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Women's Work

Real Estate Investment Management Continues to Be a Male-Dominated Field

by Loretta Clodfelter

The real estate fund management business is dominated by men, especially as you look at the more senior ranks. Reasons for this disparity include latent sexism, women's higher responsibility for childrearing and a lack of supportive mentors. Diversity is good for business, and increased scrutiny by institutional investors could push general partners to be more supportive of women's careers.

"This paper may annoy many people." So begins *Cloistered in the Pink Ghetto: Women in Private Equity, Real Estate and Venture Capital*, authored by Nori Gerardo Lietz, a working draft of which began circulating around the real estate investment management industry earlier this year.

In the paper, Lietz lays out the evidence for a systematic underrepresentation of women in the investment divisions of private equity, venture capital and private real estate firms. Lietz surveyed the staffing of 283 firms, including 82 real estate firms, to examine how many women worked at the organizations — and in what capacity.

"It is important to be on the investment function as a career path," notes Lietz, who is a founding partner at Areté Capital and was a co-founder of Pension Consulting Alliance. "If you want to control the firm, you have to touch the money. You have to be in the deals."

Lietz's research found that just 4 percent of senior finance professionals at real estate investment firms were women, as well as 17 percent of junior finance professionals. Some 73 percent of real estate firms had zero women in senior finance — including 100 percent of the debt-focused real estate firms (see summary tables on pages 10 and 12).

Private equity and venture capital did not fare much better, with the proportion of female senior investment professionals at 6 percent and 9 percent, respectively, and the number of firms with no women in senior finance positions at 58 percent and 46 percent, respectively. A recent study of the number of women partners at venture capital firms published by *Betabeat*, a technology blog, found very similar numbers — 8.3 percent of partners were women and almost 50 percent of the venture capital firms surveyed had no female partners at all.

These numbers are particularly low when you consider that women make up 50 percent of undergraduates and 35 percent to 40 percent of business schools' student body.

But while real estate investment management firms employ many more men than women — overall, women are just 19 percent of employees — women make up much higher percentages of marketing and investor/client relations (53 percent)

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Women's Work

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and support (40 percent) positions, defined as accounting, tax, finance department, legal, human resources and, for real estate firms, asset management, according to *Cloistered in the Pink Ghetto*.

"There should be equal opportunity to serve in any function," Lietz says. But the numbers do not indicate an equality of opportunity for women in private equity and real estate management firms. "Without question there is bias among some GPs," she adds.

While Lietz characterizes the investor relations and support departments as a "pink ghetto" where women in the real estate investment industry have been cloistered, she tries to make clear that support roles are critical to the successful operation of any company.

As *Cloistered in the Pink Ghetto* states, "Marketing and client relations should be considered essential roles, and in some companies they are. But, more often than not, these positions take a back seat to the roles of those in the transaction chairs. The disparity in their compensation reflects that fact."

Another way of looking at the same numbers, though, is that investor relations is an area where women have achieved 50 percent parity, and therefore can serve as a model for other job functions.

"The high numbers of women in those marketing and IR roles is an important step in the right direction,"

says Debbie Harmon, CEO and co-founder of Artemis Real Estate Partners. She points out that efforts to build equal opportunity for women are "working on that side of the business." Harmon says now those same gains need to be extended to the investment side of the business. She adds that raising capital and investing capital are both "essential components of the business."

ANIMAL SPIRITS

In conversations with people in the real estate industry, certain themes emerge, among them the importance of mentorship for lasting success in the industry, the value of hard work and dedication, the role of emerging manager programs, and the need for creative solutions to the question of work/life balance.

To succeed in the real estate investment business, you have to be very good — and that goes double for women. Because there are so few women in senior investment roles, there is a feeling that women can't do the jobs: the absence of women becomes a self-fulfilling circumstance. This means those women who do succeed have to push against latent bias in the industry.

"I'm very competitive. I'm very ambitious, and I think being a competitive athlete worked to my favor," says Kathy Briscoe, a senior real estate professional with more than 25 years in the industry. She notes that women who succeed must hold themselves to a very high standard of achievement.

It's a competitive industry — and that isn't a good fit for everyone.

Plenty of men are also unsuited for the senior real estate investment roles.

"Seek your battles," says Briscoe. "We had a very high fail rate for male associates as well when they couldn't cut it."

The important thing is to make sure that opportunities for ambitious, competitive women aren't any less available than they are for ambitious, competitive men.

"What I notice in our business is that it's all-consuming," says Thomas Barrack Jr., chairman and CEO of Colony Capital. And that has an effect on who succeeds in the industry.

"I don't think it has anything to do with [women's] qualifications," he says. "Most of the time, they're smarter, they're better."

But not every woman wants to compete at the level required to succeed in the real estate investment industry.

