growth to contraction, the overall pace of senior leadership hiring is expected to be about even with year-ago levels. In Canada, no incremental growth in hiring at the senior level is expected in 2015, compared to the prior year.

We welcome your comments.

Best regards,

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Global Hiring Outlook

Overview

As 2014 comes to a close, three overarching trends have emerged that will continue to dominate commercial real estate and influence senior leadership hiring patterns in 2015. They are:

- Abundant equity capital to invest, which is also triggering significantly more activity in global debt markets—a possible warning sign that the current expansion cycle is at risk of becoming overheated;
- Increased focus on leadership and Board succession/transition in the U.S. among REITs and investment managers
- Insurance companies and traditional asset managers will refocus on core/core plus investing in more mature markets such as Japan and Australia, and to some degree, Singapore, with less emphasis on opportunistic markets such as China and India.

Abundance of Capital - U.S. Market Strengthens in Q4 2014

Equity capital pouring into commercial real estate from global sources, especially Asia and the Middle East, is finding a home in the U.S., which is perceived to be the safest market in terms of economic stability. Investment activity in the U.S. showed continued growth in the fourth quarter, and was stronger than in previous quarters, despite concerns of interest rates beginning to tick higher.

Capital is also being invested in major European cities, such as London and Paris, and to a certain degree in Germany. Less capital is being committed to Asia now because of economic uncertainty, as evidenced by the recent downturn in Japan and slowing in China.

Despite the abundance of capital on a global scale, demand in the U.S. continues to outstrip the available supply. This is creating a need for leadership talent with expertise in raising capital and deploying capital.

Debt Market Activity Heats Up - A Warning Sign?

With the abundance of equity capital available globally, there is correlating demand for debt. In order to compete, some lenders are starting to loosen their underwriting standards, resulting in increased leverage for commercial projects. Although lending has not returned to pre-financial crisis levels, when project financing reached 80-90%, the amount of

debt is edging higher. As we have seen in prior cycles, increasing debt levels are often a good indicator that markets are beginning to overheat. When debt levels escalate, risks are also elevated, should interest rates rise suddenly or the commercial development sector begin to soften. This warrants a close watch in 2015.

CEO Turnover in U.S.-based REITs

Pressure from activist investors and a greater willingness among Board members to make tough decisions around CEO performance has resulted in more transitions at the top of U.S.-based REITs. Coupled with normal succession, there has been CEO turnover in about 10 percent of the publicly traded REITs in 2014. Looking ahead to 2015, we expect this trend to continue.

Opportunistic Investing in Europe

In Europe, the search for opportunistic returns is now drawing attention to central and eastern Europe. Having been late to invest in the U.S. (many investors did not recommit to real estate until 2010, when the upside was more limited), opportunistic investors have been piling into Europe—sometimes prematurely. Spain has been on the radar of hedge funds and credit players for some time, and a rush of buying in 2014 has pushed prices of what had been distressed properties to full value or even the point of being overvalued. Also on the radar for opportunistic investing are Italy and even Greece, as well as Ireland.

Global Senior-Level Hiring Projections:

Looking ahead to 2015, the U.S. is projected to see a 5% year-over-year increase in hiring of senior leaders. In Asia, senior-level hiring is expected to show a modest increase of about 2% year-over-year. In Europe, where regional and country markets vary from strong growth to contraction, the overall pace of senior leadership hiring is expected to be about even with year-ago levels. In Canada, no incremental growth in hiring at the senior level is expected in 2015, compared to the prior year.

While the global outlook is tempered by some degree of caution, given the current mix of economic news—including recession in Japan, falling oil prices, less robust growth in China, and a slowdown in much of Europe—the overall outlook for 2015 is to see modest growth in senior-level hiring, compared to 2014 activity.

Following are the regional highlights, based on insights from the Ferguson Partners' global team and conversations with clients in key markets.

Regional Perspective

NORTH AMERICA: US & CANADA

In the U.S., in addition to the aforementioned activity in REIT senior leadership, other hiring trends will follow the geographic pattern established in 2014, with the bulk of activity clustered on the East and West Coasts, and, more specifically, in New York and San Francisco. Texas is also active due to the energy boom and a favorable tax environment.

Regionally, New York City is seeing strong demand for senior development professionals, replacing talent that was cut significantly through the 2008-2009 crisis. On the West Coast, some investment banks are beginning to build structured finance teams. One caveat on hiring activity is concern over deployment of capital that has failed to generate the desired level of returns given market liquidity. This is adding pressure on firms to hire the right talent for development and asset management.

In terms of market segments in the U.S., hiring in hospitality has been very strong, including among hospitality REITs. In housing, multifamily development continues apace, creating demand for hiring in development and also operations. The single-family home sector has remained stable, as prices recover. In retail, hiring includes specific talent needs such as chief digital officers who are skilled in the use of technology to create “omni-channel” solutions to touch customers at various purchasing points: online, by telephone, in store, or a combination thereof. Changing consumer buying trends are also creating more demand for regional and local distribution centers to deliver products to customers. Manufacturing is also moving back onshore. Both trends bode well for the industrial sector.

“Senior leadership in REITs will dominate the hiring trends in 2015. Elsewhere, concern over returns generated from deployed capital is raising the stakes in the U.S. for hiring the right talent in development and asset management.”

