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Recruiting, Training and Retaining Talent in the Real Estate Development Industry

By Mariya Letdin, PhD, Dustin C. Read, PhD/JD, and Spenser Robinson, DBA

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About NAIOP

NAIOP, the Commercial Real Estate Development Association, is the leading organization for developers, owners and related professionals in office, industrial, retail and mixed-use real estate. NAIOP comprises some 21,000 members in North America. NAIOP advances responsible commercial real estate development and advocates for effective public policy. For more information, visit naiop.org.

The NAIOP Research Foundation was established in 2000 as a 501(c)(3) organization to support the work of individuals and organizations engaged in real estate development, investment and operations. The Foundation's core purpose is to provide information about how real properties, especially office, industrial and mixed-use properties, impact and benefit communities throughout North America. The initial funding for the Research Foundation was underwritten by NAIOP and its Founding Governors with an endowment established to support future research. For more information, visit naiop.org/researchfoundation.

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Acknowledgements

Disclaimer

This project is intended to provide information and insights to industry practitioners and does not constitute advice or recommendations. NAIOP disclaims any liability for actions taken as a result of this project and its findings.

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Executive Summary

Real estate firms of all kinds rely on their employees to grow and thrive. The importance of talent is even more pronounced in the commercial real estate development industry, where employees' abilities and personal judgment make the difference between successful projects, those that fail to meet investor expectations and those that never make it off the drawing board. A commercial real estate firm's ability to recruit, train and retain talent is therefore a critical source of competitive advantage.

The NAIOP Research Foundation commissioned this report to examine best practices in recruitment, training and retention for commercial real estate development firms. The study draws on interviews and focus groups with developers, interviews with executive recruiters, and a survey of NAIOP members. The report identifies several ways that firms can improve talent management:

- Both recruitment and training should be geared to developing and maintaining the specific competencies that will support a firm's long-term strategic objectives. Examples include recruiting associates with specialized expertise that will be needed in new markets or providing management training to support future expansion.

- Recruiting professionals with limited industry experience requires a larger investment in training but can reduce long-term employment costs.

- Firms can expand recruitment pools by participating in trade associations and partnerships with universities.

- Training methods should be aligned with a firm's size, resources and expertise, and may include a mix of formal training, mentorship, and access to external programs.

- Effective retention practices include aligning compensation with industry benchmarks, ensuring that employees have a clear path for professional advancement, and fostering a sense of community and supportive work environment.

Introduction

Employee recruitment, training and retention have been topics of concern since the beginning of private enterprise, and the subject has been written about for over 100 years.[1] Prior research suggests that "people make the place" and functioning organizations are not a product of process or regulation but rather effective talent management.[2] Unfortunately, few studies focus specifically on talent management in the real estate development industry, creating a notable gap in the existing literature.

This report extends the study of talent management to real estate development to help firms in this industry create competitive advantage. It primarily draws on in-depth interviews and focus groups, all of which were conducted in the third and fourth quarter of 2023, with representatives of real estate development firms ranging in size from under 20 employees to over 200 employees. Insights are also gleaned from interviews conducted with executive recruiters serving the real estate and construction industries, as well as a survey conducted by NAIOP in the same time period to assess its members' perceptions of the skills and credentials valued in development-related professions. Common themes from all these sources are distilled into best practices to help firms identify and cultivate talent. Illustrative anonymized quotes from the interviews and focus groups are included in the appendix.

The first section of the report focuses on recruiting. It explores the challenges real estate development firms face, how they balance immediate needs with long-term plans, and the recruiting strategies they use to leverage existing organizational strengths. Both the technical skills and soft skills firms desire are discussed, as is the elusive yet critical concept of cultural fit.

The second section of the report focuses on training. It considers the advantages and disadvantages of forgoing formal training programs in favor of hiring individuals with prior professional experience and the merits of coupling internal training methods such as job shadowing and task repetition with external training resources such as graduate school and executive education courses. The section also examines how firm size and other organizational factors influence training initiatives.

The third section of the report focuses on retention. It examines how firms pay associates, plan for their professional growth, promote them as they gain experience, provide them with needed resources and ensure their personal satisfaction. The section explores the multifaceted and context-specific steps firms take to keep highly valued employees in their ranks.

Overall, the report indicates that the real estate development industry faces unique challenges in talent management but also emphasizes the critical role that effective recruitment, training and retention strategies play in achieving business success. By presenting the perspectives of industry insiders on these topics, the report aims to guide real estate development firms in building the strongest teams possible.

Recruiting

Talent management starts with recruiting—identifying the individuals a firm needs to reach its goals and successfully hiring those individuals in an expedient manner. To contribute to the understanding of recruiting in the real estate development industry, this section considers the attributes firms look for in new associates, the challenges firms face in their recruitment efforts, and the best practices firms can adopt to overcome these challenges in tight labor markets.

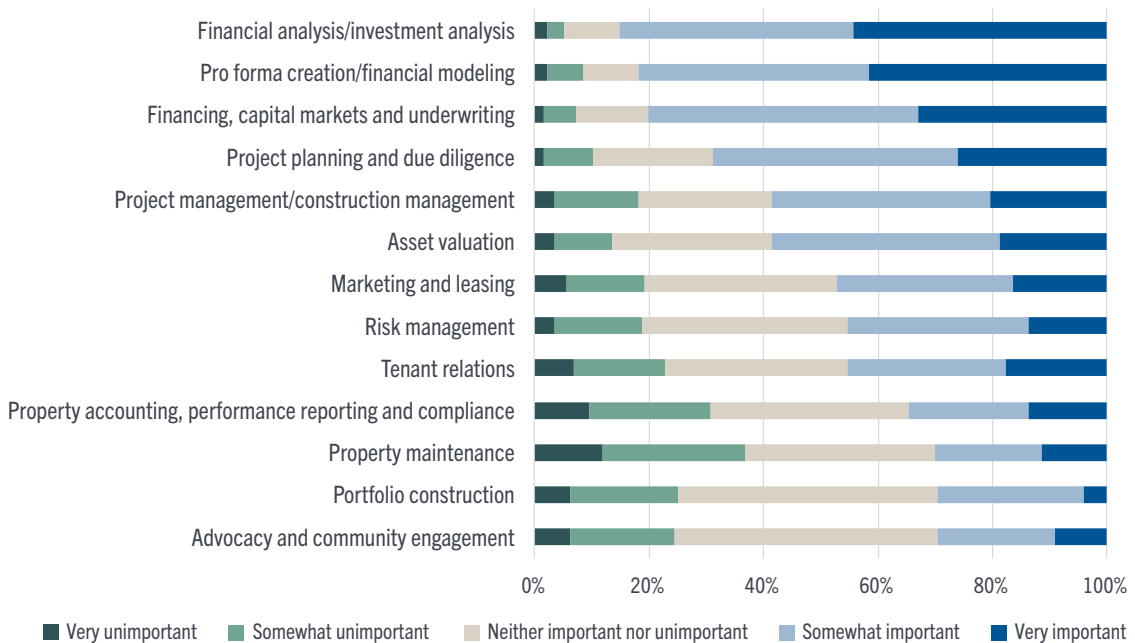## What Attributes Do Real Estate Development Firms Look for When Recruiting New Associates?

The real estate development industry comprises a diverse array of firms with a wide variety of human resource needs. Yet, as in other industries, most firms look for the same three things when recruiting new associates: technical skills, soft skills and cultural fit. Much can be learned about recruiting by analyzing how firms assess job candidates' strengths and weaknesses in each of these areas and what firms prioritize when trade-offs must be made.

