

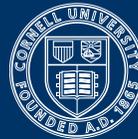
THE SELECTLEADERS/CORNELL JOB BAROMETER

AN ASSESSMENT OF THE
U.S. JOB MARKET IN
COMMERCIAL REAL ESTATE

FALL 2008



THE PROFESSIONALS' CHOICE
FOR REAL ESTATE JOBS



Cornell University
Program in Real Estate

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Letter from Anthony J. LoPinto, Founder of SelectLeaders, and David L. Funk, Director, Cornell University Program in Real Estate

2008 secured its place in the history books as the year of the near collapse of the global financial system. Not since the 1930's have we witnessed shockwaves that have brought down the likes of Bear Stearns, Merrill Lynch, Lehman Brothers, Fannie Mae and Freddie Mac, and has others on their knees. Thus far, the impact on commercial real estate has been relatively modest, but the storm clouds are building, cutbacks have begun, and, as we enter the fourth quarter, the prognosis for employment is not good.

It is in this environment that we present the Fall 2008 edition of the SelectLeaders/Cornell Job Barometer, the second annual assessment of the U.S. commercial real estate job market, a key resource to help us sort out and understand the trends and currents within the commercial real estate job market. This report provides an enlightening focus on what has happened in commercial real estate during 2008, but, more importantly, it establishes a foundation for an evaluation of how the new financial order will affect employment and hiring trends in 2009.

The Commercial Real Estate industry is a dynamic force in U.S. economy that impacts all aspects of our business and personal lives, and is a critical leading indicator of the general health of the economy. Prior to the introduction of the Job Barometer, there was no reliable measure of commercial real estate employment trends. SelectLeaders and the Cornell University Program in Real Estate have filled this gap by joining forces to provide research insight into the employment market on a monthly basis and to release the Job Barometer annually, as an overall portrait of the employment outlook for the real estate industry.

The Fall 2008 issue of the Job Barometer demonstrates a decline in commercial real estate hiring activity from a year ago, and a reversal of optimism for the year ahead. The data reveals, however, that the actual fall-off in employment activity was not as severe during the first half of 2008 as market conditions and media reporting might have indicated, and, for areas of the U.S. and selected job functions, the pace remained strong. However, the escalating financial crisis, coupled with eroding confidence, is already showing that we are in for a steep decline in hiring trends in 2009. We look forward to the next Job Barometer to learn how the real estate industry weathers this unprecedented financial storm.



Anthony J. LoPinto
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For the most up-to-date Job Barometer news and information, visit www.realestate.cornell.edu or www.selectleaders.com. To order copies of the Job Barometer or request further information, please contact: Job Barometer, Cornell Program in Real Estate, 114 W. Sibley Hall, Ithaca, NY 14853-6701 | real_estate@cornell.edu

The Fall 2008 SelectLeaders/Cornell Job Barometer was conducted under the direction of Dr. David L. Funk, Director of the Cornell Program in Real Estate, and Sung Won Suh, Teaching Associate and research supervisor. Special thanks to the research team of Chien-Pang Chao, Daniel Minhyung Cho, Joo Il Kim, Sarah Sutphin-Brown and Tim Yeager, all 2nd year graduate students in the Program in Real Estate, for their dedication to the project and commitment to understanding the commercial real estate employment market. Special mention to Paul Koch, Josh Ladle and Stephen S. Lee for their written contributions to the Fall 2008 report.

Executive Summary

The shockwaves undermining the global financial markets have reached epic proportions. Not since 1929 have we witnessed such a significant, and global, cascade of events that has already enveloped some of the most venerable names on Wall Street, including AIG and the 150-year-old Lehman Brothers, which was unthinkable just days ago. At this writing, the Treasury Department and Federal Reserve are embarking on an unprecedented makeover of the financial system that will include a federal rescue resembling Depression-era actions. What emerges is going to shape the financial system, and closer to home, the real estate industry for decades to come. It is at this critical juncture that the SelectLeaders/Cornell Job Barometer provides a snapshot of the commercial real estate job market as well as an employment outlook.

