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Half of Real Estate Firms Plan More Hiring

A majority of private real estate firms in the U.S. plan to continue hiring this year, while most public REITs expect to maintain or trim their staff sizes, according to an annual survey by **Ferguson Partners.**

Overall, exactly half of almost 300 respondents said they plan to increase staffing during 2020, in line with last year. But the gap between the expectations of public and private companies widened further. The executive-recruiting firm conducted the survey around yearend, long before last week's financial-market turmoil.

Among private shops — including investment managers, developers and operators — 57% said they expected to add to their workforces in the year ahead, and 55% reported they did so in 2019. But among public REITs, just 38% were planning staffing increases this year, down from 41% that increased their headcounts last year.

Fully half of the public companies planned to remain at current levels, while 12% said they expected staff reductions this year, and 23% said they made cuts last year. Just 4% of private shops planned to cut staff, while 13% said they did so last year.

The divergence in hiring plans comes as public REITs have slowed their acquisitions a bit relative to other investors. Their share of overall purchases nationally last year was 8.1%, down from 9.4% the year before, according to **JLL.** That trend is likely to continue this year, particularly if the recent plunge in REIT-stock prices is prolonged.

"The sentiment more generally across the private side of the industry remains very positive at the moment," said **Gemma Burgess,** president of Ferguson's U.S. search division. Even as more capital is being shifted to fewer managers, those large firms are adding new products to encompass a wider range of investment strategies and equity sources, she said. "There's a lot of business creation going on, and this is happening by hiring a senior person or team, or acquiring an existing business."

Of the private firms, 26% anticipate increasing staffing by 1-5% and another 20% will boost their ranks 6-10%, while 11% plan bigger jumps. Among public companies, most that plan to hire are projecting 1-5% increases.

The less-bullish hiring plans at REITs partly reflect depressed stock prices at companies that focus on property types currently out of favor with Wall Street, such as hotels, retail properties and suburban offices, said **Bill Ferguson,** founder and chief executive of the search firm. "The big differentiator between public and private is investor perception," Ferguson said.

To be sure, some REITs have been in growth mode, at least before coronavirus fears hit the markets. That was particularly true of those that target hot property sectors like industrial and healthcare, said **Cedrik Lachance,** director of REIT research at **Green Street Advisors,** which owns **Real Estate Alert.** "REITs were more active in sectors where the cost of capital is more favorable," he said. "New-lease and healthcare REITs fit this description and have been active growers."

But those focused on sectors facing headwinds are unlikely to increase their holdings this year, Lachance added. "Many REITs are not in a position to expand their asset base," he said. "Therefore, they would not need to expand their staff as much."

Across private and public firms, the positions most in demand were for property management (21%) followed by finance and accounting (17%), transaction specialists (14%), asset managers (14%), development (8%) and capital raising/investor relations (6%).

The later stages of a market cycle are typically when demand for property and asset managers grows, but Ferguson noted that demand still persists for acquisition, development and capital-raising pros. "That data tells me that we may be a little bit between the cycles," said Ferguson. "It tells me that things may be starting to turn and yet there is still a lot of capital out there to be raised and to be invested." ❖