Technical Skills

Respondents indicated that proficiency in financial modeling in software such as Excel, and to a lesser extent Argus, is perhaps the most highly valued technical skill in the real estate development industry. Many described this technical skill as a "must have," while other technical skills were described as "nice to have." This observation is consistent with **NAIOP's Skills Survey**[3] which identified financial modeling as one of the most important technical skills for early-career professionals to possess.

FIGURE 1: Perceived Importance of Hard Skills for Early-career Professionals

How important are the following hard skills for an entry-level/early-career professional to succeed in your primary occupation? (N=176)

Legend: ■ Very unimportant ■ Somewhat unimportant ■ Neither important nor unimportant ■ Somewhat important ■ Very important
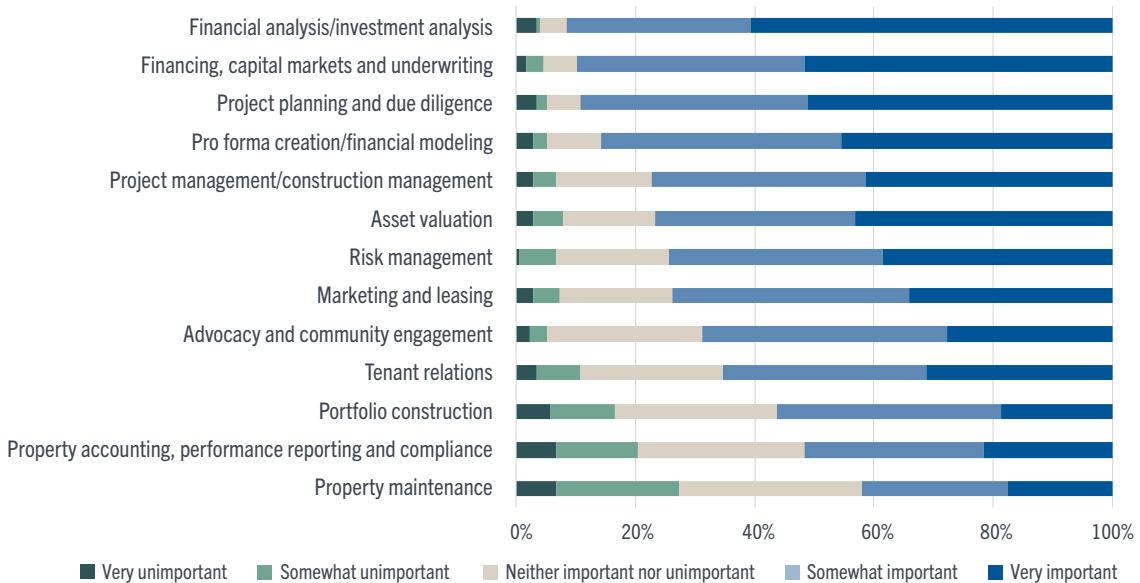
Source: NAIOP Skills Survey

Beyond proficiency in financial modeling, respondents contended that the precise technical skills real estate development firms look for when recruiting new associates depend on the roles they need to fill. For example, firms that start new associates as specialists working in asset management, construction or leasing departments may have more rigid technical skill requirements than those that start new associates as generalists. Onboarding strategies can therefore impact the type of talent firms seek. That said, respondents noted that most firms value domain-specific aptitude in at least one aspect of real estate development regardless of how they bring new associates into their organizations.

Respondents often conceded that their firms do not expect new associates to have a deep technical understanding of how buildings are entitled, designed, constructed and operated at the time they are hired unless they were recruited for specialized roles. However, they acknowledged favoring job candidates who understand the development process at a high level and have a high degree of familiarity with terminology commonly used in the field. Some respondents prefer this knowledge to come from professional experience, while others are content when it comes from academic training.

Respondents opined that as employees advance in their careers, project management and leadership skills become increasingly important. This observation is also consistent with NAIOP's Skills Survey, where the perceived importance of things such as advocacy and community engagement, risk management, and project planning and due diligence all increased by 20 percentage points or more as individuals moved from early- to mid-career. Naturally, these skills correspond to the enhanced responsibilities development professionals are expected to take on as they move into more senior roles within their organizations.

FIGURE 2: Perceived Importance of Hard Skills for Mid-career Professionals

How important are the following hard skills for a mid-career professional to advance and succeed in your primary occupation? (N=176)


Legend: ■ Very unimportant ■ Somewhat unimportant ■ Neither important nor unimportant ■ Somewhat important ■ Very important

Source: NAIOP Skills Survey

Soft Skills

Given the collaborative nature of real estate development, respondents frequently argued that new associates' ability to communicate clearly, work effectively in teams, and demonstrate humility in the service of project goals is just as important as their technical skills. In fact, several respondents noted that some firms are willing to overlook significant technical skill deficiencies when job candidates have strong soft skills and an admirable work ethic. These observations are once again consistent with NAIOP's Skills Survey, where problem-solving, communication and critical thinking were identified as essential in the real estate development industry, along with adaptability, leadership and the ability to negotiate effectively.

FIGURE 3: Perceived Importance of Soft Skills

How important are the following soft skills to your primary occupation? (N=213)
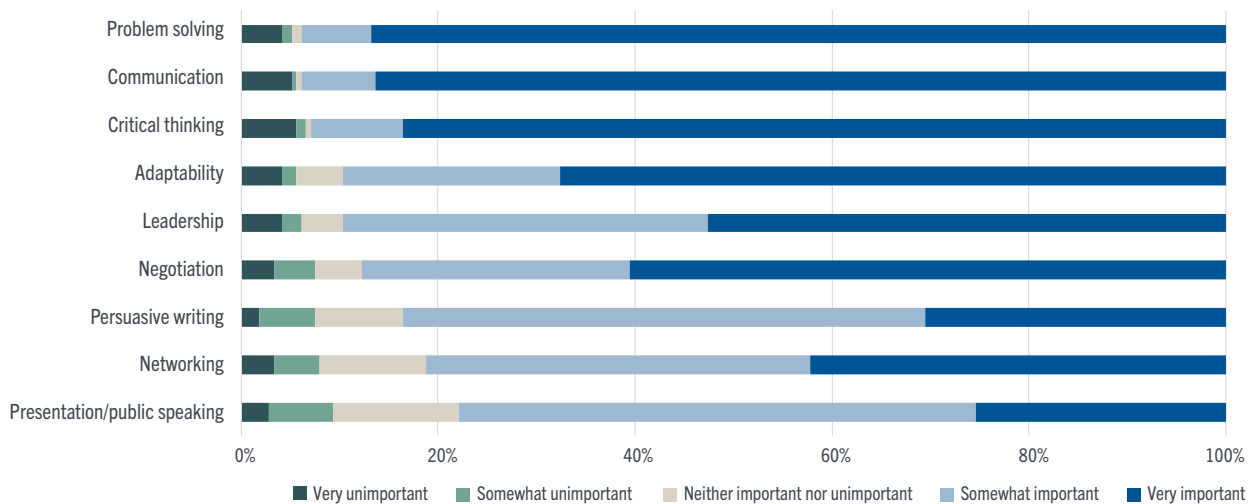
Source: NAIOP Skills Survey

One-on-one conversations were identified as the principal means of assessing job candidates' soft skills. However, respondents also spoke of looking at resumes to see if job candidates had ever participated in competitive team sports or held leadership positions in philanthropic organizations. Both types of activities were viewed as proxies for work ethic, initiative and capacity to collaborate.

Several respondents stated that the trade-offs firms are willing to make to obtain job candidates with the right combination of technical skills and soft skills depend largely on the firms' capacity to train and the immediacy of their human resource needs. Not surprisingly, patient firms, confident in their ability to train new hires in the technical aspects of their jobs, were reported to prioritize soft skills throughout the hiring process, whereas firms without these advantages were reported to prioritize technical skills.

