

Real Estate Investment & Development Career Primer

2017–2018



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Introduction to real estate industry recruiting

The real estate industry encompasses a wide range of businesses. For the purpose of business school recruiting, the industry can be broadly broken down into three major segments:

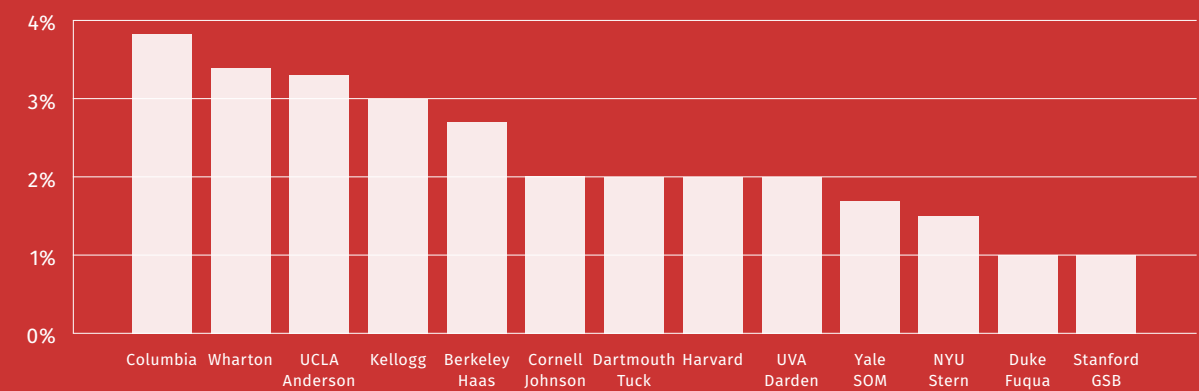
- Real estate investing: private equity and real estate investment trusts (REITs)
- Real estate development and operator companies
- Real estate operations, sales, and services

This primer does not include real estate–focused investment banking, which is covered in our [**Investment Banking Career Primer**](#). Our discussion here focuses on the investment and development side of the business, which generally has a more defined promotion path than real estate sales/services businesses.



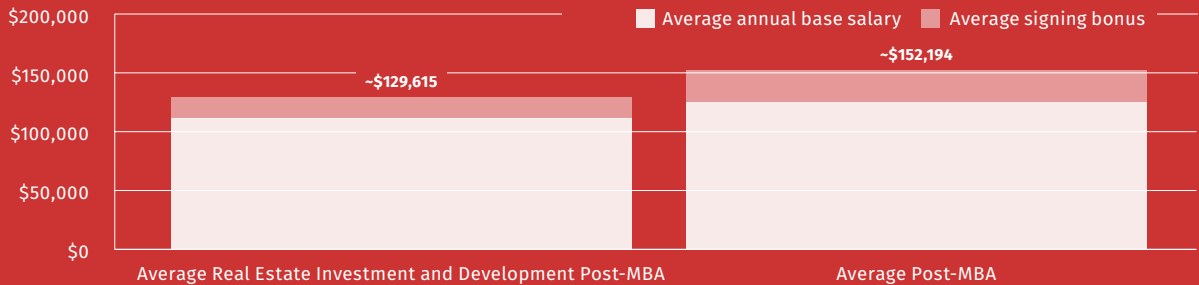
What do the data say about real estate recruiting?

Percentage of the MBA Class of 2016 Taking Real Estate Investment and Development Jobs



Source: School employment reports

Compensation for Real Estate Investment and Development Positions



Source: School employment reports

Although the real estate industry is not as popular as more traditional MBA career destinations such as investment banking and consulting, many MBA programs have dedicated resources, classes, and extracurricular programs for students interested in entering real estate.

The compensation for MBA real estate industry entrants varies. Generally, real estate development and real estate services firms will pay less initially than real estate investment firms. On average, across all parts of the industry including investment and development, recent MBA graduates receive a salary of around \$111K with bonuses ranging from \$15K to \$40K.

