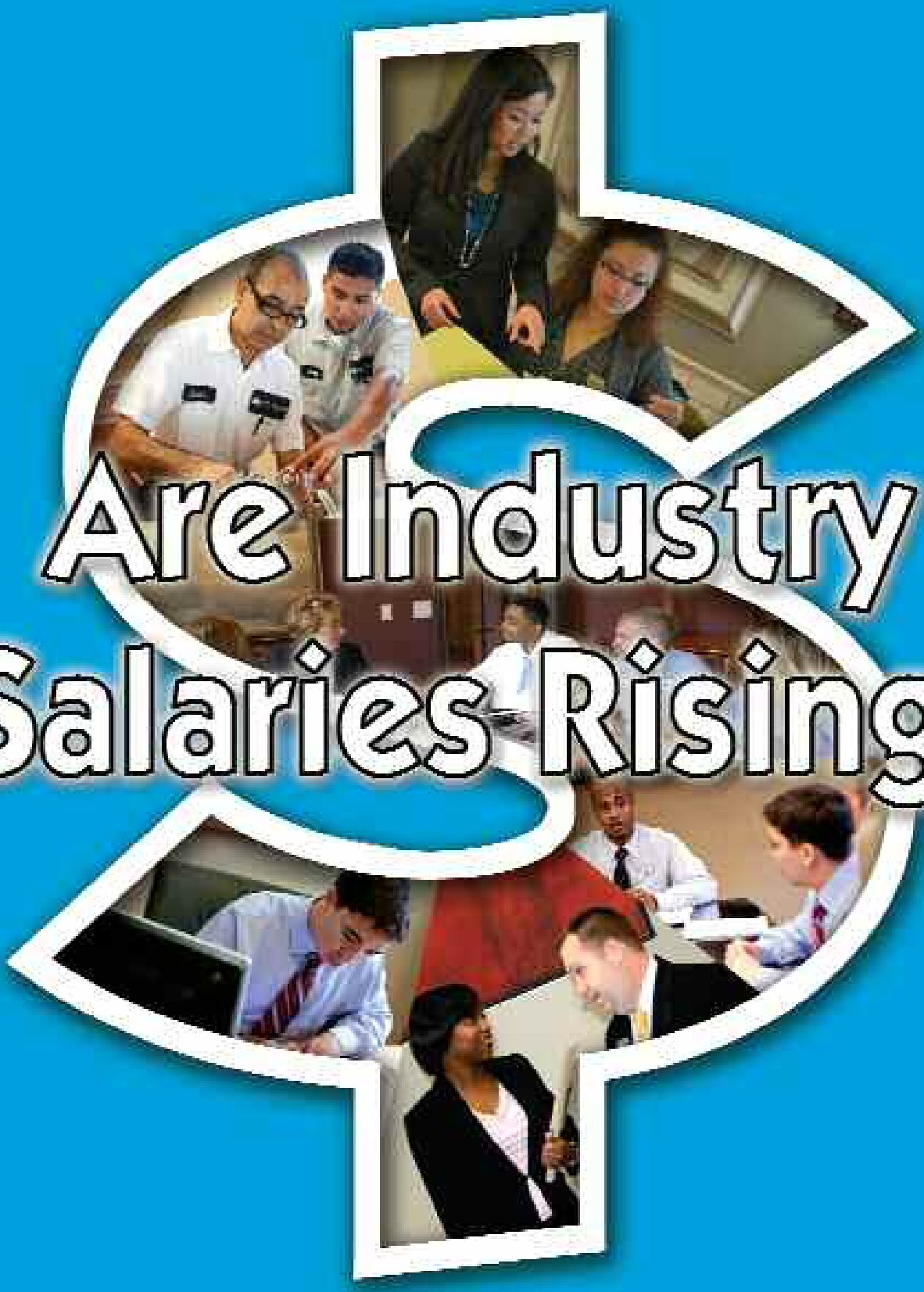

Are Industry Salaries Rising?

Rising compensation trends reinforce retention and recruitment as top priorities.

Throughout the multifamily housing sector, retention and talent management remain top priorities for company leaders as economic conditions improve and competition for high performers increases. A slow but anticipated up-cycle has fueled a growing sense that the next three to five years will witness strong real estate opportunities and the setting for high returns and financial rewards.

The 2013 CEL National Real Estate Compensation & Benefits Survey (the 24th annual and the largest and most comprehensive in the industry) reveals a number of year-over-year and longer-term trends important to industry leaders and company management heading into 2014.