Cultural Fit

Cultural fit is a third and final hiring criterion many respondents referenced. They described it as a "feeling" or "sense" that a job candidate would meld with the members of a firm's existing team and contribute in positive ways to organizational objectives. Respondents could not always define cultural fit in granular terms but tended to agree that it underpins all successful hires.

Some respondents equated cultural fit with likability. Others considered it a composite of a job candidate's values, malleability, motivation and alignment with a firm's way of doing business. In both instances, respondents felt cultural fit is best evaluated through a combination of formal and informal interactions with job candidates that offer insight into how they would represent a firm if hired.

Respondents recognized that evaluating job candidates based on cultural fit poses a risk of hiring new associates whose socioeconomic, educational and cultural backgrounds mirror those of the principals. Nonetheless, they noted that small- and mid-sized firms often have weaker safeguards in place than their larger peers to prevent such outcomes. Examples of strong safeguards included formalizing interview processes to ensure all job candidates are treated in the same manner and administering personality tests to obtain objective measures of job candidates' priorities and preferences.

What Are Some of the Recruiting Challenges Real Estate Development Firms Face?
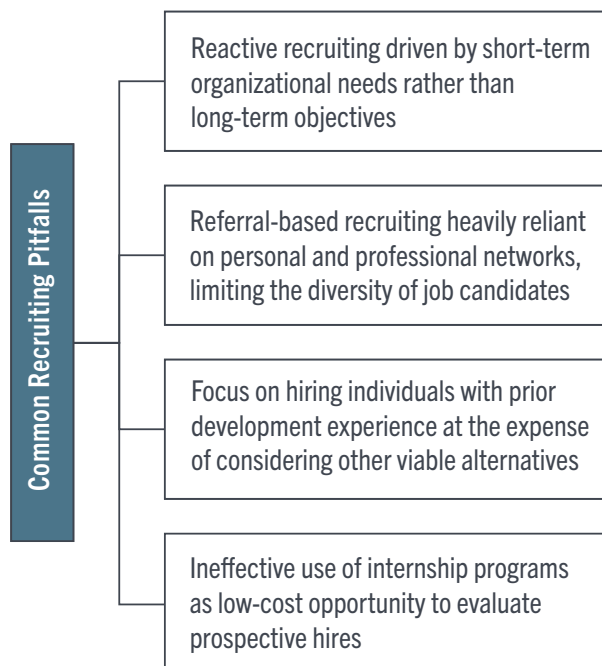
While some respondents were quite confident in their firms' ability to recruit new associates with the right combination of technical skills, soft skills and cultural fit, others recognized room for improvement. Members of the latter group identified underinvestment in recruiting, strong preferences for hiring those with industry experience, and underdeveloped university partnerships as common recruiting challenges.

Underinvestment in Recruiting

Respondents revealed that in many firms, recruiting is not an ongoing priority but rather a response to immediate staffing needs. This led to informal and reactive recruiting practices disconnected from long-term goals. Multiple respondents attributed such outcomes to business cultures that encourage firms to devote more time to developing real estate today than building capable teams for tomorrow.

Small- and medium-sized firms were thought to be particularly susceptible to poor recruiting practices because they rarely hire for the same positions year after year and lack the financial wherewithal to sustain recruiting efforts across economic cycles. As a result, respondents argued that these firms have little incentive to build recruiting platforms for development professionals with limited experience.

Interestingly, while many respondents believed large firms are generally better at recruiting than their smaller peers, they simultaneously contended that scale is not a panacea. They noted that large firms are often composed of regional development teams with relatively small headcounts that operate with a high degree of autonomy. Thus, when it comes to recruiting, they tend to encounter some of the same challenges as small firms because they cannot effectively leverage the size of their parent organizations.

Common Recruiting Pitfalls

- Reactive recruiting driven by short-term organizational needs rather than long-term objectives
- Referral-based recruiting heavily reliant on personal and professional networks, limiting the diversity of job candidates
- Focus on hiring individuals with prior development experience at the expense of considering other viable alternatives
- Ineffective use of internship programs as low-cost opportunity to evaluate prospective hires

Strong Preferences for Hiring Those with Industry Experience

Numerous respondents expressed a preference on the part of their firms to hire individuals with prior real estate development experience, which added to the complexity of recruiting in firms of all sizes. The approach was described as advantageous because it affords firms the ability to bring people into their organizations who can hit the ground running, have established reputations and do not require extensive training. However, it was also said to have disadvantages due to a scarce supply of experienced talent, high acquisition costs and missed opportunities for ground-up culture building.

Further, respondents indicated that hiring experienced professionals can be problematic when it requires heavy reliance on referral-based recruiting through personal and professional networks. Respondents also opined that recruiting efforts that rely solely on these networks can prevent firms from satisfying diversity, equity and inclusion objectives.

A final challenge associated with hiring only experienced professionals relates to the cyclicality of the real estate development industry. Respondents noted that the high salaries required to hire experienced professionals when times are good can be cumbersome to carry when times are bad. This makes it difficult for firms to hold experienced development teams together across periods of boom and bust.

> **"Too many companies are asking: How do we fix our problems with talent? Not enough companies are asking: How do we groom talent for long-run organizational success?"**
> ANONYMOUS RESPONDENT

Underdeveloped University Partnerships

Respondents generally agreed that universities constitute a valuable resource that firms can turn to when they are willing to consider relatively inexperienced job candidates. Unfortunately, few respondents indicated that their firms take advantage of all the recruiting opportunities universities provide. Far more described their firms' relationships with university partners as weak, loosely defined or underdeveloped.

Respondents suggested it is not uncommon for hiring managers to eschew formal on-campus recruiting in favor of reaching out to regional universities, their alma mater, or professors with whom they have personal relationships on an ad hoc basis. These can be effective recruiting strategies, but they can also undermine efforts to build durable bonds with academic institutions that pay long-term dividends. A better approach involves establishing relationships with universities based on strategic fit, rather than convenience, and nurturing those relationships over time through mutually beneficial activities.

Weak internship programs were another commonly cited problem. Although most respondents said their firms hire university students as interns, only a small number stated that internship programs are a useful tool for screening potential new hires, and many indicated that interns are more of a cost than a benefit. These perceptions likely limit the benefits that firms currently derive from internship programs.

What Steps Can Real Estate Development Firms Take to Recruit More Successfully?

In aggregate, comments made by the respondents suggest firms that recruit new associates successfully have several things in common: They invest in recruiting in a manner befitting its strategic importance, craft hiring plans with organizational objectives in mind, and avoid letting convenience dictate how they look for talent. There appears to be great value in doing all these things in a coordinated manner.

Make the Investment

Respondents acknowledged that effective recruiting strategies require considerable personnel and financial resources. Yet, to achieve the best results, respondents called on firms to make the required investment even when finances are tight. This approach was anticipated to put firms in a position to make impactful hires.

Firms committed to building organizational strength through strategic recruiting were encouraged to start by identifying their objectives for the next five to ten years and assessing the human resources needed to achieve those objectives. Strong hiring plans were described as not only addressing organizational weaknesses, but also leveraging organizational strengths that may allow firms to hire relatively inexperienced associates and develop them over time through training.

While crafting hiring plans, respondents called on firms to operationalize the concept of "cultural fit." Doing so was anticipated to force firms to talk openly about what they really care about when making hiring decisions, thereby limiting subconscious bias in the recruiting process. Since cultural fit is subjective, its definition will undoubtedly vary from firm to firm.