The Org Chart



Managing Director

Salary varies depending on fund and firm performance, with bonuses potentially exceeding \$1M

Vice President

Salary starts around \$200K, with bonuses ranging from \$150K to more than \$1M

Associate

Salary averages around \$120K, with bonuses ranging from \$25K-\$125K

Associate:

At real estate investment firms, business school graduates generally start out at the associate level in an acquisitions role, an asset management role, or a combination of the two roles. Associates focused on acquisitions help source real estate deals and then underwrite them to determine a deal’s potential value. The underwriting process can include surveying the local market to understand how much a building can reasonably charge for rent, meeting with contractors to determine how much a redevelopment or renovation project would cost, and talking to local brokers and leasing agents to understand the types of tenants that would occupy the space or what the options are for a future resale. Generally, associates work on multiple deals at a time and present the best options to a vice president, at which point the firm will conduct more due diligence on selected deals. In contrast, asset management associates focus on maximizing the value of the investments after they have already been made. This can include finding

tenants to lease vacant space, working out issues with existing tenants, overseeing the process of making improvements to the structure of a building, and preparing assets for sale.

Associate compensation at real estate investment firms typically averages around \$120K in salary. In addition, while bonuses vary and can range from \$25K to \$125K or more, bonuses at private real estate investment firms generally start at approximately \$75K, depending on firm type and size as well as the associate’s level of experience. Some firms also offer “carry” to associates, which is a payout at the end of a fund’s life based on its performance and profits. The amount of carry varies widely from firm to firm.

The role of an associate at a development firm is similar in some ways to that of an associate at an investment firm. Development associates help oversee parts of the development process from the ground up. This can include conducting research to understand investment return expectations to help raise capital from investment partners for development deals, working on zoning issues or environmental issues related to new developments, or managing parts of the design or construction process. Associate compensation at development firms includes a typical salary of around \$120K with bonuses varying based on the success of the associate’s development projects.

Vice President (VP):

Vice presidents generally have five to ten years of real estate experience and oversee investment projects. The duties of this role are similar to those of an associate but with more responsibility.

Vice presidents involved in acquisitions manage the due diligence process for new investments and the acquisitions process of assets that are selected for investment. They are more involved in the sourcing and selection of potential new investments than associates. VPs also supervise associates in the ongoing asset management of these properties.

Vice presidents at development firms oversee larger parts of development projects than associates and may be more involved in the financing process. They may also take a lead role in securing the most appropriate tenant base for new projects.

At the VP level, compensation is more closely tied to the firm’s performance. Salaries generally start at \$200K, and bonuses range from \$150K to more than \$1M. Like associates, vice presidents earn bonus compensation based on overall firm performance. This can be a very significant part of their overall compensation and is highly variable.

Managing Director:

Managing directors generally have at least ten years of real estate experience, and they oversee a number of investments or an entire portfolio. At this level, professionals in both investment and development roles focus on strategy, market selection, and incorporating thematic economic views into the investment and acquisition strategy. For example, if the firm believes that “high street retail” or high-end shopping districts are poised to do well, then the managing director would be tasked with identifying the right mix of clients for a successful project. Managing directors are also often responsible for cultivating relationships with investors and operating partners. Compensation at this level is almost entirely dependent on firm and/or fund performance, with bonus compensation easily having the potential to surpass \$1M.



What is the job?

When sourcing new investments, real estate investment professionals scour a wide range of geographies and asset types to find the best opportunities. Depending on the firm’s strategy, those targets could all be of one property type, such as retail centers, or they could be diversified across the spectrum of property types (e.g., office, multifamily, retail, hotels, industrial).

Developers will also scout opportunities, but usually they do so with more of a regional or product-type focus. Once an attractive deal is identified, developers generally need to find financing and therefore will contact capital partners (usually real estate private or public investment firms) to negotiate financing terms. This involves sorting out what the expected returns will be and how the two partners will split these returns. The splits can vary, with the capital partners getting most of the initial returns, because they provide the majority of the capital for the project, and the developer earning a larger share once the project hits a pre-identified return threshold. This return threshold will depend on the project’s level of perceived risk. Developers and capital partners generally work together to then maximize the value of the project or asset.