The second annual Job Barometer, the leading assessment of the commercial real estate job market, was conceived by SelectLeaders, real estate's leading job site, and developed and written by Cornell University's Program in Real Estate. The Cornell team of faculty and research specialists assess commercial real estate job postings from the eight primary internet job boards serving the real estate industry (See Table 1 in Appendix A: Eight Primary Job Boards). The Fall 2008 Job Barometer focused on job postings pulled from these sites during the first week of each month beginning from February 2008 through August 2008.¹ The total job postings collected and coded was 5,102. See Appendix A for a full discussion of the Job Barometer's Methodology.

Additionally, the SelectLeaders/Cornell Senior Management Survey again heard from 217 C-Suite real estate veterans for their insights on hiring and compensation. Analysis of resumes submitted for openings over the past six months reveals where job seekers were looking compared to where the jobs were located.

Overall, during the first half of 2008, the commercial real estate job market showed surprising resilience in the face of negative news across all sectors of the economy. Professional, commercial job postings increased steadily from February through June (see Chart 1) reflective of the underlying strength in the commercial real estate markets. It was also an environment where executives elected to remain actively in a recruiting mode in anticipation of a short life to the financial

Key Findings:

- The global financial crisis has not caught-up with real estate...while hiring trends are down somewhat, commercial real estate is not reflecting the depths of the economic malaise, implying that the worst is yet to come, and we won't hit bottom until the jobs disappear.
- Middle management jobs have been hit hardest, with only minor impact thus far on senior executive-level jobs, but probably not for long, with the deepening financial crisis likely to take a toll on the more senior ranks.
- Multi-Family was the one and only sector that did not decline. In fact, nearly 40% of the total real estate jobs posted were in the Multi-Family sector. In addition, there is an undeniable correlation between the states with the highest numbers of foreclosure filings and states with the highest numbers of Multi-Family job postings, suggesting the end of the American Dream of single family home ownership for many.
- Texas is neck-and-neck with New York, trailing by only one percent in commercial real estate job postings, reflecting the underlying strength of the Texas markets being fueled by the oil industry. Interestingly, New York City lost more ground in August, with only 11 finance jobs posted.
- Do you know where to find that next C-Suite employment position? Most job applicants are looking for it in all the wrong places, and increasingly they should be looking online.
- There is plenty of doom and gloom, but for opportunity, look for jobs in accounting/controls, property management, and leasing; and down South is the place to be for the most hiring activity.

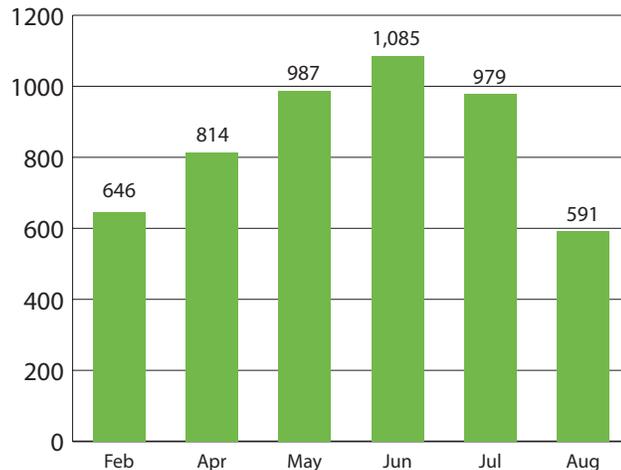
¹ March job postings are not analyzed for accuracy of comparisons with 2007, which did not include March job postings.

crisis, as well as to possibly build bench strength with the dislocated talent recently available. 2008 has been characterized by a “wait and see” attitude that pervades hiring decisions as much as it has impacted real estate deal making and project development.

Commercial real estate job opportunities on the eight job boards plummeted from 1085 in June to a mere 591 in August, as ‘wait and see’ turned into a ‘shut the door’ hiring activity beginning in July and August. The seasonal effect accounts for some of the decline beginning in July, yet the pace of the decline into August and September points to almost non-existent transaction activity and a shutdown of new development, that is finally showing up in the lack of job postings. In general there is a six- to nine-month lag between a fall in real estate market activity and resulting job layoffs and hiring freezes. The dearth of job postings in August and September, even though buoyed by pockets of real estate activity in the South and other locations, indicates a turning point where many companies have finally put hiring on hold. And, in all likelihood, the worse may yet still be ahead. New York and California have seen their share of commercial real estate job postings decline from 18% and 17% of the national share to 17% and 11%, respectively, underscoring the severe job losses in the real estate finance and homebuilding areas that have disproportionately hit these states.

