

STRATEGIES IN A HOT HIRING ENVIRONMENT

The past 18 months have been the most frenzied recruiting period in Equinox Partners' history. Extraordinary capital flows into real estate, coupled with an expanding economy and recovering markets, have fueled an unprecedented demand for real estate talent at all levels and across all sectors. REITs, private owner/developers, investment funds, advisors, and service companies are hunting for talent across all organizational functions. The situation has reached epic proportions and has resulted in a highly competitive recruiting environment.

The prognosis is that this trend will continue for the foreseeable future. While the market is not quite as "frothy" as it was during 2004 and the first half of this year, recruiting activity continues unabated across the board. In addition, the 4th and 1st quarters are historically the most active periods for launching searches, so we are advising our clients to adjust to market conditions in order to be successful in attracting and closing with targeted talent. Here are some important challenges, and the strategies we recommend.

Multiple Competing Offers

We have seen a significant rise in competing offers. There are too many companies looking for the same talent so top performers are being actively pursued and presented with increasingly aggressive offers. This is becoming the norm and not the exception, so be prepared for tough competition in the last phase of a search.

Strategy: In order to compete, it is critical that you move quickly when you have identified an ideal candidate. Make every effort to close quickly and do not "nickel and dime" the offer. You should also be prepared to leave some margin for negotiating the comp package, but don't play the "low-ball" game, because you may not have an opportunity to counter.

Aggressive Counter Offers

Often, the current employer will not let a top performer go without pulling out all of the stops. On the day of resignation, we find companies moving quickly into action, putting extraordinary pressure on candidates by negative selling the new company and role, putting cash adjustments on the table that breach historical compensation guidelines, orchestrating immediate organizational changes, and making hefty promises.

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Strategy: It is critical that you make sure that you have covered all of the bases in your offer and made every effort to "engage" with the candidate on a personal level. You also need to coach the candidate to expect heavy pressure and remind him or her to keep in mind why they were considering making the move in the first place.

More Upside From Formula-Driven Bonuses

Increasingly, employers are adding more "upside" to the cash bonus package. Top performers want to see results in the bonus column, and there is an ever-increasing trend to formulaic bonus compensation, especially for transaction roles. Competing offers must stack-up and provide more bonus potential to make the sale.

Strategy: Make sure that your bonus program is competitive. It is critical to pencil-out, in detail, how he or she will get there, based on the formula and your company's positioning in the market. If your bonus plan is less formulaic, present a

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detailed and clear outline of performance metrics that will be used in the bonus evaluation.

Equity Handcuffs

Unvested equity in the form of direct interests in deals or restricted stock provides a significant obstacle to closing a deal.

Equity positions have been increasingly generous, but typically have 5-year vesting cycles, and often large “cliff” vesting arrangements. These unvested packages will have to be replicated or, in some way, accounted for in your offer.

Strategy: Make sure that you ask for a detailed outline of the candidate’s equity package and decide early in the process what you are willing to do to cover this aspect of the deal.

Locational Flexibility

It has become progressively more important for employers to enable transactional and marketing professionals to work remotely from headquarters. The competitive market for top talent, technology that allows for seamless remote operations, and the increasing pull of family priorities, all demand flexibility in this area. It also provides for a much broader pool of talent.

Strategy: For the right role and the ideal candidate, it behooves you to consider locational flexibility. You may need to adjust your operating platform to accommodate this issue. It is also critical that you do not “bait and switch” on your willingness to go along with this. You may go through a full cycle of a search but the moment you signal some second thoughts, it will surely go upside down.

Relocation Issues

National or regional searches are the best route to a full slate of candidates. However, relocation is one of the major obstacles to a successful close. It is not unusual to get to the end zone of a long and hard search only to

What else can you do to remain competitive in attracting and closing with top talent?

We advise our clients to consider the following tactics to develop the best odds of success as they launch a search. These approaches are valid at any time, but especially in today’s “hot” market:

- **Aggressively “sell” the opportunity.** Once you have decided a candidate is qualified, put on your sales hat and market the opportunity. Think of the recruiting process as a marketing campaign.
- **Organize and prepare your team.** Get everyone who will meet the candidates on the same page, and telling the same story. Inconsistent or mixed messages can undermine a search.
- **Make the search a priority.** Understand that human capital is as important as real estate capital, so dedicate as much time to the search as you would on your next acquisition.
- **Make sure you have a backup candidate.** Don’t put all of your eggs in one basket. There is nothing worse than losing your only candidate after a three-month process.
- **Be competitive in your offer.** Make sure that you have a pulse on the market and that your compensation package is what it needs to be in order to insure a close.
- **Consider hiring an executive search consultant.** This will provide you with a professional process, and will enable thorough market coverage and significant leverage of your time.

have the spouse detonate the process because he or she has had a change of heart about moving.

Strategy: Be sure to aggressively address family issues up front to make sure that the odds are on your side that the process will close. Get the spouse to your location sooner rather than later, and engage him or her with the opportunity, the team and the benefits of your location. In addition, open the checkbook to cover all of the costs. In comparison to the benefit of attracting the right talent, relocation costs are relatively insignificant.

