



Ferguson Partners

**2020 Hiring Forecast:
Looking Ahead**

Global Trends

As Q2 approaches, we wanted to provide an overview of key hiring and compensation themes across Asia, Europe, and North America:

CEO Succession

Companies across sectors continue to emphasize CEO Succession and devote significant resources to the hiring and onboarding of new leaders as cohorts of C-Suite executives approach retirement age. Companies now look at succession from a broader perspective and hire firms to develop plans for the COO, CFO and other critical roles across the organization. Founder transitions also remain prominent, with many ownership transitions occurring at the same time as C-Suite leadership shifts.

Efforts to create succession plans for C-Suite executives have become all the more critical as investors place increased pressure on Boards and leadership teams to adopt comprehensive and thoughtful approaches to both planned and unplanned succession events. Such succession-planning exercises typically involve the assessment of both internal and external candidates and must incorporate considerations related to go-forward strategy (i.e. what are the critical skill sets needed to take the company into the future), leadership aptitude, and cultural fit. For private companies, such transitions also have significant implications for both company ownership and governance/decision-making, which can be just as complicated (or more so) to manage than the decision of who will lead the company going forward.

Technology

As the war for tech talent intensifies, demand for technology competencies will embed into every leadership position, including Director, CEO, and COO. We anticipate that the demand for talent who can deliver on new capabilities will significantly outstrip the supply for agile skills. Specific technology hires include CTO; CIO; Data Scientists; Data Engineers; Heads of Data Strategies; and Cyber. A proliferation of high-value companies seeking senior C-Suite and technology talent with the ability to drive digital transformation is already increasing, and we anticipate this will continue for the foreseeable future. Moreover, tech talent is becoming more globally distributed; these roles are no longer just in Silicon Valley and significant innovation hubs. Regarding technology investment, venture capital in PropTech, FinTech, ConTech, and Infratech will set records globally in 2020. Talent will need to align.

Human Resources

Companies are seeking CHROs who will sit on the Executive Committee and advise members of the Board and C-Suite on company strategy. We also see an increased need for CHROs with a knowledge of technology, experience from outside the real asset classes and a goal to hire diverse candidates. In addition, more firms are shifting the position's title from "Chief Human Resources Officer" to "Chief People Officer" to reflect the change in thought by real estate firms that the role of HR is more strategic and focused on people and culture, rather than process-focused and reactive. Many real estate companies now require the CHRO to report directly to the CEO, this signifies the growing importance of the function as a strategic advisor to the business. In the HR field in general, the emphasis on diversity hiring and retention remains strong and continues to increase as prominent investors formalize their diversity expectations (e.g. female representation on Boards) and withhold capital from those that do not meet their thresholds. Demonstrable workplace diversity across multiple dimensions will continue to be a critical focus for real assets enterprises going forward, causing more firms to hire dedicated Heads of Diversity & Inclusion to lead such efforts. Overall, the trend is to hire CHROs/CPOs who can take firms to the next level and match the widened scope this role demands.

Industry

REIM Activity

REIMs are increasingly building AUM through corporate acquisitions and continued product expansion as LPs look to allocate more capital to fewer GPs. This has led to a “buy vs. build” debate with many GPs opting for the fast path to scale via platform acquisitions and team lift-outs.

Infrastructure

Strong investment and hiring activity within the sector persisted heading into 2020. Across the globe, firms strive to recruit infrastructure talent with sector expertise and professional experience working in more than one asset class. Meanwhile, asset managers seek to expand their alternative product offerings and grow their infrastructure platforms. An increasing number of managers now lift full infrastructure-focused teams to strengthen their own ranks.

Regarding specific projects, interest in ESG construction endures across continents despite the phasing out of government incentive programs in some regions. Increased commitment to digital infrastructure projects such as data centers continues to flourish on an international scale.

We expect these trends to remain consistent in Q2 and throughout the year.

Secondaries Market

We anticipate a continued period of growth in the secondaries market with the goal to provide liquidity to investors. In infrastructure, we anticipate that investment in the secondaries market and continuation vehicles will result in strong demand for both direct investors and investors with experience in private-equity secondaries investments.

Global Trends

Data Centers

Investors continue to invest in Data Centers as the need for 5G capabilities and expanded networks grows. Europe has seen an influx of activity from US companies, including Digital Realty's merger with key European player Interxion.

GP Investment Trends

Investors are looking to allocate more capital to fewer platforms, so GPs are creating and offering more products across the four quadrants of Real Estate (public/private, debt/equity) and across the risk/return spectrum, asset classes and in various structures (i.e. open and closed ended).