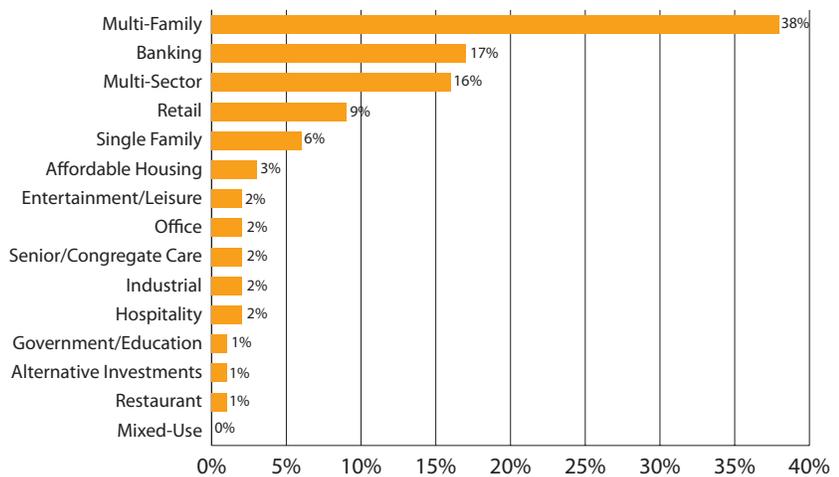
The bright spots are few but they do exist. Problems in the housing market have resulted in a huge demand for apartments and, not surprisingly, the multi-family sector boomed to represent 40% of all commercial job postings in 2008, an increase from 3% in 2007. A handful of job functions also dramatically increased their opportunities in 2008, including accounting/control, property management, and leasing. Clearly, in a slow real estate market, real estate companies are looking to maintain their profitability through the few remaining activities available to them, notably reducing their general and administrative expenses, implementing effective management practices, and aggressively leasing inventory. As the Northeast and West regions contracted their job offerings in 2008, meanwhile, the South region saw its number of job postings increase and established itself as the clear regional commercial real estate employment leader.

Chart 1: Job Postings Nationwide



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 6: Job Postings by Sector



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 2,600 postings. “Unspecified” sector removed, which accounted for 2,502 postings. “Unspecified” describes a posting in which the sector was not mentioned in the original job posting.

Overall unemployment in New York City jumped from 5.0% in July to 5.8% in August, the largest monthly increase since 1976, with a projected loss of over 40,000 private sector jobs in a short period of time, related to recent economic shocks, including the implosion of three of the five major U.S. investment banks—Bear Stearns, Lehman Brothers, and Merrill Lynch. The fallout from the financial crisis on New York’s real estate scene promises to be severe, and the industry faces bleak prospects—the Job Barometer identified a mere 11 real estate finance jobs posted for New York in August and only four in loan origination.

“2009 looks like it will be the year of “just muddling through” as the consumer continues to struggle with the pain of de-leveraging. The cost of, and limited access to, capital will restrict even healthy companies from making significant new investments.”
—survey respondent