Diversify Recruitment Channels

To expand candidate pools, a growing number of firms are diversifying recruitment channels. Some are reaching out to the hundred-plus colleges and universities that offer real estate programs at the undergraduate or graduate level. Respondents reporting the most successful partnerships with these programs noted that they maintained relationships with multiple academic institutions while seeking ways to engage with students both inside and outside the classroom. They recommended the benefits of sitting on industry advisory boards, giving guest lectures and serving as a resource students can call on when in need of guidance.

Firms also appear to be looking beyond real estate programs in their university recruitment efforts. NAIOP's Skills Survey suggests firms view students pursuing degrees in architecture, business, construction management, engineering and urban planning as strong candidates for a position within their firms. In fact, hiring managers viewed bachelor's degrees in business administration, finance or related fields quite favorably (91.1% somewhat or very favorable), almost on par with degrees in real estate, development or construction management (93.5%).

Opportunities to Partner with Universities

- Participate in on-campus recruiting events
- Host a market tour or site visit
- Present a case study or guest lecture
- Develop a structured internship program
- Join an industry advisory board
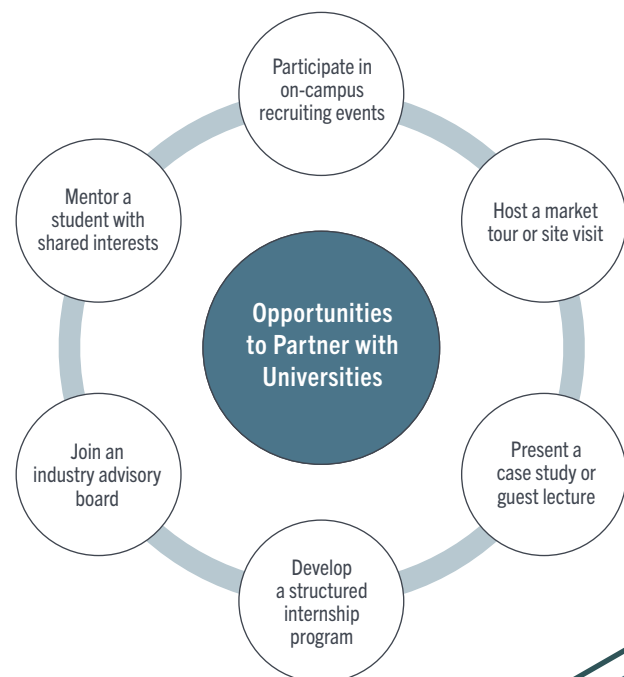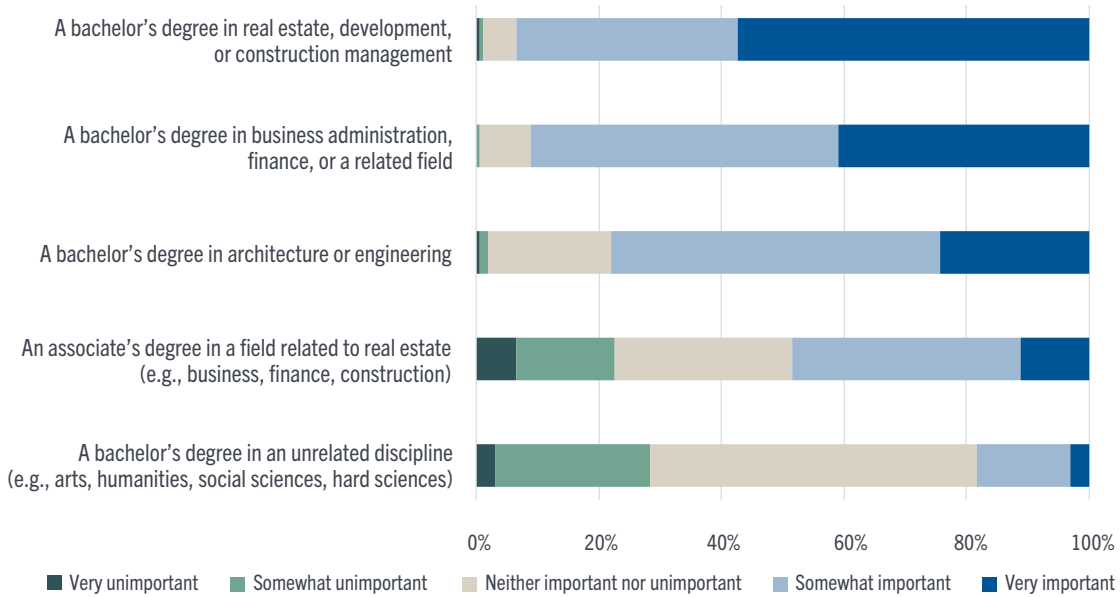- Mentor a student with shared interests

FIGURE 4: Perceptions of Undergraduate Degree Fields

If you were reviewing the resume of an early-career professional for a role related to your primary profession, how favorably would you view the following educational qualifications? (N=169)

Source: NAIOP Skills Survey

Trade associations are yet another resource firms are turning to for talent. Respondents expressed high familiarity with the young leader programs and diversity programs these associations offer and cited them as opportunities to network with qualified job candidates. Some even stated that their firms designate representatives to liaise with these programs to maximize their impact. The NAIOP Research Foundation's 2023 report Diversity, Equity and Inclusion in Commercial Real Estate: Best Practices and Common Challenges offers a number of suggestions for firms interested in leveraging such programs to promote diversity.

Finally, respondents indicated that it is common practice to source job candidates from related sectors such as banking, architecture, engineering and construction management. Firms often provide hires from adjacent fields with tailored training programs, such as financial modeling for those from design fields or a primer on the built environment for former bankers.

Training

Hiring the best job candidates available means little if firms fail to put them in positions to grow professionally. As a result, firms' long-term success may hinge on their ability to train employees to take on increasingly complex tasks. As with recruiting, firms can maximize the benefits of training initiatives by aligning them with strategic priorities. In addition to ensuring that associates have the essential skills they need for successful careers in development, firms can turn to training programs to help associates develop skills that support long-term objectives, such as moving into new markets or product types, adopting new technologies and preparing future organizational leaders. This section considers how firms use internal and external resources to train employees with these ends in mind.

> **"In the development business, you're either looking for someone with [significant] experience or you're going to train them. It's hard to be in the middle."**
> ANONYMOUS RESPONDENT

How Do Real Estate Development Firms Train Employees within Their Organizations?

Respondents revealed that internal training programs have multiple purposes. They familiarize new hires with organizational hierarchies, help them develop skills they need to excel in their current roles, and prepare them to take on additional responsibilities over time. Firms rely on a combination of formal and informal training to achieve these goals, both of which have unique advantages and disadvantages.

Formal Training

Many firms appear to have formal onboarding programs designed to introduce new associates to key personnel, policies and procedures. However, respondents indicated that these programs generally focus more on orienting new hires than developing their skills. These programs were described as short in duration and lacking a focused curriculum or comprehensive training materials.

Particularly in small and medium-sized firms, respondents reported a tendency on the part of executives to dismiss training programs extending beyond orientations as resource-intensive luxuries. This prevented investment in formal training, leaving a gap in the systematic development of new associates' skills. An absence of formal training programs in most respondent firms may reflect a broader industry trend where immediate operational needs overshadow employee skill development.

Among the relatively few respondents who spoke of formal training programs within their firms, approaches varied. Some mentioned rotational programs and proprietary training modules to provide new associates with a holistic understanding of organizations and their approach to real estate development. Others alluded to prerecorded training materials available to new associates so they can guide themselves through activities that fall within their professional purview. Still others cited recurrent training sessions with senior personnel to enhance specific technical skills and soft skills.