No, really, what is the job?

The day-to-day life of real estate investment professionals and developers is highly variable. Developers spend a lot of their time overseeing projects and working with capital partners. Meanwhile, real estate investment professionals spend more time evaluating and underwriting opportunities and then managing their portfolio of assets.

Real Estate Investment

“After an investment broker contacted us about a large apartment building that was about to come to market, I spent several days underwriting the investment to determine if it was appropriate for our fund’s strategy. This means modeling out exactly how much each apartment unit would generate in rent, parking fees, and even pet deposit fees! After coming up with the maximum value we were willing to pay and presenting the deal to our investment committee, all within the course of a week, we ended up losing the bid to a competitor who was willing to pay more for the building.

“I performed an in-depth analysis of the self-storage real estate market in order to determine the appropriateness for our fund’s strategy. After understanding how the asset class works and developing a sense for pricing and return expectations, I contacted several operators who specialize in self-storage and identified the most attractive geographic areas. We are now moving forward to deploy capital in that sector.

“An operating partner from Chicago contacted us about a potential deal he had sourced. He needed a capital partner in order to complete a major conversion project that was aiming to turn an office building into an apartment building. After a detailed evaluation of the opportunity, we decided to partner with this local real estate operator. We provided not only the equity but also expertise in conversion and then lease-up strategy.

Real Estate Development



I spend a lot of time working with leasing agents to make sure that we are leasing our commercial buildings with the right mix of tenants. For example, we have a creative office type building in Denver where we are targeting tech start-up tenants. We need to make sure that (1) the tenant is the type that is going to be viewed upon favorably by other future potential tenants and (2) the underlying business is healthy and the probability of a default or early termination on the lease obligation is low.



Development isn't just construction. The acquisition of the site and the entitlement and approval process often take much longer than the actual building process. A lot of work is done with city officials and municipalities to get approval for new ideas. For example, sometimes land is zoned only for commercial but we may want to build condos. This process also includes getting public buy-in from the local community. People skills and a relationship-driven process are underrated and a huge part of getting things done as a developer.



As a managing director at a development firm, I oversee all of the moving pieces of a project at a given point in time. In the beginning, this means being the project's champion and appealing to municipalities and neighboring organizations to allow for any necessary zoning changes. It also means securing financing from one of our capital partners. After this is complete, I work with the architects and builders to oversee the delivery of the project. Finally, I work with leasing staff to make sure we have the right mix of tenants in order to maximize the value of the building.

What is good about the job?

Real estate firms offer a variety of opportunities to MBAs, and newcomers can play a valuable role. Many firms give associates a high degree of autonomy, which provides them a chance to build their creative problem-solving skills. In addition, many professionals find the tangible aspect of this industry very fulfilling. For example, unlike investing in securities, real estate asset investment and development can change the composition of a neighborhood or city, which can be extremely rewarding to employees at all levels of the organization.

Aspiring real estate professionals can expect the following benefits from this career field:

- Stimulating and team-oriented work environments
- A people- and network-driven business in which most roles involve a high level of interaction with third-party partners
- The chance to effect change in neighborhoods and cities
- Unlimited upside in earning potential, even early in one's career
- A meritocracy where hard work and good ideas generally get rewarded
- The opportunity to network and build relationships in the industry
- The potential to leave large firms and pursue entrepreneurial ventures





But surely the job has pain points, right?

At real estate investment firms, associates can face long hours and tough cultures, similar to those found at corporate private equity firms. At real estate development firms, associates often spend years on just one project, because development projects can easily span multiple years as a result of zoning, construction, and financing issues. This could lead to a myopic understanding of markets and an unintended niche focus. In addition, many of the largest development companies have historically been family owned and operated, which means that opportunities for promotion and ownership can be limited at some firms.