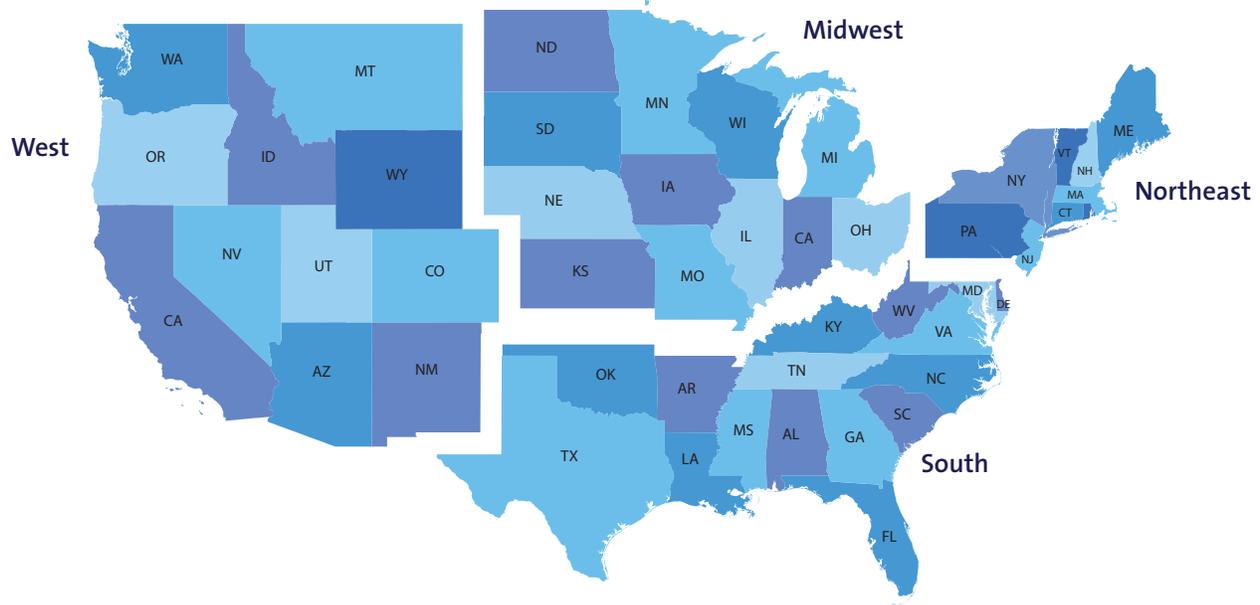
The Job Barometer highlights what has happened and hints at what might be. We have already seen the impact of the recent course of events on real estate hiring. Yet market forces are at work that will create, on one hand, needs and opportunities, but on the other hand, the most serious crisis we have experienced in decades, with an anticipated substantial cutback in employment.

To put this turbulent commercial real estate employment market in context, we offer a few important observations:

The Prognosis

- Large pools and billions of dollars of commercial real estate loans will be maturing over the next 12-36 months. Due to the liquidity crisis, borrowers will be unable to refinance paper resulting in a write down, thus, creating a domino effect. This paper is going to either end up in the lenders’ workout group or wholesale dumping of the paper will be picked up by emerging funds who will have bought the paper at cents on the dollar. Either way, *there will be a growing demand for seasoned and proven talent that knows how to play the restructure game from tough negotiations and legal brinksmanship through working the real estate to maximize return.*
- The era of high leverage and cheap debt already seems so far away, and in its place we have returned to prehistoric credit-based debt products with rigorous underwriting based on conservative real estate fundamentals, low-loan-to-value structures, and the “R” word, recourse. This will necessitate a different breed of lender with deep real estate knowledge and credit skills. *Alas, unless they can retool, many of the professionals who grew up in the high-flying debt capital markets era of the 90’s will not find a home in the age of restructure, lacking the skill set in demand today.*
- A shortage of credit, back to the basics conservative underwriting, and the resulting need to squeeze every ounce of performance from commercial portfolios highlights the growing need for asset and portfolio managers with a deep range of real estate experience coupled with sophisticated financial skills. *‘Been there, done that’ asset management is going to become a critical resource in every organization across the real estate industry.*
- On the deal side, we expect a secular shift to transactions that will occur as a result of financial engineering overlaying underlying fundamentals. For the foreseeable future, the ability to access and structure complex multiple layers of equity and new forms of debt capital may be the key driver in executing these transactions. *This change will create a significant demand for sophisticated capital market and investment professionals of a caliber that is in short supply.*
- The Real Estate talent gap is deepening as graduate students are already looking elsewhere as banking jobs dry up, historically the most attractive alternative for the best and the brightest looking to begin their careers. *This will prove to be the singular most significant effect of the current crisis as it will impact our industry 10 and 20 years from now.*

