

The Talent Divide:
Real Estate's Asset Management Dilemma

As we continue to help our clients adapt their asset management teams, a number of clear, systemic shifts are taking place in regards to the talent required to differentiate in this area:

Traditionally, asset managers in real estate private equity have focused on property operations and financial performance. Today, asset managers at all levels are increasingly involved in strategic decision-making collaborating closely with acquisition teams to underwrite deals effectively and with disposition teams to execute exit strategies that align with investor objectives.

ESG

The growing emphasis on sustainability and ESG factors has led asset managers to integrate responsible investing practices into their strategies. This includes implementing green building initiatives, enhancing energy efficiency, and fostering community engagement, all of which contribute to long-term value creation and risk mitigation.

PropTech

The rising role of PropTech (Property Technology) is transforming asset management teams, enabling them to optimize operations, enhance decision-making, and deliver superior returns for investors. PropTech solutions encompass a wide range of technologies, including data analytics, artificial intelligence, IoT (Internet of Things), and blockchain, which offer unprecedented insights into property performance, tenant behaviour, and market trends. Asset managers leverage these technologies to streamline property management processes, automate routine tasks, and identify value-enhancing opportunities more efficiently. As the adoption of PropTech continues to accelerate, asset management teams must stay abreast of emerging trends and invest in scalable solutions that align with their strategic objectives and operational needs. By harnessing the power of PropTech, asset managers can gain a competitive edge in an increasingly digitized and data-driven real estate landscape; however, there is still a substantial skills gap for asset managers with a digital skillset.

Compensation

Structures for asset managers within real estate private equity have evolved to incentivise performance and align with the interests of investors. While base salaries remain competitive, a significant portion of compensation is now tied to key performance metrics such as property NOI (Net Operating Income) growth, total return on investment, and portfolio diversification.

In addition to financial incentives, carried interest has become a common component of compensation packages for senior asset management professionals. This encourages a priority value creation throughout the investment lifecycle. In recent years we have seen this being offered at a more junior level to boost retention, in some instances with carry offered to strong senior associates at some funds, although its value is often minimal.

Organisational structures

In tandem with the evolving role of asset management within real estate private equity, organizational structures have also undergone significant changes to facilitate greater collaboration, specialization, and efficiency. Traditional hierarchical models are giving way to flatter structures that promote cross-functional teamwork and knowledge sharing. Asset management teams are increasingly integrated with other key functions such as acquisitions, development, and investor relations, fostering a holistic approach to investment management. There is a growing trend towards establishing dedicated teams or business units focused on specific asset classes or geographic regions, allowing for deeper expertise and tailored strategies to address market nuances and investor preferences.

Regional Variances

There are significant differences across continental Europe, the UK, and the US, reflecting varying market dynamics, regulatory environments, and investor preferences.

In Continental Europe, asset managers often adopt a more conservative approach, prioritizing income stability and long-term asset appreciation. They place greater emphasis on active asset management strategies, such as lease negotiations and tenant relationships, to optimize cash flows and enhance property value. Compensation structures in this region may be more heavily weighted towards fixed salaries, reflecting a preference for stability and risk aversion.

Conversely, the UK market is characterized by its dynamic and transaction-oriented nature. Asset managers here focus on maximizing short-term returns through opportunistic investments, redevelopment projects, and capital recycling. Compensation structures tend to be performance-driven, with bonuses tied to achieving specific financial targets and successful exits.

In the US, asset management is marked by a high degree of specialization and innovation. Asset managers more commonly leverage advanced data analytics, technology platforms, and market insights to drive operational efficiencies and identify value-enhancing opportunities. Compensation packages typically include a mix of base salary, performance bonuses, and carried interest, reflecting the entrepreneurial spirit and risk appetite of the US market.

Talent Dilemma

Across firms, senior asset management professionals have made an unprecedented number of moves in the last two years, leaving many teams undergoing significant change and resource deficits. In the wake of this, with some compensation packages inflated and a heightened wariness to take the risk of a move, attracting and engaging with strategic senior talent has become difficult. These conversations are taking longer and requiring a more thoughtful approach, often designing roles around culturally aligned individuals to capture lateral talent.

While the demand for skilled asset management professionals continues to rise, there is a noticeable talent gap at the mid-level, particularly in specialised areas such as data analytics, sustainability, and technology integration. As the industry evolves, there is a growing need for professionals with a diverse skill set encompassing finance, real estate operations, and emerging technologies. However, recruiting and retaining top talent at the mid-level can be challenging, as the competition intensifies, and the pool of qualified candidates remains limited. With increased trends of specialising sub-teams across asset classes and geographies, these gaps are becoming increasingly difficult to tackle.

To address this gap, firms are investing in talent development initiatives, including training programs, mentorship opportunities, and partnerships with educational institutions, to groom the next generation of asset management leaders and bridge the skills gap effectively. Additionally, there is a growing emphasis on diversity and inclusion initiatives to attract talent from diverse backgrounds and perspectives, fostering innovation and driving sustainable growth within asset management teams.

As the industry progresses, it is essential for asset managers to remain agile, adaptive, and forward-thinking, leveraging innovative strategies and best practices to navigate uncertainty and deliver superior returns for investors. Talent will remain a key challenge, and as funds continue to diversify and build more dedicated functions, the talent pool at the experienced level will continue to come under strain.



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