Informal Training

Shadowing—where new associates observe the work and stakeholder interactions of senior personnel—was the most common type of informal training identified by respondents. It was purported to enhance technical skills and acclimate new associates to firms' cultures and practices, with its effectiveness peaking when senior personnel provide active guidance on professional conduct and engagement.

In parallel with shadowing, respondents reported assigning new associates low-risk, recurrent tasks that provide opportunities for self-guided learning. A nonexclusive list of such tasks includes market analysis, underwriting and lease reviews, as well as overseeing straightforward entitlement processes and tenant improvement projects, all under the supervision of senior personnel. These tasks were said to build new associates' skills through repetition and diversification until they can manage relatively complex real estate development projects with limited oversight.

Respondents indicated that firms must set the stage for informal training because senior personnel are busy. At the most basic level, this involves communicating with senior personnel that they are expected to make shadowing a positive experience for new associates. It may also involve assigning new associates to senior personnel in ways that ease the latter's workload rather than adding to it.

Weighing the Benefits of Training Options

Training is not a one-size-fits-all enterprise. The optimal combination of formal and informal methods is likely to depend on a firm's size, resources and culture. Nonetheless, respondents suggested that firms have a high probability of getting training wrong when they withhold it to test associates' resolve or provide it in ways that afford new associates too little autonomy to identify what stirs their passions.
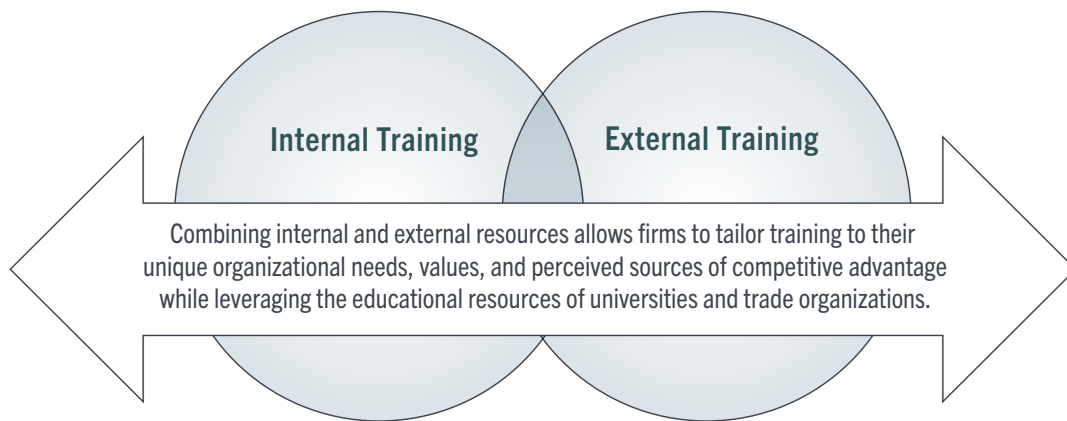
Respondents cautioned that formal and informal training initiatives can be stymied by cultures that perpetuate "trial by fire" learning experiences that mirror those senior personnel endured early in their careers. Valorizing struggle as a rite of passage was thought to slow new associates' professional growth and limit their potential in some instances. Fear of such outcomes encouraged several respondents to favor nurturing training environments that accelerate and enhance new associates' professional growth.

Similarly, respondents emphasized a need for firms to recognize that unstructured training requires intellectual curiosity, self-motivation and the ability to absorb information from different departments, projects and functional areas. Respondents suggested rewarding new associates who display these attributes with autonomy to chart their career paths in ways that align with organizational goals. Further, they noted that firms must surround high-achieving new associates with the resources they need to succeed.

Common Training Pitfalls

- Training programs fail to consider organizational context and available resources
- Underinvesting in training
- Favoring trial-by-fire experiences over more nurturing approaches
- Lack of opportunity for new associates to lead tasks and learn from mistakes

What External Resources Do Real Estate Development Firms Utilize for Training Purposes?

Hiring individuals with professional experience may be a logical choice for firms that wish to avoid the challenges that accompany training new associates. However, respondents contended that firms should not forgo investments in training without giving it considerable thought. The process of developing a training program was purported to yield insights into a firm's core values, desired employee behaviors and prospects for long-term success. Respondents suggested that firms can capture these benefits by developing modest internal training programs and augmenting them with external resources, which may include graduate programs and executive education courses, such as those designed to develop specialized skills.

Internal Training   **External Training**

Combining internal and external resources allows firms to tailor training to their unique organizational needs, values, and perceived sources of competitive advantage while leveraging the educational resources of universities and trade organizations.

Graduate Programs

Respondents recognized graduate programs as avenues to professional growth, with many noting that their firms provide financial support to employees who wish to enroll. This was true for both executive education-style certificate programs and more lengthy programs leading to graduate degrees. However, opinions varied greatly about what new associates get out of these programs and how the knowledge they gain translates to the workplace.

For the most part, respondents acknowledged that graduate programs provide those new to the real estate development industry with access to professional networks that can accelerate their careers. However, some of the respondents were less enthusiastic about the academic content of these programs and their ability to link theory to practice. This suggests a bias toward on-the-job training.

Interestingly, respondents representing larger firms assigned greater value to graduate programs than did those from smaller firms. This perceptual difference may be due to the fact that larger firms have more divisions and business verticals that benefit from the specialized training that graduate programs provide. Nonetheless, even small firms uncertain about the value proposition of graduate programs were said to provide tuition reimbursement because it contributes to employee satisfaction and retention.

Executive Education Courses

Executive education courses offered by trade organizations can be a complement to or substitute for graduate programs. These courses, addressing a variety of topics, are typically tailored for entry- and mid-level professionals and are often available online and in self-paced formats suitable for full-time workers. Respondents stated their firms are willing to fund these courses for new associates but rarely integrate them systematically into their training programs.

Failure to do so creates missed opportunities to utilize ready-made materials and enhance the value of trade organization membership.

Trade organizations can additionally serve as a vital source of mentorship. In-house mentorship programs are uncommon, and respondents revealed that new associates often face challenges finding suitable mentors within their own firms. Trade organizations can fill the gap by offering structured mentorship programs, providing a safe environment for new associates to seek guidance from experienced professionals, thereby addressing the need for mentorship in the early stages of their careers. Other benefits include developing broad relationships that are vital to a successful real estate career.

Respondents suggested firms can enhance the value of trade organization offerings and graduate programs by encouraging new associates to read trade journal articles, best practices studies and other materials that can supplement their understanding of the real estate development process. For ambitious firms, common reading assignments can serve as a starting point for knowledge-sharing designed to bring together the ideas that new associates are exposed to in their internal and external training.

Make employees aware of available executive education courses	Encourage employee participation in mentorship programs
Leveraging Trade Associations for Training	
Designate a firm representative to participate in young leader and diversity programs	Reimburse employee costs of membership and active engagement

How Do Real Estate Development Firms Evaluate and Maximize the Impact of Training Initiatives?

