

# The Big Squeeze

Where is the Next Generation of Managers?

By Paul Rosta

Property management has taken on new prominence during the recession as owners and service providers scramble to get the most possible value out of assets, and the need for top-notch management talent is only likely to grow as the leasing and investment markets heat up. That could be bad news for property owners: The average age of existing managers is advancing, and the new talent pool is simply not there.

According to the U.S. Bureau of Labor Statistics, the industry will need 330,000 property managers by 2018—an 8 percent increase over 2008. That is welcome news for the next generation of property managers. “You’re going to have demand going up and more demand and more opportunity for young people with good basic skills,” predicted Joe Greenblatt, president & CEO of multi-family management company Sunrise Management.

But by all accounts, the renewed luster of property management has yet to bring in a new wave of apprentices or even mid-career professionals with an interest in the profession. Many third-party providers and owners are already grappling with the challenges of finding candidates who offer the necessary combination of skills—finance, construction, tenant relations, sustain-

ability and marketing, to name a few. For the long term, the supply and demand imbalance appears likely to present plenty of headaches for property management executives and human resources staffs.

As in other areas of real estate, a familiar demographic trend is a main culprit. The ranks of property managers are graying rapidly as the Baby Boom generation reaches retirement age. Before the recession, the average age of project managers had hit the mid-40s, noted Rick Gillham, president of Gillham, Goldbeck & Associates Inc., a Dallas-based search firm specializing in real estate. Demand for new talent will be on the rise as a wave of experienced professionals reach retirement age.

Further complicating the issue is the large volume of distressed assets that are expected to need specialized property management skills in the next few years. If a large number of those properties require major capital improvements or other specialized services, the demand for experienced professionals could tax existing resources, Gillham contends.

## Return of RTC-Era Gap?

All in all, today’s conditions bear a worrisome resemblance to those of the Resolution Trust Corp. era 20 years ago. “I’m worried that we’re going to have the same kind of gap in the talent pool that we had in the last downturn, which is going to hurt us all,” Gillham said. After that slowdown curtailed hiring and discouraged recent graduates and others from pursuing management careers, it took the better part of a decade to close the gap.

The implications are clear: The supply-demand imbalance will place an increasing stress on property management teams. As managers are stretched thin, management quality could slip, costs are likely to rise and the industry may face a talent deficit for several years.

Those tasked with filling openings have few easy answers at their dis-



## [Property Management]

posal. To begin with, developing qualified managers has a long lead time. Greenblatt estimates that apprentices need two to five years of training before they are ready to take responsibility for a property. An additional two to five years of experience are usually required for managers to move up to the position of a district manager or portfolio manager responsible for multiple properties.

One strategy that can speed up that prep time—by as much as a few years—is taking advantage of the specialized training offered by industry organizations like the Institute of Real Estate Management and the Building Owners and Managers Association, Greenblatt noted.

And human resource executives feel that they have no other choice but to demonstrate patience. Too much rides on the performance of the property manager to risk installing under-prepared individuals in responsible positions. “From our perspective, we are not going to look for the quick fix,” said Caren Hosansky, senior vice president of human resources for Liberty Property Trust. “A short-term decision could have really far-reaching effects. We spend a lot of time making sure we’ve hired the right person for the position.”

In June, Liberty appointed Kristin Murillo to oversee its 4 million-square-foot industrial portfolio in Houston only after she had served a five-year apprenticeship and earned her stripes in tenant relations, cost management and other areas.

### The Perception Gap

To start closing the generation gap, the industry must address a perception gap. Property management is often a career that happens more by accident than design. Too often, young people equate real estate careers with development or brokerage. College students and recent graduates often seem unaware that property management is an in-demand, rewarding profession requiring exceptional versatility.

“I don’t think we’re getting a lot of the younger people that got out of college three or four years ago,” speculated Jim Bilger, senior managing director for operations for CB Richard Ellis Inc. Budget constraints have

forced some prospective employers to cut back campus recruitment, reducing opportunities to interest young people in management careers.

A critical part of the solution lies in the hands of the nation’s colleges, senior executives argue. Many undergraduate business and real estate programs, they contend, fail to expose students sufficiently to property management, with management-focused courses generally far more available on the graduate level.

As a result, undergraduates are often missing out on the chance to learn about property management as a career and to start learning

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the basics through supervised classroom training. That helps increase the tendency for many professionals to start their management careers by accident rather than by design.

The nation’s colleges could go a long way toward enhancing the talent pool by offering property management courses in greater numbers and greater depth, say industry veterans. Tim Ballas, managing director of asset services in the San Francisco Bay region for CB Richard Ellis Inc., suggests that undergraduate coursework in management should ideally touch on a wide range of issues: finance, information technology, human resources and construction techniques, to name a few. And, he added, the nation’s colleges have no shortage of qualified veterans who are ready to serve as teachers and mentors.

Real estate firms and professional associations can also play a role in filling the property management gap, especially by training mid-career professionals from other industries. Camden Property Trust recently filled an opening at one of its apartment properties in

California with a manager who had recently been laid off from his job as a furniture-store manager. On the face of it, running a furniture store seems to offer only a slight resemblance to managing an apartment complex. But Melinda Graham, Camden’s vice president for property operations in California and Arizona, pointed out that there are parallels: Both positions call for a facility with numbers and finance, customer service, people skills and multitasking.

In the case of such mid-career moves, Graham speculated that an ability to switch directly into a well-paying management position can provide incentive, versus the modest starting salaries many new college graduates must accept as they enter the profession at the bottom and learn property management from the ground up.

Comprehensive in-house training is an established practice among owners who manage their own assets as well as third-party managers. Still, even the most sophisticated players are looking to upgrade their programs. “We have recognized that it’s taking a long time to fill these positions,” Graham said.

A few months ago, Camden responded by starting to develop a new training program to complement its substantial existing offerings. Organizations such as the Institute of Real Estate Management and the Building Owners and Managers Association are offering educational programs and outreach aimed at the managers of the future.

Considering the formidable looming hurdles to meeting the needs of the property management profession, some industry veterans are nevertheless encouraged by what they see in the field. While attending a late-summer networking event sponsored by IREM Young Professionals in San Diego, Greenblatt was struck by the energy that pervaded the event.

“The young people that were in attendance there were hungry for education, they were hungry for training, they were hungry for experience,” he reported. If the property management community can meet the challenge of expanding and harnessing that energy on a national scale, it will bode well for the profession’s future.

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