National and Regional Findings

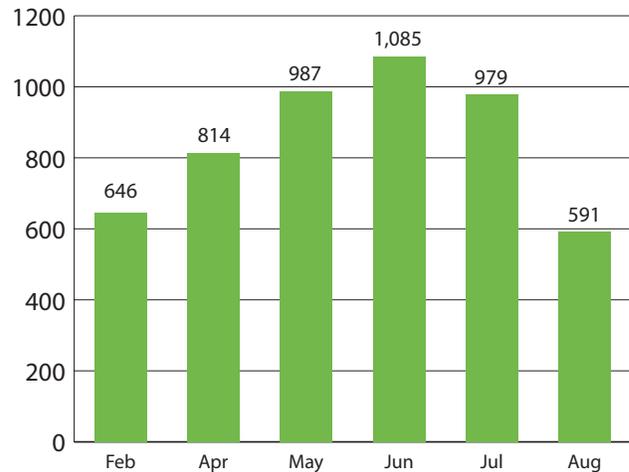


National and Regional Trends

The commercial real estate job market showed surprising resilience in the face of negative news across all sectors of the economy during the first half of 2008, yet has experienced a dramatic 46% decline in job postings from June to August 2008 (see Chart 1). The seasonal effect accounts for some of the decline beginning in July, yet the pace of the decline into August and September points to non-existent real estate development and transaction activity that is finally showing up in the lack of job postings. A general six to nine month lag can be observed between a fall in real estate market activity and resulting job layoffs and hiring freezes, and helps to explain the buoyancy of the employment market in the spring. Companies remained optimistic of a turnaround and sought to actively remain in an employment recruiting mode in anticipation of a recovery in the market as well as to possibly build bench strength with the dislocated talent recently available. It is important to note that the Job Barometer only tracks postings, not actual hires, and so early 2008 might best be characterized by a “wait and see” attitude that pervaded hiring decisions as much as it did real estate deal making and project development.

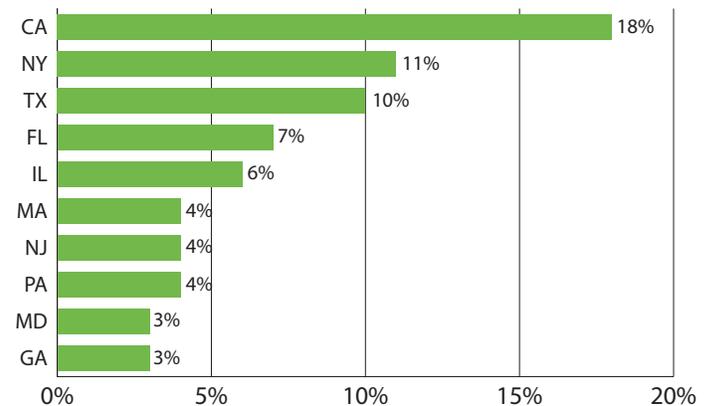
The glimmer of hope seen in the early spring has turned to ominous clouds of concern. The dearth of job postings in August and September, even though buoyed by pockets of real estate activity in the South and other spots, indicates a turning point where many companies have finally put hiring on hold. And the worse may yet still be ahead. New York and California have seen their share of commercial real estate job

Chart 1: Job Postings Nationwide



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 2: Job Postings by Location – Top 10



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

New York is projected to lose over 40,000 private sector jobs due to the recent woes on Wall Street. Not all of the jobs lost are in real estate, of course, but a good number are in the industry and are in stark contrast when juxtaposed with the 88 total jobs posted as available in the entire state of New York in September.

postings plummet from 17% and 18.4% of the national share to 11% and 17.9%, respectively, underscoring the severe job losses in the real estate finance and homebuilding areas that have disproportionately hit these states (see Chart 3).

Hiring expectations among senior managers are bleak - 45% expect their hiring activity to decrease moving forward compared to 5% anticipating such a trend when surveyed a year ago. Aggravating the decreasing job opportunities are the waves of new job seekers displaced by recent economic shocks that are directly impacting the real estate industry.

The implosion of three of the five major U.S. investment banks—Bear Stearns, Lehman Brothers, and Merrill Lynch—have led to a projected loss of over 40,000 private sector jobs in New York City alone. The ‘wait and see’ attitude this past spring has turned into a ‘shut the door’ hiring mentality beginning in July and August at the very moment that thousands of real estate professionals find themselves in job search mode.