Hospitality

With the exception of some regions, hiring within hospitality will be limited within brands, REITs and private equity owners. Technology remains the one growth area – in particular within the revenue management and data analytics spaces – as data continues to transform the customer experience. Hospitality operators and brands will look to recruit individuals to track guest preferences and trends; the best candidates for these positions tend to come from outside the industry at CPG and big media/entertainment companies. Hotels are also embracing sustainability best practices, particularly because consumers are becoming more aware and want to do their part, which means the brands will look to bring on sustainability specialists to develop and roll out new environmental programs. We will see more hotel brands and managers enter the home-sharing rental business; Marriott is a recent example, which means there is a need to recruit for innovative talent, possibly from the disrupter space.

Hiring trends in 2019

- We see significant hiring activity from new entrants to the market in the form of institutional investors (LPs) investing directly and distress and special-sits investors wanting to do more in Asia.
- Protests in Hong Kong, and China/US trade war off-set by rate cuts, increased allocations to Asia from US and European investors as deal flows tighten in home markets, and long term confidence in Asia as a growth opportunity.

Asset classes

- Debt funds on the back of regulatory changes in Australia and China.
- Operational assets, in particular multi-family, data centres, hotels across Asia and the emergence of gaming in Japan.
- Scaling in the logistics sector through consolidation/M&A and significant institutional capital backing operators.
- Real estate investment in Tokyo and in Japan overall remains competitive, leading both new entrants and existing players to compete for qualified talent with backgrounds in professional investment.
- Major alternative asset management firms are relocating renewables / infrastructure professionals to the region and starting to seek local talent to execute in key target markets.
- The hotel sector remains popular as Tokyo prepares for the 2020 Summer Olympics. The market will see pockets of oversupply driven by a rise in new hotel developments from domestic players, with some residential developers focusing more on the hotel space. Asia family office and HNW capital will compete alongside established investment funds and REITs pursuing hotel themes. Major hotel operators are keen to capture strong development talent to feed growth expectations and brand expansion.
- Continuing the hospitality theme, 2020 will be an important year for Integrated Resorts with the competing gaming groups staffing out teams in preparation for RFPs.

Functions/roles

- Corporate roles including Human Resources, Finance, Tax, Legal and Operations as companies decentralise to support increased scale in Asia.
- Asset managers as GDP growth in Asia normalises and value creation at the asset level has become even more important.
- Portfolio/Fund Managers to support multi-product investment managers serving LPs who want a smaller number of managers.

Compensation trends

- 2018 was a strong year for profitability amongst the major REIMs and 2019 has seen a drop in transaction and performance fees overall. We still expect compensation to be relatively flat year on year.
- Buyouts and guarantees are being offered even when hiring is close to year-end. Notice periods are being upheld and there are more bid backs.
- Focus on culture, paternity/maternity, vacation, employee exchange programs and CSR.

Crystal ball predictions – hiring for 2020

- Continue to see new entrants coming to Asia on the back of capital raising opportunities and a lack of growth closer to home.
- Demand for M&A and team lift outs to gain scale quickly.
- Hiring for capital formation professionals will continue to be a focus, especially in Japan.
- China focus with managers creating domestic RMB products and serving off-shore investors into China, capitalising on the credit squeeze.

Hiring trends in 2019

- In spite of political headwinds, Real Estate continues to benefit from a zero interest rate environment resulting in continued demand for talent. Interest in Infrastructure investment remains strong.

Asset classes

Real Estate:

- As investors continue to seek out yield in a tightly priced market, operational assets are increasingly in demand, in particular student accommodation, hospitality, BTR and PRS, with increased activity in senior living. Self-storage and data centres are also on the investment radar but few firms have yet closed deals.
- Logistics and multi-let light industrial continue to take the market share of investment euros/sterling at the expense of retail.

Infrastructure:

- In the infrastructure sector, we have seen record-breaking fundraising and strong competition for core assets. In addition to the large funds, there are several independent mid-market funds pursuing value-add strategies with some level of development risk and more active asset management.
- Continued activity in renewable energy, with increased risk and more complex commercial structure due to phasing out of incentive programs. Energy transition and impact investment will also see further growth.
- Increased activity in digital infrastructure, including fiber networks, data centers and towers.

Functions/roles

- There is a focus on Value Add acquisitions professionals who are able to create value in a competitively priced environment.
- GPs are increasingly focused on launching/expanding evergreen vehicles. Therefore, Pan-European, Core, Open-Ended Portfolio Managers are in demand, with an increasing focus on asset-class specific experience (namely logistics or some form of residential).
- Compliance and regulatory professionals – particularly those based in Luxembourg - given the increased regulatory pressures.
- Even the more mature companies are seeking valuable new tech-talent to drive revenue, mitigate risks, and increase operational efficiencies in all real estate verticals, including investment, asset management, and capital raising.