Working in the real estate industry has the following drawbacks:

- Susceptibility to the economic swings of different regions (i.e., the industry can go through “bust periods” during recessions and “boom times” during economic expansion)
- Not always a clear promotion path or career trajectory
- Often long hours and a highly competitive work environment at real estate private equity or investment companies
- Many family-owned companies in real estate development, which can limit promotion potential



What is the secret to **success**?

As clichéd as it may sound, the most important factor for succeeding in real estate is having a genuine interest in and passion for the industry. Recruiters seek candidates who can demonstrate their interest in real estate, regardless of their background. This can be accomplished by staying current on industry- and market-specific news as well as understanding real estate cycles and how different firms fit into the overall landscape. Most roles in the real estate investment and development fields also require a high level of interaction with other industry professionals and service providers. Therefore, candidates must have strong communication and people skills.

The following attributes are keys to success in real estate:

- A sense of career focus within the industry (i.e., knowing whether you want to work on the financing side or the development side and if you have a geographic or asset type preference)
- Relevant industry/functional experience or the ability to articulate how past skills relate to your real estate career aspirations
- Differentiated knowledge of the industry and particular locations
- Intellectual curiosity and willingness to learn and work one's way up
- The ability to think beyond entry-level compensation
- Strong quantitative and technical skills (e.g., ARGUS software, modeling capabilities)
- The ability to communicate with a variety of constituents (e.g., investors, construction crews, lawyers)
- Tenacity—demonstrated through examples of achieving results against the odds
- Marketing and salesmanship

Who are the big fish?

Real Estate Private Equity Firms/REITs

Blackstone

Originally known for its corporate private equity group, The Blackstone Group has grown to become the largest real estate investor in the world. As a result of the firm's size and its success in raising increasingly large pools of capital, the New York City-based behemoth is known for handling large portfolio deals and for buying entire real estate operating companies.

Brookfield

With offices in Toronto, New York City, London, and Sydney, Brookfield Office Properties is one of the largest institutional real estate investors and is focused on the office sector. The company also manages and develops property in addition to being an investor.

THE CARLYLE GROUP

Based in Washington, DC, Carlyle's real estate group has become a major industry player. The firm's focus transcends geographies and asset classes, and it manages smaller, single-asset deals rather than large portfolio purchases.

LONE STAR FUNDS

Lone Star is one of the largest and oldest real estate investment funds. Based in Dallas, Texas, Lone Star focuses on investing in the debt of distressed assets.



Starwood Capital is based in Greenwich, Connecticut, and is headed by industry veteran Barry S. Sternlicht, who founded Starwood Hotels & Resorts Worldwide. Starwood Capital no longer owns the hotel chain, but the firm is a diversified real estate investor.

VORNADO REALTY TRUST

Vornado is a publicly traded New York City-based REIT that invests across property types. Although Vornado has investments nationally, the firm is particularly strong in the Manhattan market.

Real Estate Development Firms

Hines | Securities

Hines is a large private developer and owner/operator that is based in Houston, Texas, and known for its marquee commercial projects all over the world.



Tishman Speyer is a large private developer and owner/operator that is based in New York City and focuses on large-scale commercial projects globally.

Other Large Real Estate Firms

CBRE

CBRE is a publicly traded real estate firm that encompasses a large investment division, a brokerage division (leasing and investment sales), and a corporate services division. The firm is based in Los Angeles, California, but it has offices in cities worldwide. In addition to being a large brokerage firm, CBRE offers several types of rotational programs for business school graduates in its various business units.



Eastdil is a capital markets firm that caters to the real estate industry. From investment banking and capital-raising for real estate investment trusts and funds to investment sales of high-profile assets, Eastdil is involved in many facets of the real estate business and is based in New York City.

RELATED

Related Companies is a privately owned, multifamily and mixed-use developer based in New York City but with properties in several major U.S. markets. Although the firm is known for having a tough corporate culture, it manages some of the most innovative and best-in-class projects nationally. Currently, the developer is working on Hudson Yards, a well-publicized project transforming the Manhattan West Side.

