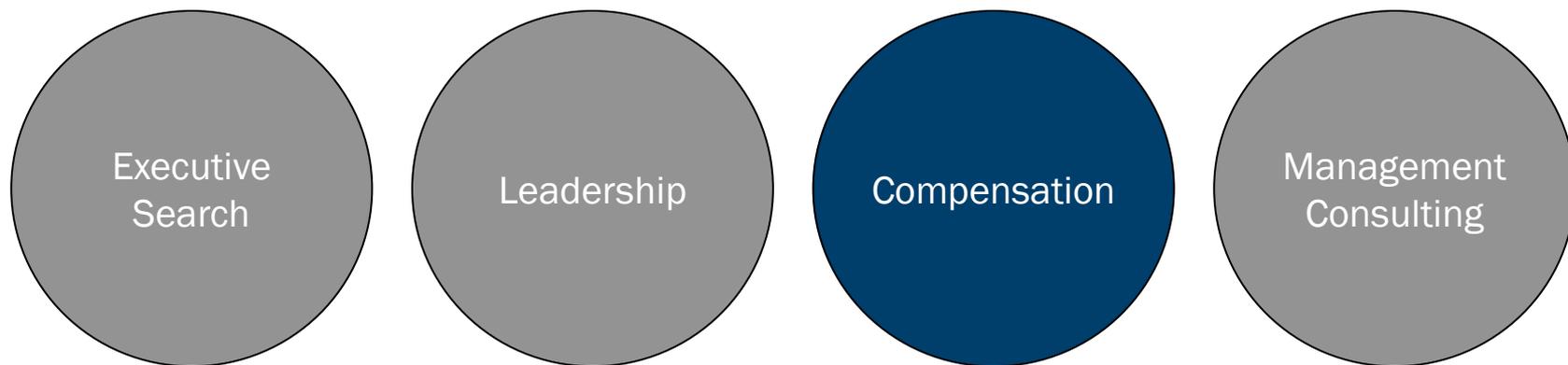


GCC: Key Issues in Compensating your Team Members with Austin Morris

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Introduction & Background

- FPL is an advisory firm to real estate platforms across a number of human capital and organizational topics



- 1 Conduct 200+ compensation-related projects per year for real estate clients **across the globe**
- 2 Compensation projects cover both compensation **amounts (benchmarking) and structure** of compensation programs/incentive plans
- 3 Clients cover **all areas within the real estate industry**, including developers, operating companies, investment managers, private equity firms, debt/finance companies, and public REITs and all size categories, strategies, sectors, and markets
- 4 Serve as exclusive consultants to prominent domestic and international **real estate associations** (e.g., NAREIM, NAREIT, Preqin, ICSC, REALpac, and ANREV) and conduct annual surveys on their behalf

Purpose of Today's Discussion

- Compensation is typically the most important topic for a real estate organization, the largest expense, and carries a very high cost of “getting it wrong”
- There are a number of components to compensation within real estate platforms:

Compensation Levels

- Defining “market” for your firm
- Setting and paying at the “right” level of market across each compensation component

Compensation Strategy

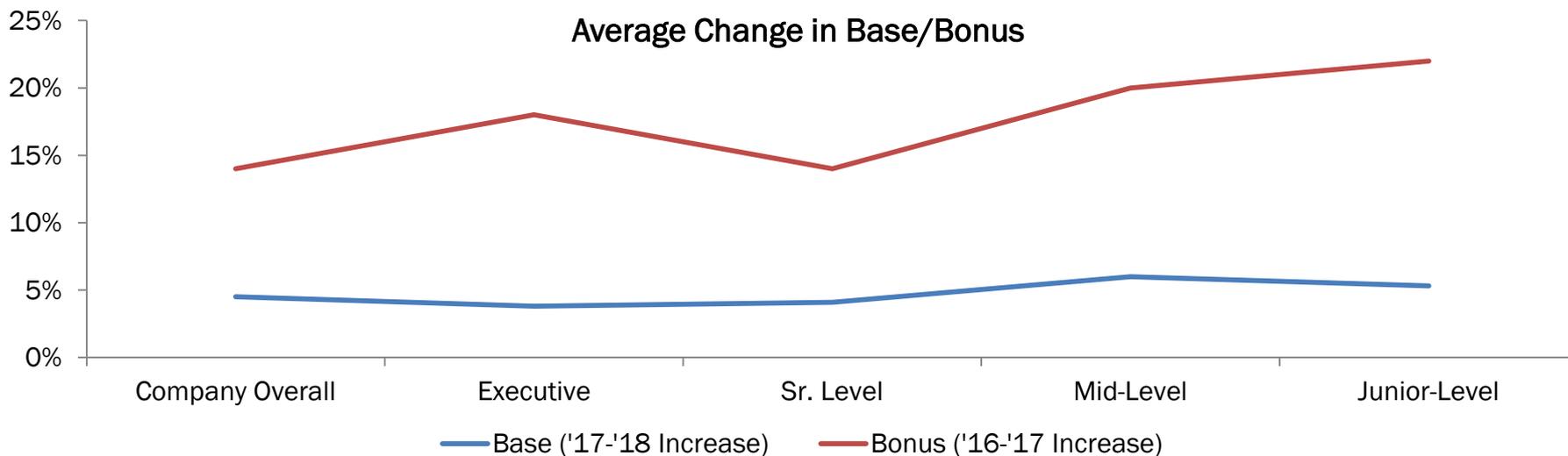
- Ensuring compensation aligns with the strategy of your organization (investment, long-term growth, LP investors, etc.)
- Compensation plans are communicated effectively and understood

Incentive Plans

- Creating an incentive plan that aligns with the strategy of the company, fits within market practices, attracts/retains talent, etc.
- Aligning the right individual with the right type of performance/incentive plans

Compensation Levels & Compensation Strategy

- In general, compensation is still increasing year-over-year, though the pace of the increase is expected to temper in 2018/2019



Source: 2018 FPL NAREIM Survey for firms that increased salaries/bonuses

Compensation Levels & Compensation Strategy

Compensation Strategy & Structure Trends

- There is an increased linkage between performance and pay
 - An emphasis to create a more programmatic and thoughtful approach to compensation than in the past
 - Increased pressure from participants and LPs (both getting “smarter” on compensation)
 - Focus on process, who is involved in decision making, communication, etc. in order to lead to a more strategic approach to handling compensation each year
- Additionally, more focus on aligning specific initiatives with pay across key dimensions:
 - Company level
 - Portfolio/investment level
- Terms/conditions are becoming more streamlined/consistent with more definition around (1) vesting and (2) termination provisions

Incentive Plans

- Designing and developing long-term incentive plans that attract and retain key talent is the most common topic we help firms address
- More often than not, we are brought in when an existing program/plan is not working
- In order to help illustrate some of the challenges that our clients have faced, we have summarized several case studies with an emphasis on the following topics:

Overall Structure

Eligibility

Funding

**Vesting Terms &
Conditions**

**Individual &
Aggregate Sizing**

Performance Metrics