According to respondents, firms assess the impact of their training initiatives in two ways. They evaluate new associates' performance to determine if it is progressing to plan and take steps to resolve deficiencies when it is not. Both activities offer insight into a firm's approach to talent management.
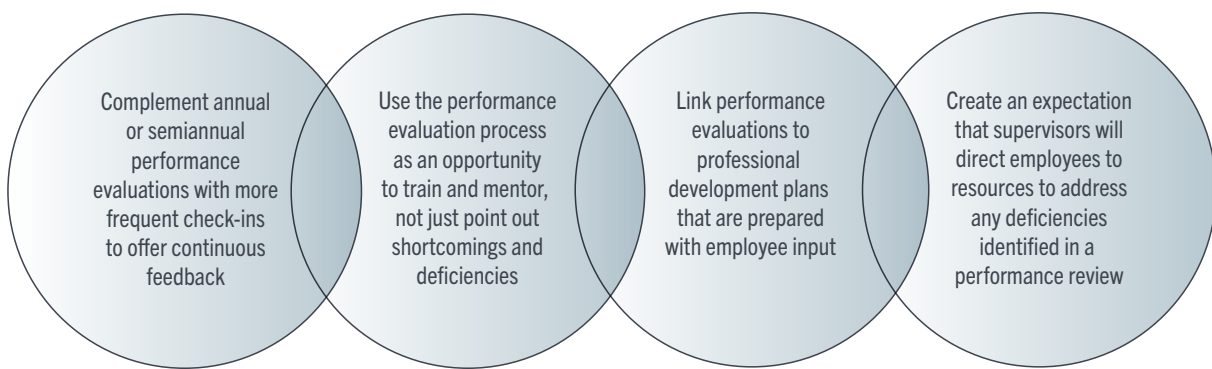
Performance Evaluations

Annual or semiannual performance evaluations continue to take place in most respondents' firms. They serve as one means of determining if training for new associates is effective. However, some firms are moving away from this approach in whole or in part because of three observed drawbacks. First, allowing six months or more to elapse between performance evaluations limits their value for training because feedback is not provided in real time. Second, performance evaluations may be inaccurate if those conducting them suffer from recency bias that encourages them to devote too much attention to things new associates have done well or poorly in the immediate past. Third, making performance evaluation a cumbersome, once- or twice-a-year activity increases the probability that supervisors will make superficial assessments.

An approach to performance evaluation that is becoming increasingly common involves ongoing, two-way communication. Frequent, informal check-ins designed to keep new associates on track are given more weight than infrequent, formal check-ins designed to hold them accountable. The advantage of this approach, as noted by respondents, is that it melds together training, mentorship and performance evaluation to achieve better results than are possible when these activities are pursued separately.

Irrespective of how and when real estate development firms conduct performance evaluations, multiple respondents believed they should be guided by professional development plans that define measurable goals new associates are expected to achieve. Respondents recommended that new associates and the senior personnel who supervise them both play a role in putting these plans together so there is mutual buy-in. Additionally, they suggested plans be put in writing and updated frequently.

Best Practices in Performance Evaluation

Complement annual or semiannual performance evaluations with more frequent check-ins to offer continuous feedback

Use the performance evaluation process as an opportunity to train and mentor, not just point out shortcomings and deficiencies

Link performance evaluations to professional development plans that are prepared with employee input

Create an expectation that supervisors will direct employees to resources to address any deficiencies identified in a performance review

Resolving Performance Deficiencies

Continuous performance evaluation is not only advantageous because it allows firms to accurately assess whether training initiatives are working. It also allows supervisors to resolve any performance deficiencies they observe.

Respondents indicated that many firms have proved better at rewarding strong performers than coaching up weak ones. Firms tend to penalize weak performance in performance evaluations. Supervisors typically document their concerns, make associates aware of them, outline a deadline for corrective action, and impose penalties if work does not improve in the allotted time. These steps are rarely accompanied by comprehensive performance improvement plans that associates can look to for guidance. This leaves some feeling lost regarding how they should cure the issues brought to their attention and afraid to properly ask for help because their firms value self-direction and initiative.

Empowering associates to improve their performance is largely a matter of heightening connectivity between performance evaluation and training, or put more simply, pairing observed problems with solutions. Respondents suggested that proactive firms do this by requiring senior personnel to direct associates to resources whenever performance deficiencies are observed and requiring supervisors to take ownership of remediation processes. Some underperforming associates will be saved through these efforts, and some will not, but firms nonetheless reduce the risk of needing to return to the job market for replacements.

Retention

The investments firms make in recruiting and training employees are lost if those individuals cannot be retained. To prevent such outcomes, this section considers how firms keep high performers in their ranks. Retention strategies can be nuanced but appear to generally involve paying employees competitively, planning for their professional growth, promoting them according to those plans, providing them with adequate resources, and remembering they are people, not just employees.

Employee Retention Fundamentals

Compensate Appropriately	Plan for Professional Growth	Promote Appropriately	Provide Adequate Resources	Put People First

How Do Real Estate Development Firms Pay and Promote Their Employees?

Input received from respondents during this research suggests a single word aptly describes firms that excel at employee retention: proactive. Proactive firms adjust employee compensation before competitors force them to do so, consciously manage expectations and ensure all members of their organizations feel valued. They do these things in an orderly yet flexible manner that instills confidence in individuals that they have control over their career progression.

Compensation

Respondents were quick to acknowledge that employee retention starts with compensation. They advised firms to align compensation packages with competitors by regularly referring to compensation survey data, such as those in NAIOP's Commercial Real Estate Compensation and Benefits Reports, and adjust pay, bonuses and benefits to market levels. Likewise, they recommended firms send clear signals to their employees regarding whether they will eventually have opportunities for equity participation in the real estate development projects in which they are involved, and if so, when.

To mitigate dissatisfaction with compensation packages and pay adjustments, respondents called on firms to operate in a transparent manner. Helping employees understand how compensation decisions are made was said to go a long way toward addressing perceived inequities. No firm's compensation decisions were anticipated to please everyone, but respondents believed all employees should be familiar with the criteria informing those decisions to avoid feelings that compensation determinations are ambiguous or subjective.

Well-rounded approaches to compensation were described as striking a balance between pay, meaningful work and career development opportunities. Respondents maintained that such strategies not only attract talent but nurture loyalty by ensuring employees are both satisfied with their remuneration and invested in the long-term success of the firms they represent.

Career Development and Advancement

Since employees early in their careers are often as interested in their prospects for advancement as they are in the compensation they receive today, respondents suggested creating professional development plans for new associates. They recommended that these plans define goals, outline steps necessary to achieve them and include mechanisms for measuring progress. Aligning employee and employer goals in these plans was perceived to be imperative.

Respondents contended that professional development plans are most useful when they recognize the dynamic nature of career aspirations. Updating the plans regularly prevents employees from feeling pigeonholed with limited prospects for change. Offering individuals multiple paths of progression tends to keep them excited about their professional trajectories, especially when they are new to a field.

> **"If you can't facilitate career growth in your organization, if you are asking people to stay in analyst roles for five years, those people aren't going to be there. It's just not going to happen."**
>
> ANONYMOUS RESPONDENT

Another way to increase the value of professional development plans is by incorporating special projects that lend themselves to the development of subject matter expertise. Respondents argued that positioning employees to become "go to" sources of information on specific real estate markets, product types or development strategies empowers these individuals and makes them feel integral to their teams. Obtaining specialized knowledge may also embolden employees who are early in their careers to speak their minds despite their limited professional experience.

Respondents indicated that when professional development plans are a product of open and honest communication, employees should have a clear sense of what they need to do to advance. Their expectations should be realistic and in sync with where they are on their professional journey. After agreed upon goals are achieved, it falls to firms to honor promises made regarding pay and promotion.

What Resources Should Real Estate Development Firms Provide Employees to Retain Them?

Planning for employees' professional growth is one thing. Surrounding them with the resources necessary to achieve that growth is another. Respondents contended that firms that do both outperform their peers in talent retention. Some of the resources said to move the needle in the realm of employee satisfaction include mentorship, technology and compelling office environments.

Mentorship

Respondents noted that mentorship is an effective training tool that also plays a vital role in employee retention. Respondents cited a desire on the part of ambitious individuals to engage with the best and brightest in their industry and a willingness to stay with firms that afford opportunities to do so. Few believed mentorship relationships must be formal, but many believed they must be ongoing and adaptive.