GREYSTAR®

Greystar is based in Charleston, South Carolina, and is the largest owner/operator of multifamily properties in the United States. The firm also has growing footholds in the London and Mexico City markets. Greystar offers numerous potential career paths for MBAs, from a leadership development rotational program to opportunities in investment management, development, and real estate services.



Similar to CBRE, Jones Lang LaSalle (JLL) is a large brokerage company with both investments and services businesses. The firm is headquartered in Chicago, Illinois, and it has large leasing and investment sales divisions.

Who are other notable players in this space?

With the exception of several large investors and developers, real estate can be a regional-focused industry. Many operators and investors specialize in just one city or region in addition to a specific property type. The firms listed below are either prominent real estate firms that are smaller in size, asset management or insurance firms that have sizable real estate groups, or developers with a more regional focus.

Other Real Estate Private Equity Firms

- Angelo, Gordon & Co.
- Beacon Capital Partners
- CIM Group
- GTIS Partners
- Northwood Investors
- Westbrook Partners

Large Asset Management Firms with Direct Real Estate Investment Groups

- Fortress Investment Group
- Invesco
- MetLife
- PIMCO
- Prudential Financial

Other Development Firms with a Regional Focus

- The JBG Companies (Chevy Chase, Maryland)
- Shorenstein Properties (San Francisco, California)
- Silverstein Properties (New York City)



How do MBAs **fit into** the real estate world?

MBAs typically enter the industry either as associates at real estate investment firms or through associate roles or rotational programs at development or services firms. A variety of roles are available for MBA grads across the real estate industry, regardless of experience level. Some firms—particularly those focused on finance—prefer candidates to demonstrate some type of prior investment experience or complementary experience.

However, many real estate firms are open to hiring professionals who are transitioning into the industry. Career changers must be able to communicate a viable interest in and passion for real estate. Candidates should understand what is going on in various real estate markets across asset types and display an intellectual curiosity that indicates a willingness to work one’s way up.

How do I get the job?

Business school candidates should be able to clearly articulate their interest in and reasons for wanting to enter the real estate industry. You must understand the various functional roles in real estate as well as how and why you would fit into a specific company’s strategy. Staying abreast of industry publications and taking real estate–focused classes that include the use of modeling and ARGUS software should be considered the baseline for industry switchers. In addition, most schools have real estate clubs that offer various training opportunities and educational programming. In addition, participating in case competitions and research initiatives targeted toward business school students can be very helpful for both gaining knowledge and meeting industry professionals.

Furthermore, real estate is an industry based on networking, and students should begin identifying their school’s real estate network early on to locate educational and internship opportunities. Often, companies are willing to hire those with little experience for internship roles, which can be a great way to gain skills that can then be useful for full-time recruitment. With the exception of some large real estate development firms, much of real estate hiring is done on an as-needed or just-in-time basis, which means that recruiting schedules will not necessarily align with a business school’s academic calendar. Students committed to entering the real estate industry after business school should stay focused and understand that many opportunities will not become available until May or June.

If real estate is your chosen field for a summer internship or post-MBA position, get started now building your network, conducting informational interviews with classmates and friends at target firms, creating a real estate–targeted resume, and preparing for case interviews. To learn more about how an MBA Career Coach can assist you in securing your desired position through elite training, targeted skill development, and expert guidance as you navigate the recruitment process, schedule a free consultation with us at www.mbamission.com.

Your Post-MBA Career

Starts Now!

Whether you are entering business school this fall, writing your applications, or just starting to look at MBA programs, now is the time to start thinking about your long-term professional path.



Explore your options and learn about typical post-MBA fields—including consulting, investment banking, and private equity—by downloading our free **Career Primers**.



Visit the **mbaMission blog** for posts on effective networking, acing your job interviews, writing standout cover letters, assembling a strong resume, and other valuable tips.



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