Base Salary. Overall merit increases in 2013 have remained steady (flat) at approximately 2.9 percent to 3 percent (50th to 75th percentile), trending in the 3-percent range for the past three years. Merit increase budgeting for 2014 is forecast to range from 3 percent to 3.2 percent (50th to 75th percentile—overall). Overall base salary (company-wide) average increases (in 2013) have shown some variance across company size categories, as smaller companies' (under 50 employees) average base salary increases ranged from 2 percent to 2.6 percent across the office/industrial, residential and retail sectors, while larger companies' (more than 450 employees) ranged from 2.7 percent to 4.7 percent. Base salary increases (overall—all positions) between public and private companies showed a range of 2.9 percent (private) and 3.7 percent (public). Although much improved from the economic downturn period (2008 to 2011), this level may not be sustainable without higher levels of overall economic growth (now being seen) and corresponding associated income growth.

An improving economy and shortage of talented professionals have contributed to a more employee-centric approach to compensation adjustments and the creation of incentive programs.

Annual Bonus. Bonus realization levels (bonus payout relative to the maximum/target) have risen during the past few years from a low of 64 percent (2009) to nearly 79 percent for 2012 bonus awards (paid in 2013). The 80/20 rule is applied more predominantly than in the past as real estate firms reward strong and top performers vs. a more balanced approach across all employees, reinforcing the focus on motivating and retaining outstanding talent in 2013 and 2014. Since 2011, there has been a return to specific (and multiple) bonus performance criteria/metrics (vs. discretion); and financial governors are now more common, applied to corporate performance and as guidelines for the overall magnitude of aggregate bonus pools and payout. An emerging trend in compensation plans is the setting of minimum standards of excellence before qualifying for an incentive bonus award. Metrics involving multiple years of "results" are becoming more popular, such as three-year rolling measures (profits, growth, NOI, etc.).

LTIP Programs. Pressure to include more employees (and levels) in LTIP plans continues as companies seek greater capacity to retain key employees and rising stars—and more so in the private sector. Rising opportunity (and recovery of lost value) in the private sector has also come with associated long future periods for hold, vesting and value creation (seven to eight years). Marketplace volatility has made multiple year projection (three to five years) of LTIP Program metrics challenging, and has led to a greater use of rolling 3-year structures. In the public sector, continued strong REIT TSR performance (absolute and relative) has triggered LTIP performance criteria and fueled rising LTIP awards with performance vesting. However, 2013 will likely witness the first year in several where REIT TSR performance will not exceed the broader market indexes. Fed policy (QE3) changes may have a high impact on compensation (particularly REITs) as market valuation and Total Returns have proven highly sensitive to interest rate movement in response to Fed actions.

Talent Management. Strong recruiting continued in 2013, particularly for "growth-" and "value-based" positions in Acquisitions, Development, Asset Management, Leasing, Capital Markets and Investment Management. As we move into 2014 and beyond, retirement of senior executives will dramatically impact promotions and talent recruitment, as some 40 percent to 60 percent of senior executives (corporate, regional and asset) are "Baby Boomers" who will retire over the next seven to 10 years. On the supply side of talent retention, depressed hiring over the past five years combined with the lingering effect of the decline of entrants into real estate (1990s) during the "dot-com" era has reduced young and middle talent in the industry.

Compensation Plans. Competition for top talent brings pressure for increased compensation, as well as a higher "bar" for performance. Pressure to retain top talent will increase and "locking-in" stars and next generation leaders remains a priority. Use of Corporate Scorecards and Dashboard metrics for "real time" performance tracking are increasingly correlated to compensation performance metrics and evaluation criteria. There is a level of uncertainty related to Benefits plans (health coverage), as the "rules" of the Affordable Care Act unfold new costs, regulations, relationships between insurance and care providers, and "work around" options to contain additional costs to employers.

Training and Leadership Development. Talent management programs are building more definitive career paths and offering more "next generation" leadership training, exposure, mentoring and development. Succession planning is no longer the exclusive domain of the CEO (and top) positions, as succession considerations for many key top-level positions are increasingly HR imperatives. Corporate strategic planning continues to widen its HR considerations—as recruitment, retention, leadership development and succession are having an increasingly important impact.

Source: James B. Wright is Managing Partner of CEL Compensation Advisors, LLC. To purchase the full report ($1,500), which includes metro area data, email Janet Gora at janet@celassociates.com.