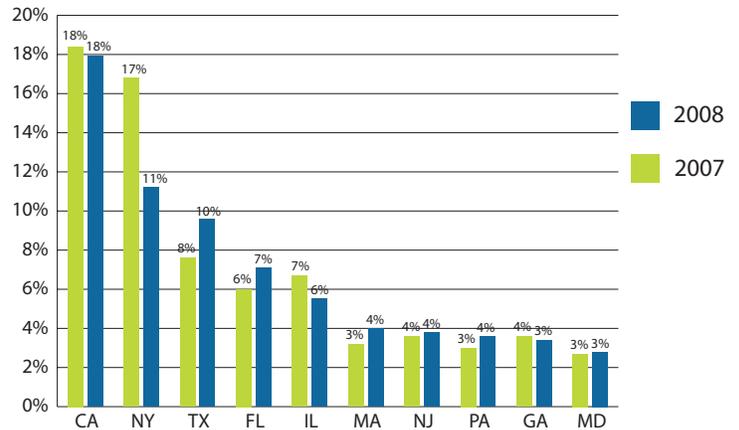
Where do pockets of opportunity still exist? While New York and California have suffered large declines, they along with Texas, Florida, and Illinois still account for 68% of all job postings throughout the nation (see Chart 2).

Texas and Florida, numbers 3 and 4 in total job postings, experienced healthy increases in posting over the past year, with Massachusetts, New Jersey, Pennsylvania, Maryland and Ohio also seeing increased employment activity in 2008.

The South—not the Northeast or the West—increased its leading share of total job postings to 32% of the total, while the West and the Northeast slipped to 27% and 25%, respectively (see Chart 4). Looking back at last year’s data, no region saw a change of plus or minus more than 3%, and the Midwest held steady, with 14% of total job postings (see Chart 4).

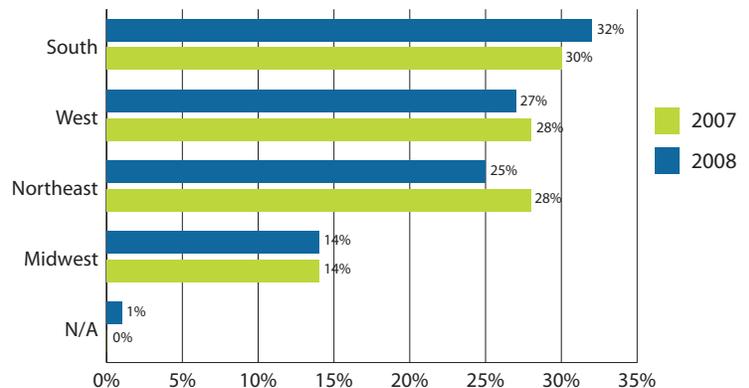
The proportional shift in the commercial real estate jobs to the South reflects the old adage that real estate is local, and also recognizes that the job losses in real estate finance and the homebuilding industry were disproportionately felt in New York and California, respectively.

**Chart 3: Job Postings by Location
Top 10 (Comparing 2008 to 2007)**



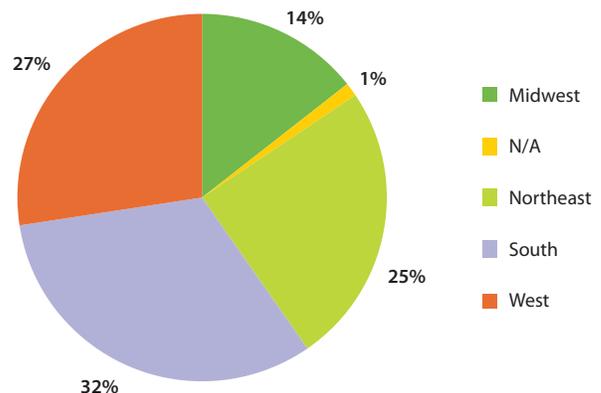
2008 Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings. 2007 Source: New postings of commercial real estate positions on key job boards over the months of February, April, June, August 2007; base = 3,718 postings.

Chart 4: Job Postings by Region (Comparing 2008 to 2007)



Source 2008: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings. 2007 Source: New postings of commercial real estate positions on key job boards over the months of February, April, June, August 2007; base = 3,718 postings.