Other active sectors include healthcare, where the trend has been more consolidation through strategic mergers and acquisitions, and senior living. Energy remains a hot sector, thanks to the growth in hydraulic fracturing (or “fracking”), which has created an energy boom. This, in turn, has generated demand for tertiary support services including real-estate development for multi-family and worker housing. Transportation remains an active sector as well.

In Canada, the bulk of hiring activity will continue to focus on the gateway markets of Montreal and Toronto in the east and Calgary in the west. Hiring, overall, is expected to show a marginal increase, with stronger demand in functions such as development, asset/portfolio management, and capital raising/investor relations. The most active sectors in Canada in 2015 will likely be REITs, real estate investment management/private equity, commercial services & brokerage, homebuilding, and senior living.

NORTH AMERICA AT A GLANCE

Sectors to see most hiring in 2015:	REITs, Real Estate Investment Management/Private Equity, Hospitality, Senior Living/Healthcare, Private Owners/Developers, Commercial Mortgage Banking/Lending
Hiring conditions in 2015:	Reasonable growth (5% year-over-year)
Human Capital Demand:	Acquisitions, Capital Raising/Investor Relations, Mortgage Origination, Information Technology
Top Priorities:	(1) Recruiting/Retaining Top Performers (2) Increased Cost of Employee Benefits and Coverage



Regional Perspective

EUROPE

Homebuilding is expected to show strength in some geographies, due to a massive undersupply of housing across Europe, while senior living increasingly draws attention as an investment asset. Also adding staff will be commercial lenders, as well as brokerage firms, which have been hiring consistently in the past year or so.

Human capital demand in Europe will center largely on specific functional talent including compliance professionals, due to regulatory changes affecting financial services. Other areas of demand include capital raising and investor relations, as well as mortgage origination, whether among the investment banks or mortgage banks. Acquisition professionals are sought because of the demand to deploy capital. Another area is human resources, which must adjust to a new regulatory environment that places limits on the size of executive bonuses, thus raising the question of how to motivate and retain top talent.

"Spain has been on everyone's radar. Now attention centers on central and eastern Europe, Italy, and even Greece are creeping back into people's agendas, thanks to the ongoing search for undervalued properties. But in Spain what had been distressed properties have reached the point of being fully valued—and in some cases overvalued—because of the recent rush of buying activity."

In terms of geography, hiring is projected to be strongest in southern Europe, with more modest increases in northern and western Europe, and no significant changes projected for central and eastern Europe, and the Commonwealth of Independent States.

EUROPE AT A GLANCE

Sectors to see most hiring in 2015:	Investment Banking, Homebuilding, Senior Living, Commercial Services & Brokerage, Commercial Mortgage Banking/Lending
Hiring conditions in 2015:	Expected to remain unchanged relative to 2014
Human Capital Demand:	Acquisitions, Capital Raising/Investor Relations, Mortgage Origination, Information Technology, Compliance, Asset Management
Top Priorities:	(1) Shortage of Skilled Workers (2) Gender Diversity

Regional Perspective

ASIA

New in Asia next year will be growth in asset classes such as senior living, student accommodations, and data centers, which are developing in markets such as Singapore and Japan.

Overall, hiring will vary from country to country, with less emphasis on opportunistic markets such as China and India, and greater focus on more mature markets such as Japan and Australia, and to some degree, Singapore. Hiring patterns will also reflect the shift in Asia away from the opportunistic space and to longer-term real estate investment management, particularly as insurance companies and traditional asset managers continue to expand their Asian holdings with a longer-term investment horizon. From a human capital perspective, fundraising will be a priority, along with sourcing, asset management, and corporate infrastructure (legal, tax, compliance, etc.).

Brokerage firms will likely experience increases in hiring as they expand into higher-margin leasing and investment brokerage. As investment funds create globalized platforms to operate across Asia (as well as Europe and the U.S.), there will be demand for leadership. In addition, the increase in capital seeking REIT products will spark hiring of institutional talent to tap capital sources such as insurance companies and pension funds in markets such as China.

“The biggest issue in Asia is transitioning talent from a market that has always been traditionally opportunistic, to a greater emphasis on income-producing assets.”

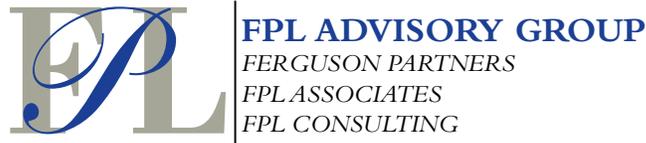
ASIA AT A GLANCE

Sectors to see most hiring in 2015:	REITs (equity), Real Estate Investment Management, Private Owners/Developers, Commercial Mortgage Banking/Lending
Hiring conditions in 2015:	Marginally better (2%, year-over-year)
Human Capital Demand:	Acquisitions, Asset/Portfolio Management, Capital Raising, Corporate Infrastructure (legal, tax, compliance, etc.)
Top Priority:	(1) Recruiting/Retaining Top Performers, (2) Developing Next Generation of Leaders



Conclusion

The tone of the global real estate hiring forecast for 2015 is cautiously optimistic, with an overall outlook for hiring of senior leaders to increase modestly (about 2%) over the next 12 months, compared with 2014. Among the most active areas will be U.S.-based REITs, which have seen a significant amount of senior leadership changes. Other industry trends driving demand are an abundance of investment capital, increased activity in the debt markets, and opportunistic investing in southern Europe.



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