FINDING BALANCE

Despite all the gains in equality that women have achieved in the past 50 years, they continue to be primary caregivers. A common thread among women who have found success in the real estate industry while also raising a family is that they were able to balance life and work in a way that caused neither to suffer.

"I knew I wanted to run my own business, and I knew I wanted to have a family," says Harmon. She indicates that the missing element for some women is a strategic career plan. "You have to perform — that's first and foremost — and you need to work very hard early in your career."

Many women pointed to the importance of good childcare in

Representation of Women at Real Estate Investment Managers

	Firmwide		Senior Finance		Junior Finance		Support		Marketing & Investor Relations	
	Total Staff	% Women	Total Staff	% Women	Total Staff	% Women	Total Staff	% Women	Total Staff	% Women
Global managers	839	17%	360	4%	245	20%	175	29%	59	49%
European-focused managers	468	23%	105	5%	254	17%	103	52%	6	83%
U.S.-focused managers	422	24%	122	7%	163	15%	119	49%	18	56%
Debt-focused managers	138	23%	51	0%	45	18%	39	56%	3	67%
Emerging market managers	311	13%	137	4%	85	7%	79	30%	10	50%
Real estate totals	2,178	19%	775	4%	792	17%	515	40%	96	53%

Source: *Cloistered in the Pink Ghetto*

promoting their careers and allowing them the freedom to work while raising children. Harmon notes that she was able to work at firms that created an environment where working mothers could thrive. Of course, in her case that meant a “working maternity leave.”

On the investment side, the hours are long and there is a lot of travel. One reason women might gravitate toward investor relations or support roles is that they can provide greater flexibility.

“Excellent childcare is key,” says Briscoe, but it is also expensive. “So many successful women I know stopped working by choice when they had children, especially when they had kids early in their career.”

When both parents have successful careers, there is a natural bias toward women adjusting their career path or staying at home, Briscoe says.

Attrition can be a real problem. Barrack says that the representation of women at private equity real estate firms “is not a new problem. It’s an issue that’s been pounded on for 30 years.” He says that Colony is actively recruiting women all the time, but that the firm has trouble keeping them, as “90 percent want to change their lives” by focusing on family over career.

“Age 25 to 40 are the most critical years for establishing a career,” Barrack points out, noting that these are also the most critical years for establishing a family.

Women who were able to establish their career before having children found that firms were more supportive of their goals. Briscoe says she was already a partner at Lowe Enterprises Investment Management when she had her first child.

“They worked with me on a maternity policy,” she says, “because I was a big contributor to the bottom line.”

New technology, such as smartphones and tablets, can have a transformative effect on the ability of women and men to balance work and family life: checking email while home on maternity leave, calling in to meetings from the pediatrician’s office, working late at home after kids have gone to sleep.

“I wonder if we will find that with technological advances and as working remotely becomes increasingly acceptable, if there will be less women opting out by choice,” Briscoe says.

MENTORING

Finding good mentors is key to success in business, especially real estate investment management, which depends on relationships and networks. Given the dearth of senior women at real estate managers, the majority of mentors must by necessity be men.

“Mentorship is crucial,” says Ted Leary, president of Crosswater Realty Advisors, who served as chairman of Lowe Enterprises Investment Management prior to founding Crosswater.

Briscoe says Leary “did a lot at Lowe to make sure I got credit for what I did.”

He was one of many mentors, many of them male, who were supportive of Briscoe’s ambitions. “My personal experience is I have had great success with fabulous mentors,” she says.

Harmon concurs: “I had invaluable male and female mentors throughout my career.”

She believes women need to proactively develop a network of stakeholders in their future success. “Success in real estate private equity is highly correlated with strong mentor relationships,” Harmon says.

“Pick the mentor, not the place, not the discipline,” advises Barrack. “Find somebody who is invested in teaching you and making you better.”

However, women may be at a disadvantage when it comes to finding mentorship opportunities — especially if the golf course is not their natural habitat.

“Founding partners must identify and sponsor both men and women in their companies and find different ways to do it,” writes Lietz in *Cloistered in the Pink Ghetto*. “Not all mentoring has to take place at a baseball game or on the golf course.”

And, in situations where a senior man is mentoring a junior woman, additional complexities may arise. Just the appearance of impropriety is enough to prevent some of these relationships from forming. Barrack notes that there is “a freedom men feel in coaching men.”

Men might be afraid to take too particular an interest in a woman they are mentoring — lunching together, attending industry conferences, traveling for work — because of what their wives might think.

Sexual harassment, or the fear of sexual harassment, can also limit women’s mentorship opportunities. Venture capital firm Kleiner Perkins Caufield & Byers is in the news after a female junior partner filed a lawsuit alleging sexual discrimination and harassment at the company.