More than just developing skills, mentorship was said to foster personal connections. Personal connections were in turn anticipated to increase the emotional cost of switching jobs. Mentorship relationships can therefore contribute to organizational stability by dissuading associates from leaving.
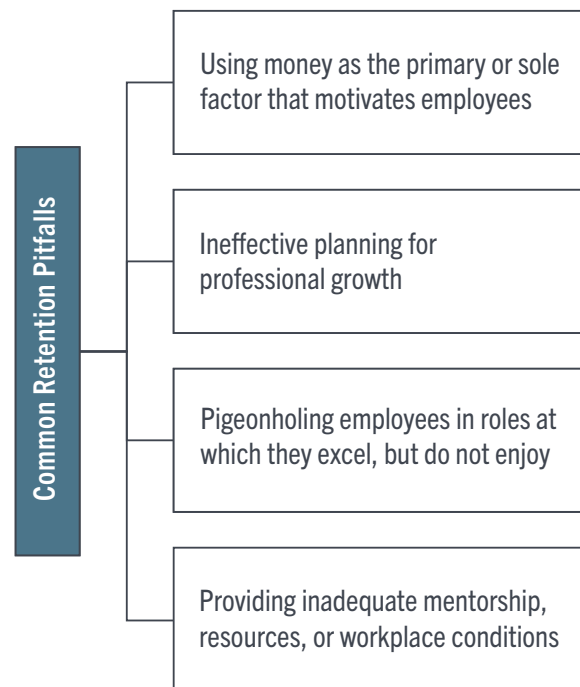
Well-executed mentorship can also serve as a foundational step in succession planning by nurturing the next generation of organizational leaders. Respondents indicated that approaching mentorship with succession planning in mind can help ensure firms have a deep bench of talent to sustain them across periods of growth and transition.

Technology and Workplace Environment

Just as mentorship involves looking to the past for professional guidance, embracing new technologies involves looking to the future. Some might argue that the latter is not a strength of the real estate development industry because it has historically lagged behind other fields in technology adoption and implementation. However, that is rapidly changing. Proptech, climate-tech and design-build tech are all now part of the real estate development lexicon. Respondents recognized this trend by calling on firms to use emerging technologies as a means of empowering and retaining their top performers.

Firms may take a top-down or bottom-up approach to technology by proactively seeking it out or, alternatively, investing in it at the request of their employees. Respondents argued that both strategies can aid in the retention of employees who wish to have the best tools at their disposal and work for organizations that are committed to innovation. These preferences are increasingly common among employees who are natives to the range of technologies that can be applied to real estate development. While some firms may stay fixated on the strategies and technologies that worked for their founders, respondents warned that they run the risk of alienating employees who are eager for change. Investments in technology should therefore be seen as investments in employee retention, particularly among younger employees whose work will shape the future of organizations for decades to come.

Any discussion of employee retention would be incomplete without mentioning the work environment. As in other industries, real estate development firms have come to realize the importance of investing in high-quality office space for their own use. Respondents stated that office space can serve both as a recruiting and a retention tool in a world where employees increasingly expect modern design, mixed-use settings and resort-style amenities in their place of business.

Common Retention Pitfalls

- Using money as the primary or sole factor that motivates employees
- Ineffective planning for professional growth
- Pigeonholing employees in roles at which they excel, but do not enjoy
- Providing inadequate mentorship, resources, or workplace conditions

What Can Real Estate Development Firms Do to Ensure Employees Are Satisfied?

Promoting personal satisfaction is the final piece of the employee retention puzzle. Its importance cannot be overstated because highly skilled workers are perhaps more demanding and mobile today than at any other point in history. In response to these conditions, respondents called on firms to tap into employees' motivations, unique sense of self, and desires for autonomy and supportive care.

Aligning Incentives with Motivations

Employees have different priorities when it comes to their job satisfaction. They may be motivated by financial benefits, job titles, work assignments that align with their social values, or a host of other things. As such, respondents stated that employees' preferences must be understood so firms can offer them appropriate incentives and rewards.

Similarly, respondents called on firms to operate in ways that authentically embrace the missions and values that attracted employees to their organizations in the first place. If firms espouse commitments to financial prudence, promotion from within or environmental sustainability, for example, those commitments must visibly manifest in day-to-day business practices. Aligning actions with stated values was purported to help prevent employees from feeling disillusioned and leaving for competitors.

While there will undoubtedly be situations where firms' incentive structures and operating practices do not perfectly match employee values, respondents argued that consistently seeking to align business practices with shared values enhances a firm's integrity in ways that resonate deeply with employees. The predictable result is a more loyal and committed workforce.

Leveraging Firm Identity to Reinforce Sense of Self

Individuals often prefer to work for firms that share their values, speaking to a desire to engage in work that reinforces a sense of self. This suggests firms can use their brands to retain employees if those brands are well recognized and well received. Respondents encouraged firms to craft and maintain their brand images with this in mind to bolster their employee retention efforts.

The types of real estate development projects in which firms participate was also said to affect employee retention. Respondents opined that some employees prefer to work for firms that take on projects perceived to be prestigious, innovative, luxurious or sustainable because they personally value these attributes. This suggests firms can promote the attractive qualities of their projects to enhance both their brand and their attractiveness to employees they would like to retain.

Helping new associates see themselves as part of a community is yet another way to connect them to a firm. Respondents expressed a strong belief that promoting social interactions outside the office serves as a means of enhancing employees' sense of belonging. They anticipated this sense of belonging discourages employees from leaving their jobs because it equates to leaving friends.

Providing Autonomy and Supportive Care

Providing new associates with increasing levels of autonomy as they demonstrate their capacity and commitment to their firms is also critical to retention. Respondents indicated that empowering employees with more autonomy not only builds their confidence and productivity but also instills pride in their work. Increased autonomy can be accompanied with continued oversight and mentorship so that employees receive feedback and learn from the decisions they make.

Providing workers with a degree of flexibility in their schedule and work environment is also important to their sense of personal autonomy and job satisfaction. This flexibility allows employees to align their professional obligations with their personal lives, helping them avoid burnout. While some firms show a greater willingness than others to provide such flexibility, there was a high level of agreement among respondents that firms should avoid stigmatizing reasonable requests for scheduling and work location flexibility so long as employees continue to excel and meet project timelines.

Lastly, the best firms were said to recognize that employees are people first, offering supportive care during challenging times. Firms that step up to assist employees when financial, health or personal issues arise tend to retain their employees longer. This support fosters loyalty and trust between the employer and the employee as associates come to realize they are valued not just as professionals but also as individuals.

Conclusion

The real estate development industry faces several talent management challenges, primarily driven by hiring practices that focus on immediate needs rather than strategic planning, and widespread preferences for hiring individuals with industry experience over those that require training. These approaches may be expedient but can lead to higher talent acquisition and retention costs, limit the diversity of new hires and limit the size of candidate pools.

This report identifies the broad objectives and considerations that shape effective talent management strategies. First, taking a strategic, long-term approach to recruitment that balances technical expertise, soft skills and cultural fit in the hiring process is essential, as each plays an important role in forming cohesive and productive teams. Second, training can come in a variety of forms and from a variety of sources, but it tends to be most effective when organizations prioritize and deliver it in ways that are reflective of its strategic value. Third, retention is an ongoing process that requires consistent managerial effort to ensure employees feel rewarded, supported, personally satisfied and on track to achieve their professional goals.