These are the most dominant trends in the market today. The companies that make it a point to address these and other recruiting issues will be the ones that win in attracting and closing with the top talent.

Organizational Challenge

Museum of Modern Art (MoMA) Management outlined a challenging executive search assignment: recruit an Executive Director of Construction to manage the construction and development of the \$425 million, 650,000 square foot expansion and renovation of the museum, located on West 53rd Street in New York City. The new museum would be a truly custom facility, with highly sophisticated building systems and very specialized needs, and detailed finishes requiring exacting standards of construction. The role of Executive Director of Construction would require an individual capable of driving the project in every respect, who would be able to effectively coordinate with the project team, as well as the museum's Curatorial Staff and Trustees.



Left to right: The Museum of Modern Art, designed by Yoshi Taniguchi. View of Bauhaus stairway. Entrance at 53rd Street. Fourth and fifth floor stairwell showing Henri Matisse's Dance (I) (1909) and the Donald B. and Catherine C. Marron Atrium. All photos ©2005 Timothy Hursley.

Equinox Partners was retained to recruit a seasoned professional with a proven track record who was equipped to: 1) manage a complex project involving a diverse team of architects, contractors and consultants. 2) An individual capable of effectively interfacing and navigating issues through the curatorial art departments and among a powerful group of Trustees. 3) An impactful spokesperson, who could effectively represent MoMA to the media and within the community.

The Equinox Solution

Our team organized a comprehensive search process focused on executives who possessed a track record in the development and construction of highly complex projects located in Manhattan. We recruited several qualified individuals with the background and credentials to oversee this prestigious and highly visible development. In January 2002, after a 90-day process, Jean Solomon was selected to join the museum team, assuming the reins of the project. Our finalist candidate stood apart from the other contenders in many critical ways:



Jean not only brought an exceptional background in New York City construction, but also had a style, personality and communication skills that would enable her to work effectively with the diverse stakeholders in the process.

The MoMA project proved to be one of the most challenging and sophisticated ever completed in Manhattan. The highly complex project involved a team of 10 MoMA professionals and support staff, five architectural firms interfacing with 28 engineering and consulting companies, and four construction management firms.

The museum was successfully completed on time, and was reopened in November 2004, to the applause of the international art and architectural community, and with the admiration of its visitors. The completed construction represents MoMA's most

extensive redefinition since its founding seventy-five years ago, doubling the museum's capacity.

Jean's qualifications and experience proved to be exceptional for the role and her ability to balance management of the project with effective interface and coordination with the Curatorial Departments and the Trustees was a key ingredient in the success of the project. Jean began her career at Citibank after receiving a Bachelors of Architecture from Cornell and a Masters in Architecture and Urban Design from Columbia University. After Citibank, Jean co-founded Solomon Equities, a real estate management and development business that grew from \$10 million to a total of \$1.25 billion in project value. Among her other executive duties, Jean directed overall development and construction of five major commercial and residential buildings in New York City from 512,000 to 1,300,000 square feet and totaling 4,000,000 square feet. Solomon Equities also provided project management services for The International School in Beijing, China and a mixed-use project in Barcelona, Spain. Prior to joining MoMA, Solomon held senior roles with The Praedium Group and Credit Suisse/First Boston.

HIRING TRENDS

Over the course of the past 12 months, Equinox Partners has experienced unprecedented growth in search activity across all sectors. Since January, we have completed 33 searches and currently have approximately 24 active assignments. This activity has included searches for CEO succession candidates, senior-level investment, development and operations professionals, executive-level human resource professionals, and corporate services executives.

However, one of the most significant areas of search activity is for executive and senior level finance and accounting professionals. There is extraordinary and growing demand for seasoned candidates to fill Chief Financial Officer, Chief Accounting Officer, and other senior roles in the financial reporting area, to help clients more effectively navigate the new and increasingly complex world of Sarbanes-Oxley. However, not only are public REITs in the hunt, but private companies are also looking for the same talent, in response to the reporting demands of institutional investors, joint venture partners and financial institutions.

This talent is becoming a scarce resource and, as a result, we have also witnessed a significant increase in compensation for accounting professionals at all levels.

Once upon a time, premiums were only paid for CFOs who had capital markets experience in addition to core accounting skills. Today, premiums are being paid to individuals who “have been there and done that” in the accounting arena, and successfully dealt with Sarbanes and other current reporting issues. Based on 2005 proxy statements issued by 108 REITs, median total compensation (base, bonus and equity) for REIT CFOs

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as of December 2004 was \$712,970, compared with \$564,661 for the prior year, representing a 26% increase. This trend will not abate, so executives are advised to make sure that their accounting team is compensated at market, and happy within the environment in which they work. It is also critical that you have a strong “bench” from which to draw, in the event you lose a key member of the accounting team.



is an executive search firm specializing nationally in recruiting executive and senior-level professionals across all sectors and functions in the real estate industry.

OUR MISSION

Equinox Partners is committed to the highest standard of integrity and professionalism in executive search.

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