Chart 5: Job Postings by Region



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Job Sector, Field and Function Findings

Sectors

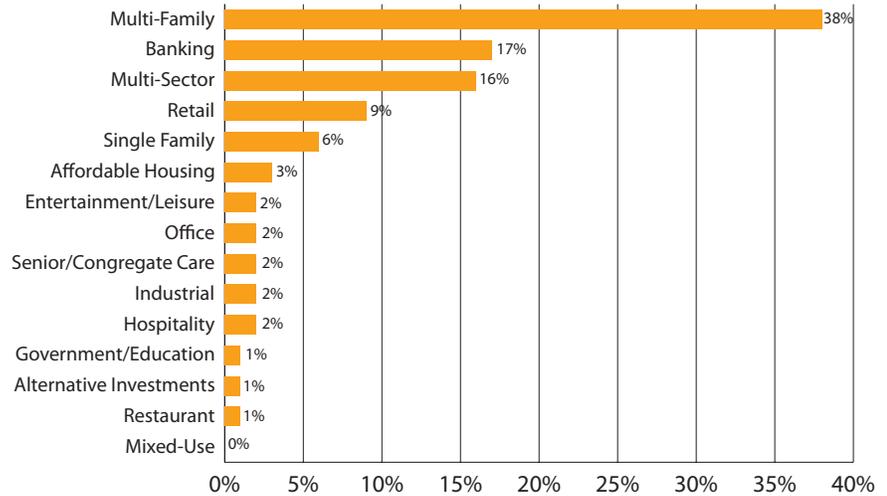
The SelectLeaders/Cornell Real Estate Employment Matrix defines 14 sectors in the real estate industry (See Appendix A). Sectors describe the broader area of the commercial real estate industry within which a company operates, and are typically defined by the product focus of their role. The Multi-Family sector led the way, with 38% of the job postings during 2008, followed by Banking and Multi-Sector, with 17% and 16%, respectively (see Chart 6). These three sectors made up 70% of all the jobs.

An interesting insight comes from comparing 2007's job postings by Sector to 2008. From 2007 to 2008, most of the real estate sectors declined, i.e., they posted fewer job openings than the year before. However, there was one sector that not only did not decline in 2008, but actually increased postings by 13% (see Chart 7). The Multi-Family sector, because of the huge demand for apartment living, has become the shining knight in a very troubled real estate market.

Business Fields

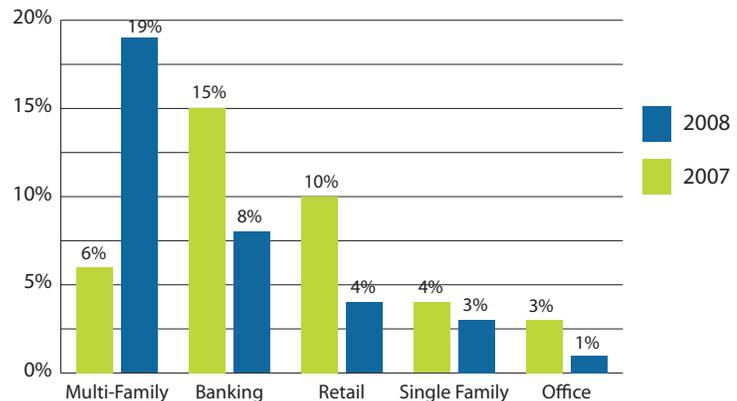
The term Business Field is used to further identify the job posting by the company's primary focus. The SelectLeaders/Cornell Real Estate Employment Matrix identifies 13 business fields within the real estate industry. Business field does not reflect the specific job function, but, rather, the broader context that the job function supports, such as Development, Finance, or Property Management. This year's data shows a fairly equal distribution of jobs across Business Fields (see Chart 8). A total of 16% of job postings represented companies in the Investment/Asset Management field, while the next five Business Fields were Development, Property Management, Consulting/Advisory, and Finance, which represented 13.3%, 12.9%, 12.5%, and 12.1% of the jobs, respectively. These six Business Fields made up 80% of the total job postings.

