

ARKESDEN TALENT DEMANDS IN THE REAL ESTATE INDUSTRY 2021

The trends that impacted Real Estate last year have led to a demand for talent



AS we near the end of government restrictions in the UK there is a positive sentiment in the Real Estate industry for a swift recovery with executives expecting transaction volumes to return to pre-pandemic levels towards the end of the year. However, a number of long-term trends have been accelerated by the events of 2020 and early 2021 creating a shift in focus for companies seeking returns from European Real Estate. Executives in Real Estate Investment, on both the equity and credit sides, are aligning their strategies to fresh opportunities and must ask themselves whether their existing teams have the knowledge, capabilities and capacity to deploy the large amounts of capital destined for European Real Estate.

The broad variety of trends that impacted Real Estate last year from the decline of retail, lower office utilisation and the rise of logistics have led to a demand for talent when it comes to mid-level asset class specialists on the equity side. However, pressure from the banks looking to reduce leverage and uncertainty in valuations due to lowered transaction volumes are posing the largest demands on human capital in the industry.

Among investment directors the uncertainty of exit valuations is pushing them to seek refinancing in order to maintain their portfolios over the next 2-3 years. The banks have analysed the stresses to their books caused by the pandemic and are awaiting further developments from government support to determine what portion of their existing

loans may turn distressed. In response they are looking at reducing loan-to-value ratios which potentially leads to holes in the capital stack when refinancing. In order to navigate this issue, investors will look to the private debt markets to fill the stack and preserve equity for potential new deals.

This coupled with the expected increased capital allocation to real estate as an asset class from global investors in 2021 creates a competitive deal market when it comes to deploying capital into European Real Estate where strong deal origination and fast execution capabilities become greater factors of success. This has been the case in the Private Equity Real Estate industry for a number of years thanks in part to the super-cycle experienced through continued low interest rates. Many of these same PERE companies previously not active in the debt markets are developing complementary strategies focused on junior loans as a way to generate high yields whilst risks of another downturn persist.

A recent survey published by Statista showed 56% of industry executives expected a rise in financings from alternative lenders and debt funds. In response to this lenders and funds are increasing the size of their teams to be able to handle this increased deal flow.

To find suitable talent candidate sourcing will expand outside of PERE



However, the uncertain number of NPL portfolios across Europe poses a different challenge to the talent of the industry. Due to the wind-down in NPL levels following the 2008 global financial crisis there is not a large talent pool when it comes to junior and mid-level professionals with NPL experience. The demanding nature of working out distressed portfolios and potential focus on retail or hospitality assets pose a challenge when operating in a talent short market. To find suitable talent for these roles, candidate sourcing will need to expand outside of PERE and include professionals from Investment Banking or broader Private Market experience who have an understanding of the real estate industry.

The focus for the risk averse companies in the industry is on optimising existing assets under management through effective active asset management strategies. This is leading to an increased demand of Asset Managers who are comfortable with both the hands-on and strategic elements of Asset Management. For larger organisations this is also creating demands for mid-level Portfolio Managers and junior Fund Analysts.

Impact on talent

From a talent perspective, the top quartile junior investment professionals on both the equity and debt sides of the Real Estate industry require a similar skillset for underwriting Real Estate assets and managing due diligence processes. Candidates who possess advanced cash flow modelling abilities and have seen deal processes from A to Z are in high demand as companies look to bolster their deal execution capabilities. These current market trends and demands have led to a shortage of skilled talent at a junior level where analysts open to opportunities can be comparing many jobs at once as well as choosing between developing their career on the equity or debt side.

Where analysts typically coming from an educational background in Real Estate are inclined to career opportunities on the equity side this is often due to their lack of exposure to the credit side of the industry. Many see the current trends in the financing side as a great opportunity to build their early track record of deals and their understanding of the underlying asset is important to have when considering mezzanine, bridging and preferred equity products.

Opportunity led candidates actively interviewing currently have a preference towards accepting roles with companies that have raised capital ready to be deployed as it gives them the confidence, they will be growing their track record and deal exposure.

Increased importance of a well-managed recruitment process to get the right hire



At the mid-level, an interesting development is Private Equity firms looking to hire from the credit side at an Associate, Vice-President or Associate Director level to develop credit strategies and provide expertise on refinancing deals to achieve optimal financing terms.