Europe

- Businesses are looking to expand in order to provide investors with all four quadrants of real estate investment (public/private, debt/equity) which has driven a high level of corporate acquisition to complement the existing product suite. Therefore, individuals with corporate finance skills and who assist companies with take-private strategies are more in demand.
- As a result of the competition for assets, investment managers will seek out bilateral deals where market knowledge and relationships will be increasingly important. There will be a need for sector skills and deeper understanding of the sectors and European regional markets. Demand for senior advisors will remain strong, on a deal-by-deal basis and as permanent members of the team.
- There is an increased focus on active management of portfolio companies to extract additional value from assets. Furthermore, regulatory and political risk and negative public perception in certain infrastructure sectors in UK and Continental Europe will require increased attention to companies' governance, ESG, quality of service and customer service. This will result in a need for asset managers, portfolio company Boards and CEO/CFOs with the right culture and approach.
- Need for development professionals in renewable energy and data centers. Data center activity resulting in a need for construction/operations professionals.
- Infrastructure investment managers and head of infrastructure investment as new players seek to build new infrastructure investment platforms.

Compensation trends

- The majority of firms paid marginally up from the previous year, in terms of total cash compensation, for acquisitions, asset management and capital raising professionals in spite of declining transaction volumes, as businesses seek to hold on to their top talent in an increasingly competitive market. Mid to back office professionals are generally flat on last year with the exception of compliance and regulatory professionals who are continuing to experience wage inflation.
- The ongoing increase in asset prices across Europe is negatively impacting the value of carry.
- We have seen the return of up to two year guarantees in order to secure sought after individuals; and an increase in bid-backs.

Crystal ball predictions – hiring for 2020

- With an anticipated bounce-back in transaction volumes for the UK post-Brexit, UK acquisitions professionals will be in demand.

Hiring trends in 2019

- While trade tensions and politics add significant uncertainty to the mix, we continue to see increased activity in hiring in both real estate and infrastructure markets.
- As mentioned in the global trends, succession planning across the c-suite is keeping us busy across the public and private sectors of real estate. On the private side, search projects are often completed in conjunction with compensation and management consulting work, helping clients' plan the transfer of both ownership and compensation/promote programs. On the public side, work is often in conjunction with our leadership consulting group who can assess internal talent alongside the external candidate pool.
- Projects focused on brand new business creation, particularly in the real asset investment management space, is manifesting itself in searches for entire teams. On a number of occasions, clients have decided to acquire the desired team by corporate acquisition. This trend is likely to continue both in real estate and infrastructure investment management.
- Given the number of CEO transitions within the Canadian pension plans we expect to see strategic changes in the next few months. Having said that, we believe that global expansion will remain a focus as funds look to increase their reach and diversification in their asset base. This will be a combination of new hires and re-allocation of home grown talent to various geographies in order to preserve culture.
- Within both the public and private sectors, we expect to see ESG to continue to be front and center of our client's agendas and their hiring strategies across various functional areas including risk, portfolio management, finance, and, of course, investments. There will be a strong demand for investors and functional experts who have experience in ESG/sustainable investing.

Asset classes

- We expect to see continued diversification of asset classes within an asset class, i.e. multi-family leaning in more towards student and senior housing etc. and big box industrial including more last mile strategies.
- Alternative real estate asset classes continue to be in favor, particularly businesses with operating businesses.
- Allocations to the infrastructure asset class continue to increase. However, the most successful fundraisings continue to be at the mega and specialty fund level. Given the void in the mid-market, we see a number of funds targeting mid-market strategies.
- Within the infrastructure asset class, we see continued reassessment of the midstream sector given ESG concerns and increased focus on renewables and digital infrastructure in particular.
- The term special situations is popping back up in the real estate investment management world. PERE firms are forming opportunistic capital that can invest up and down the capital stack, just in case the markets take a turn for the worst.
- Demand for residential rentals has surged but the supply has not increased.

Functions/roles

- Capital formation professionals who can assist in new strategies are in high demand. In particular, fundraisers with access to fixed income capital (real estate debt funds that wish to raise capital from fixed income allocations) and those that have an understanding of infrastructure capital raising.
- We anticipate that executives will be appointed to lead ESG initiatives.
- The development function has been very strong, regardless of asset class.
- Diversity of gender, ethnicity and thought continue to be important on all board hires. Technology, luxury consumer goods and logistics are highly sought after areas of expertise.
- Professionals that can add value and drive returns are once again in favor. This includes asset management and operations professionals. In addition, capital markets professionals that can squeeze lenders are back in demand.
- We expect that demand for Cybersecurity and AI/Machine Learning talent to remain high across the entire financial services industry.

Compensation trends

- Although going into the year a slowdown of sorts had widely been anticipated, operating fundamentals have surprisingly remained positive. Consequently, the backdrop is mostly positive, and we expect pay to increase in light of such despite a plateauing in recent years.
- Acquisitions professionals and Capital Raisers will continue to be the best rewarded of the functional roles.
- There is an increase in one to two-year guarantees being offered to secure the best talent. And, like the other regions, there is a resurgence of bid-backs by existing employers.
- We continue to find high quality talent to demand high compensation regardless of the cycle with the delta in comp for high performing executives and those who are viewed as steady hands continuing to grow.