CEL & Associates 2013 National Real Estate Compensation Survey

Following are salary figures for many key residential housing positions included in CEL & Associates, Inc.'s annual Real Estate survey. The overall survey includes input from 100,000 incumbents and 388 companies. The 50th percentile is the value that is the midpoint of the range of values reported for that variable (also referred to as the median). The 75th percentile is the value that is the breakpoint where 75 percent of the values reported for that variable are lower. Actual Bonus is represented by the average annual incentive award earned (reported) for goals achieved in 2012.

Visit bit.ly/CELComp for details on how to purchase the entire survey, which includes metro-area salary data.

Source: CEL & Associates, Inc./CEL Compensation Advisors

	Base Salary		Actual Bonus As Percent of Bonus
	Median Base Salary	75th Base Salary	Average Actual Bonus
Senior Executive			
Top Division Executive	$276,500	$350,600	80.5%
Top Regional Executive	$201,800	$262,000	38.4%
Acquisitions			
Top Acquisitions Executive	$193,500	$252,100	106.5%
Acquisitions Director/Manager	$138,700	$173,800	41.6%
Acquisitions Associate	$82,600	$97,600	18.0%
Asset Management			
Top Asset Management Executive	$208,000	$241,500	67.2%
Senior Asset Management Executive	$145,900	$202,900	33.1%
Portfolio Manager	$105,200	$120,000	18.8%
Senior Asset Manager	$103,500	$122,600	28.0%
Asset Manager	$80,500	$93,800	15.4%
Property Management			
Top Property Management Executive	$234,500	$303,000	70.4%
Vice President Property Management	$156,400	$195,000	28.5%
Regional Property Manager	$102,800	$116,000	16.8%
Senior Property Manager	$73,200	$86,200	15.3%
Onsite Community Mgr. I (<150 units)	$43,400	$49,100	14.0%
Onsite Community Mgr. II (150-300 units)	$53,500	$59,600	15.2%
Onsite Community Mgr. III (301-450 units)	$60,200	$67,000	15.3%
Onsite Community Mgr. IV (>450 units)	$66,800	$76,700	15.6%
Assistant Property Manager	$37,000	$42,200	11.4%
Onsite Administrator	$38,500	$45,800	7.6%
Resident Services Manager	$46,300	$58,400	8.3%
Concierge	$34,000	$40,100	7.0%
Operations Analyst	$65,400	$79,400	5.5%
Operations Director/Manager	$80,500	$113,700	15.0%
Regional/Portfolio Maintenance Engineer	$81,400	$90,900	9.9%
Maintenance Supervisor/Lead Engineer	$47,700	$54,000	7.2%
Maintenance Engineer/Technician II (mid-level)	$37,500	$41,900	4.5%
Maintenance Engineer/Technician I (entry-level)	$33,600	$36,200	4.7%
Make Ready Maintenance Tech	$30,300	$34,500	4.0%
Groundskeeper/Porter	$24,800	$27,200	4.0%
Housekeeper/Custodian/Janitorial	$25,000	$27,900	4.1%
Leasing			
Senior Leasing Executive	$89,000	$107,500	62.0%
Leasing Manager	$39,000	$48,000	23.5%
Typical Leasing Agent/Representative	$29,600	$33,000	16.1%
Regional Marketing Director/Manager	$78,200	$90,000	15.4%
Development/Construction			
Top Development Executive	$237,000	$302,500	95.8%
Vice President/Director Development	$166,000	$216,000	38.8%
Senior Development Manager	$143,000	$162,000	24.5%
Development Manager	$108,500	$153,400	19.0%
Senior Project Manager	$121,800	$156,200	18.2%
Project Manager	$101,200	$116,800	17.3%
Project Analyst	$70,100	$73,500	17.8%
Project Administrator	$53,600	$59,300	10.2%
Top Land Engineering Executive	$151,200	$193,800	35.2%
Top Construction Executive	$173,200	$223,100	46.4%
Construction Manager	$93,800	$125,000	15.4%
Construction Onsite Manager	$89,800	$99,700	16.4%

Regional Property Manager Median Base Salary

$102k

Leasing Manager Median Base Salary

$39k

Please note that the compensation figures presented represent a composite of all companies participating in the 2013 CEL National Survey and are not stratified by ownership/type of company (public vs. private), company size, product specialization, regional geographic location, or metropolitan area. Further, factors such as tenure, experience, role and responsibility will impact compensation levels and benchmarks (percentiles) for the evaluation of any comparative situation, as will the financial situation.