Another front office area which is experiencing a surge in interest is Investor Relations professionals. This is due to the fact that businesses need to build and maintain close relationships with their capital networks and limited partners to be competitive in the market. This is especially true if raising capital on a deal-by-deal basis and bringing in an experienced mid-level candidate with an active investor network who can provide input to product strategy can greatly impact overall business success.

Many candidates are still hesitant to seek a change given the uncertainties faced when changing employer because of the pandemic. This combined with the disruption to normal on-boarding procedures and no consensus on when a return to the office will be happening means a reduced active talent pool. This increases the importance of a well-managed recruitment process in order to get the right hire.

Current Hiring Considerations

When looking to identify, source and hire the best talent in these challenging market conditions there are a number of things you can do to increase your chances of success.

Firstly, it is important to consider that the top talent is in high demand and are being approached about new opportunities on a weekly basis. Therefore, in order to begin attracting the desired talent to your business it is better to focus on highlighting the benefits of your broader business strategy compared to competitors and how the position contributes to team as well as company success rather than relying on the listed responsibilities on a job description. Candidates have become wary of managers 'over-selling' the individual responsibilities of positions so focusing on broader business goals and maintaining transparency of the day-to-day tasks in the early recruitment stages lay the foundations for a smooth on-boarding process, successful start and a goal-driven team culture.

Diversity is at the centre of a lot of client's hiring activities and poses significant challenges in an industry that is lagging behind. Taking a skills-based hiring approach and considering candidates looking to make a lateral move from the financial services industry are potential routes to widening the talent pool to include a greater number of female and BAME candidates.

Diversity is at the centre of a lot of client's hiring activities



Additionally, your recruitment process provides candidate with an insight into your internal processes. When hiring the top talent in the industry having an efficient recruitment process is a contributing factor to a candidate's final decision when deciding between multiple offers. In order to succeed it is important that you consider whether you have the capacity with your current workload to fully engage in a hiring process as delaying or rescheduling meetings can have knock on effects to later stages.

The clients whose senior stakeholders can prioritise recruitment meetings in their schedule for as little as two weeks once a shortlist has been identified are proving most successful in their hiring efforts. Through active mandate planning it is possible to schedule recruitment activity for overall operational and strategic success. We work with clients to co-ordinate a recruitment timeline back from an optimal start date allowing the necessary time to be scheduled in stakeholders' diaries weeks in advance. Mandate planning ensures momentum is maintained in hiring efforts and reduces the chances of candidates being distracted into other processes. It also identifies areas of improvement in your recruitment processes which we are able to address with our clients enabling them future hiring success.

Maintaining close contact with candidates and understanding what else they are considering throughout the interview process are essential considerations before extending an offer to a candidate. These factors are considered best practice however in reality they are often overlooked by hiring managers.

Offer management doesn't come at the end of a recruitment process but is something to be considered throughout to ensure that time invested in a candidate is worthwhile and any offers extended are sure to be accepted.

56 % INDUSTRY EXECUTIVES

expected a rise in financings from
alternative lenders and debt funds



Lenders and funds are increasing the size of their teams
to be able to handle increased deal flow



Arkeden Real Estate

Arkeden are a market leader in Real Estate search with a range of clients from Investment Management, Private Equity, Sovereign Wealth funds to Investment Banks, Asset Managers and Institutional investors.

Our historic focus is the Alternative Investment market and we have been active in the Real Estate industry since 2010 supporting our clients with expertise developed through 20+ years' combine experience in the team covering the UK, Europe, the Middle East & North America.

We specialise at bringing search methodologies to junior to mid-level front office roles and actively pursue relationships with the leading industry talent. Alongside our search practice we are also able to support your business through diversity surveying, market intelligence reporting and compensation benchmarking.

If you would like to discuss your talent strategy to help align your business for the challenges ahead please contact:

Molly McPherson, Head of Real Estate

mmp@arkesden.com

+44 (0)20 3762 2030

Ben Hoban, Real Estate Consultant

bsh@arkesden.com

+44 (0)20 3762 2027

**TALK TO US ABOUT
YOUR REAL ESTATE
RECRUITMENT NEEDS**

**ARKESDEN REAL ESTATE
7 BIRCHIN LANE
LONDON
EC3V 9BW**

**+44 (0)20 3762 2030
MMP@ARKESDEN.COM**