Other market trends

- Demand for residential rentals has surged but the supply has not increased.
- Warehousing/distribution assets remain very strong in Canada, especially in Toronto, Vancouver and Montreal.

Crystal ball predictions – hiring for 2020

2020 is off to an extremely strong start with respect to new hiring mandates. Many of the 2019 trends are likely to continue within real estate including succession work, Board appointments and product diversification within real estate investment management. US real estate credit investors are likely to build teams in Europe and capital formation teams will evolve to include more specialists.

Within the infrastructure market, we anticipate that growth in the secondaries market and continuation vehicles will result in strong demand for both direct investors and investors with experience in private-equity secondaries investments.



Ferguson Partners is a global professional services firm that specializes in providing solutions to the real estate and a select group of related industries. Our committed senior professionals bring a wealth of expertise and category-specific knowledge to leaders across the real estate, infrastructure, hospitality and leisure, and healthcare sectors.

Comprised of two businesses that work together, Ferguson Partners offers solutions and services across the entire business life cycle:

Ferguson Partners

With an emphasis on the right fit, Ferguson Partners offers services in executive and Director recruitment. We also offer a full range of leadership services including CEO and senior executive succession planning, leadership assessment and coaching, and team effectiveness.

FPL Associates

Focusing on a wide array of business needs, FPL Associates assists with the assessment, design and implementation of compensation programs. We also provide organizational, financial & strategic consulting, bringing a wealth of industry and category-specific expertise to a broad range of projects.

Real Estate

- Private Equity/Real Estate Investment Managers
- Public (REITs) + Private Owners/Developers
- Property Services (Brokerage) Firms
- Commercial Mortgage Investment/Finance
- Residential Mortgage Investment/ Finance
- Homebuilders
- Corporate Real Estate
- Medical Office Buildings
- Owners/Investors/ Operators/Financiers of Senior Housing

Global Human Resources

- CHROs
- Talent Management and Acquisition
- Diversity & Inclusion
- Total Rewards
- Employee Experience

Hospitality & Leisure

- Lodging (Brands/Owners)
- Gaming Resorts + Casinos
- Restaurants
- Sports + Recreation
- Amusement Parks + Attractions

Board Practice

Diversity and Inclusion Practice

Innovation & Technology

- Functional Expertise
 - Big Data & Analytics
 - Digital Transformation
 - Cloud/Mobility
 - Cybersecurity
 - Enterprise Information Technology
- Venture Capital & Portfolio Companies
- The Digital & the Built Environment
 - PropTech/FinTech
 - InfraTech/InsurTech
 - ConTech
- Innovation Stages
 - Early-Stage - Late-Stage
 - Buy-Outs/Recapitalization
 - Pre- and Post-IPO
 - Mergers & Acquisitions
 - Strategic Partnerships/Joint Ventures

Infrastructure, Engineering + Construction

- Infrastructure Investing: Transport, Energy
- Social Infrastructure: Construction + Engineering

Contact

William J. Ferguson

Chief Executive Officer, Ferguson Partners
Co-Chairman and Co-Chief Executive Officer, FPL
+1 (312) 368 5040
wjferguson@m.fergusonpartners.com

Jeffrey Hauswirth

Vice Chairman, Ferguson Partners
+1 (647) 417 3155
jhauswirth@fergusonpartners.com

Serena Althaus

Senior Managing Director, Ferguson Partners Europe
+44 (0) 20 7628 5550
salthaus@fergusonpartners.com

Gemma Burgess

President - U.S. Search, Ferguson Partners
+1 (312) 893 2364
gburgess@fergusonpartners.com

Max d'Ambrumenil

Head of Asia, Ferguson Partners Hong Kong
+852 3978 2195
mdambrumenil@fergusonpartners.com

Peter Rackowe

President-International, Ferguson Partners
(81) 3 3436 6171
prackowe@fergusonpartners.com

Erin Green

Managing Director, FPL Associates
+1 (312) 893 2359
egreen@fplassociates.com

Jeremy I. Banoff

Vice Chairman of FPL Associates L.P.
+1 (312) 893 2339
jbanoff@fplassociates.com

Camille Lee, PhD

Senior Director of Leadership Consulting,
Ferguson Partners
+1 (312) 893 2314
clee@fergusonpartners.com

Elizabeth Gaffney

Managing Director,
Global Human Resources Practice Leader,
Ferguson Partners
+1 (646) 779 6005
egaffney@fergusonpartners.com

Linda J. Isaacson

Managing Director,
Global Head of Innovation and Technology,
Ferguson Partners
+1 (646) 779 1012
LIsaacson@fergusonpartners.com