Kleiner Perkins is one of the venture capital firms that has a higher-than-average percentage of women partners. According to *Cloistered in the Pink Ghetto*, women make up 19 percent of senior finance professionals at Kleiner Perkins. Firms without any women at all are much less likely to receive accusations of sexual harassment.

EMERGING MANAGER PROGRAMS

Lietz argues that institutional investors are key to increasing the number of women in the real estate industry. “There is no impetus for these organizations to change — zero — unless

Real Estate Firms with Zero Women in Senior Finance			
	# of Firms	# of Firms with 0 Women in Sr. Finance	% of Firms with 0 Women in Sr. Finance
Global managers	26	18	69.2%
European-focused managers	10	8	80.0%
U.S.-focused managers	19	14	73.7%
Debt-focused managers	6	6	100.0%
Emerging market managers	21	14	66.7%
Real estate totals	82	60	73.2%

Source: *Cloistered in the Pink Ghetto*

their clients focus on it,” Lietz says. “They have to ask the questions.”

“Large managers and small managers will listen and respond when institutional investors ask questions,” agrees Harmon. She also says that institutional investors have the leverage to enhance diversity.

Leary says institutional investors need to ask for the number of women on the investment and executive committees. He says that if LPs ask those questions, they’ll find that GPs will “get the message.”

Some institutional investors have formed emerging manager programs to target women- and minority-owned firms. However, this approach will only work if there is a significant amount of capital committed to it.

Harmon notes that Artemis recently closed its first fund in excess of its fundraising goals, but without significant emerging manager program support.

“While we exceeded our targets for Artemis Real Estate Partners Fund I — an opportunity fund — it is interesting to note that only one institution invested through an emerging manager mandate,” says Harmon.

Artemis also has closed a \$300 million core-plus separate account

with the New York State Common Retirement Fund (NYSCRF), which will be used to make and manage equity and debt investments with qualified emerging managers. The focus will be on making substantial investments with joint venture operating partners, with a proven track record and with sensitivity toward minority- and women-owned businesses. Harmon says, “When institutions like NYSCRF provide such significant capital commitments to launch an emerging manager program, they have the power to drive transformational change in our industry.”

“Investors can also mentor emerging managers,” says Briscoe.

Furthermore, there needs to be a path for an emerging manager to get past the emerging stage to become just a manager. Some firms can get trapped by the emerging label.

“Using emerging managers can be an arrow in the quiver,” says Lietz, but it isn’t the only step that institutional investors can take.

LOOKING FORWARD

The number of women in senior investment roles at private real estate management firms is very small,

and the number of women in junior investment roles is not much higher.

“The number of women in the pipeline, if you will, is quite small,” says Lietz.

In addition, women are more likely to drop out of the workforce to raise a family, so even if the numbers of junior women increase, there is no guarantee that they will stay in the industry and become senior partners.

Mentorship is key to increasing the number of women succeeding in the industry, and if institutional investors made it a priority, then managers would have to follow suit. Women, too, need to invest in their own success.

“Investors, managers and women all have a role to play in expanding the opportunity set and changing the culture,” says Harmon.

“I’ve met a lot of talented women in my life. I was on the lookout for talent,” says Leary. He asks why anyone would cut out 50 percent of talent by ignoring 50 percent of the population. “They’re missing out on a hell of a lot of talent out there,” he says. ❖

Loretta Clodfelter is a freelance writer based in Oakland, Calif.

View From the Top

Few women have scaled the high barriers to female entry in the real estate fund management business any more successfully than Lynn Thurber, the chairman of LaSalle Investment Management.

While climbing the corporate ladder, Thurber learned a few lessons about what it takes to bring more women to the top of the industry. Chief among them: internal and external career development programs that target women.

“Relationships are important in virtually every role in the real estate industry,” she says.

Thurber wants to see more real estate companies assist women in building those relationships (internally) by providing forums for employees to meet people in other functional areas, and (externally) by encouraging employees to be participants in local, regional or national associations.

Another potent activity she subscribes to is encouraging managers to introduce junior employees to clients, service providers and others by taking them to client meetings or assisting them in networking at industry events.

It is important for women to focus on networking and raising their profile at industry events and organizations such as PREA and the Urban Land Institute (ULI), she says. Within those broader groups there are programs that are focused on women’s success.

“The mission of the ULI Women’s Leadership Initiative is to raise the visibility and number of women leaders in ULI and the real estate industry,” says Thurber. “The Steering Committee has developed a plan which includes sessions at ULI meetings on leadership training, networking opportunities and assisting the ULI Program Committees in identifying more women speakers for keynotes and panel discussions.”

In addition, many business schools have executive leadership programs specifically focused on women. Organizations such as CREW, Catalyst, and Leading Women Executives provide sessions on leadership and executive level skills as well as materials identifying best practices in other industries.

— Loretta Clodfelter