The challenge for real estate development firms lies in translating these high-level strategic objectives into tactics that not only address organizational needs but also take organizational context into account. Firms must carefully consider both their core competencies and the resources they can realistically devote to talent management before moving forward with any recruiting, training or retention initiatives. This is imperative because tactics that prove effective for one firm may be completely ineffective for another if it fails to leverage organizational strengths and mitigate organizational weaknesses. Firms must approach talent management with this in mind.

Further, real estate development firms must engage in talent management in ways that are systematic yet flexible. Repeatable processes and procedures lend themselves to consistent outcomes in the realms of recruiting, training and retention, and should be promoted. However, firms evolve, as do the markets in which they operate, creating a need for adaptability in all business activities, including those designed to ensure effective talent management. Firms willing to evaluate and revise their talent management strategies will therefore have an advantage over those that do not.

In conclusion, the real estate development industry requires a comprehensive approach to talent management that encompasses strategic recruitment, effective training and robust retention practices. By focusing on these key areas, firms can ensure their employees are as productive as possible. This comprehensive approach helps firms maintain a competitive edge, adapt to market changes, and foster a work environment that supports both organizational objectives and employee satisfaction.

Appendix: Quotes from Respondents

The following anonymized quotes were obtained from interviews and focus groups conducted for this report.

On Recruiting

"

"Communication skills are what companies are looking for or should be looking for. Thousands of conversations take place over the course of a development project."

"Companies wait until they are at risk of losing revenue before they start recruiting, so it becomes a mad dash."

"I want somebody that has emotional IQ and knows how to read the room."

"We need people that are creative and opportunistic. So, entrepreneurialism is important to us."

"Energy, and a willingness to roll up your sleeves and do whatever it takes."

"We are a small company, so we are always looking for utility infielders."

"Experience tends to be very high on the list of things we look for [when recruiting], and if you can pull from a competitor, that's certainly a plus."

"[When it comes to cultural fit], you have to trust your gut and your intuition."

"I would recommend anyone [interested in real estate development] to have some exposure to Argus and obviously Excel."

"The most important thing when making a hire is making sure that the [job candidate's] desires for career development align with the [firm's] needs."

"We hire for attitude and teach the skills."

"We want to hire people we think will represent us the best."

"The biggest determinant of our success is our reputation in the marketplace. We can be more successful if people like working with us and our people."

"We often find the right person and then fit them into a role."

"We're looking for people that are a good cultural fit."

"We have a collegial culture, not a superstar culture—people that come in get along and don't have much of an ego."

"

"It's hard to tell how good we are at recruiting because we don't know the people we aren't getting."

"Our organization is entrepreneurial in many respects, and we're looking for folks that take the initiative to seek out work."

"We like people who are willing to try something, even if it isn't something they have a lot of experience with; a willingness to jump in and help."

"I think university partnerships are beneficial because you can meet a lot of people in a short period of time."

"We're not looking for Ivy League graduates. We are looking for kids who can perform and want to perform."

"It's all referrals here. Somebody knows somebody that would be a good fit for the position, they let upper management know, we bring them in for interviews. It's all word-of-mouth."

"I'm looking for someone that presents as a lifelong learner. I think it's important."

"Thirty to forty percent of firms don't have any sort of internal talent acquisition team. So, those firms rely on referrals, and what happens when those referrals are exhausted?"

"Companies that stay out in front of job candidates, even when they aren't hiring, have a huge advantage when they are ready to bring someone on."

"Personality is important. [Companies] want people to come in who have drive, passion and the ability to think creatively."

"Scrappy, resourceful, competitive. You won't find a lot of companies that aren't looking for hires with those characteristics."

On Training

"Too many companies are asking: How do we fix our problems with talent? Not enough companies are asking: How do we groom talent for long-run organizational success?"

"Financial analysis is such a trainable skill. But when the economy is strong, companies don't want to train. They need someone who can fix the problem they have today."

"Companies want somebody who can do the job yesterday. They don't want to train people and they don't want to develop talent. It's a problem."

"We just don't have the capacity to train and bring on new people."

"In the development business, you're either looking for someone with [significant] experience or you're going to train them. It's hard to be in the middle."

"Every associate [in our firm] has to have a development plan of where they want to go in their career."

"We got rid of annual reviews and went to constant conversations. People should know where they stand."

"Shadowing. That's the only way [new associates] are going to learn."

"Shadowing, I think, is more important for understanding the flavor of how we do business than it is about the development process."

"[New associates] have to learn our way of doing things."

"We have real check-ins and real honest discussions."

"We use trade organizations, number one, for networking."

"We are always running and we're busy and don't necessarily have time to explain things."

"I don't think there is as much hands-on training inside of companies as there once was. People are expected to come for their first day of work with some baseline knowledge."

"It's hard for a small company to train. We don't have the time or the resources."

"People need a road map for career growth and check-ins to hold them accountable. Unfortunately, these two are rather uncommon."

"People teach others to do things when they need their help. A lot of training happens when you put people in a position to help others help them."

On Retention

"There are a multitude of reasons why people move on. Money is always a reason, a top five reason anyway. Others leave because they don't see a path for growth in their current organization or the current organization has run out of capital."

"Set goals for people to achieve, track their progress, and reward them appropriately."

"The market is more transparent than ever before, especially when it comes to compensation, so you can't get away with undercutting people for very long."

"I think supporting talent is creating an environment where people want to come to work."

"Most of our retention efforts are directly related to compensation."

"I've found our principals err on the side of generosity [when it comes to compensation]."

"Everyone in our office is an A-player and expects to work with A-players."

"We don't want to pigeonhole anyone into a job that doesn't fit for them."

"We constantly have check-ins with people to make sure they aren't stretched too thin."

"We make sure everybody has the right technology to do their job efficiently and effectively."

"We have a lot of smart and ambitious people and have to gauge and manage their expectations."

"We get to work on some cool projects in fun neighborhoods. It draws people in."

"I think everyone is motivated by money, and then obviously growth."

"Special projects outside the normal day-to-day elevate you and move you up the organization pretty quickly."

"There's lots of ways to plug into [the real estate development industry]. Some folks are super energized by one part of the business and less energized by another. Slotting them in where they feel appreciated and motivated is a pretty big deal."

"People can build a career in this business using our platform. They can use it to build wealth for their families. They can use it to increase their reputation and stature in the marketplace."

"People stay at jobs because they like the people. They have friends there they don't want to leave."

> "Is the company's mission aligned with my values? Is the culture of the company aligned with my values? Those are questions a growing number of employees are asking."

> "If you can't facilitate career growth in your organization, if you are asking people to stay in analyst roles for five years, those people aren't going to be there. It's just not going to happen."

> "You've got to know your people. You've got to know what's important to them because not everyone cares about the same thing. If you understand your people, and you're having honest conversations with them, you can usually find a way to keep them."

> "Mentorship is key. People want to be mentored by the top guys and top gals. A voice outside their day-to-day manager, I think, is incredibly helpful because it offers fresh perspective."

Endnotes

[1] Amy L. Kristof-Brown, Ryan D. Zimmerman, and Erin C. Johnson, "Consequences Of Individuals' Fit At Work: A Meta-Analysis Of Person–Job, Person–Organization, Person–Group, And Person–Supervisor Fit," *Personnel Psychology*, 58, no. 2 (June 2005): 281-342.

[2] Benjamin Schneider, "The People Make The Place," *Personnel Psychology*, 40, no. 3 (September 1987): 437-53.

[3] Shawn Moura, "NAIOP Survey Provides Insight into Skills Most Important to CRE Development," *Market Share* (blog), NAIOP, August 3, 2023, https://blog.naiop.org/2023/08/naiop-survey-cre-skills/.

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