Chart 6: Job Postings by Sector



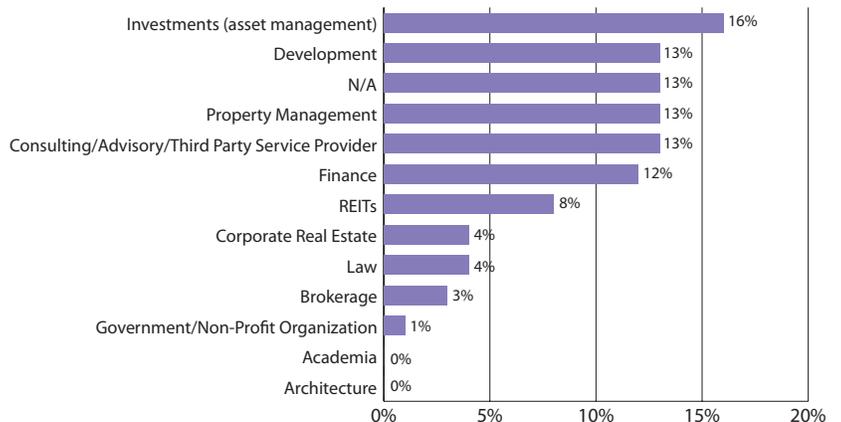
Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 2,600 postings. "Unspecified" sector removed, which accounted for 2,502 postings. "Unspecified" describes a posting in which the sector was not mentioned in the original job posting.

Chart 7: Job Postings by Sector '07-'08 Comparison



Source 2008: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings. 2007 Source: New postings of commercial real estate positions on key job boards over the months of February, April, June, August 2007; base = 3,718 postings.

Chart 8: Job Postings by Business Field



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Job Function

Moving to the next level of detail—Job Function—gives us a greater understanding of a posting’s specific Job Function within the specified Sector and Business Field. Job functions reflect the fundamental job duties that make up a substantial portion of the employment position. The SelectLeaders/Cornell Real Estate Employment Matrix identifies a total of 40 Job Functions, and the top three Job Functions, in terms of job postings in 2008, were Accounting/Control, Property Management, and Leasing, which combined for 46% of all job postings (see Chart 9).

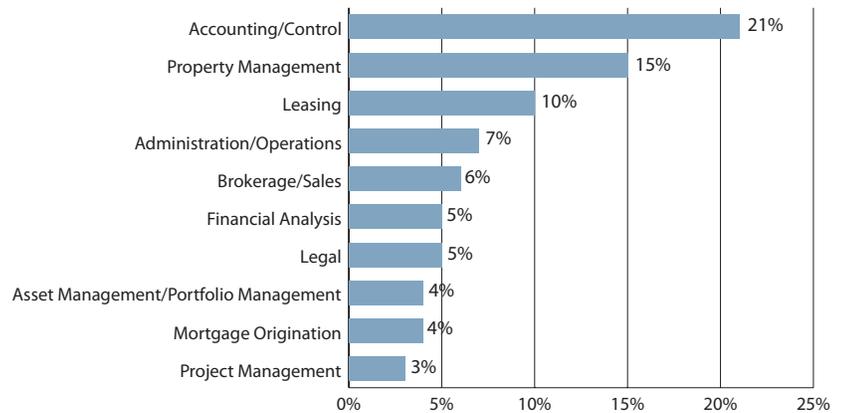
“Our company is increasing our outsourcing, and increasing our use of third party property management. If not for our own building of our property management capabilities, we would be decreasing hiring.” —survey respondent

By comparing last year’s data to this year’s, we see some interesting changes in the real estate job market. Accounting positions increased from 13% last year to 21% this year, highlighting the increased demand for employees capable of providing employers with accounting expertise (see Chart 10).

Deloitte LLP, which recruits for accounting/control job functions, recognizes that the increase in job postings in Accounting/Control, Property Management and Leasing are a sign of the times. In “down” commercial real estate markets, both public and private companies emphasize expense control at the corporate and property levels, observed David Jacobstein, Senior Advisor, Real Estate at Deloitte LLP, adding that real estate companies have maintained their profitability through a very difficult market by reducing their general and administrative (G&A) expenses as a percentage of revenues and prudently managing their assets.

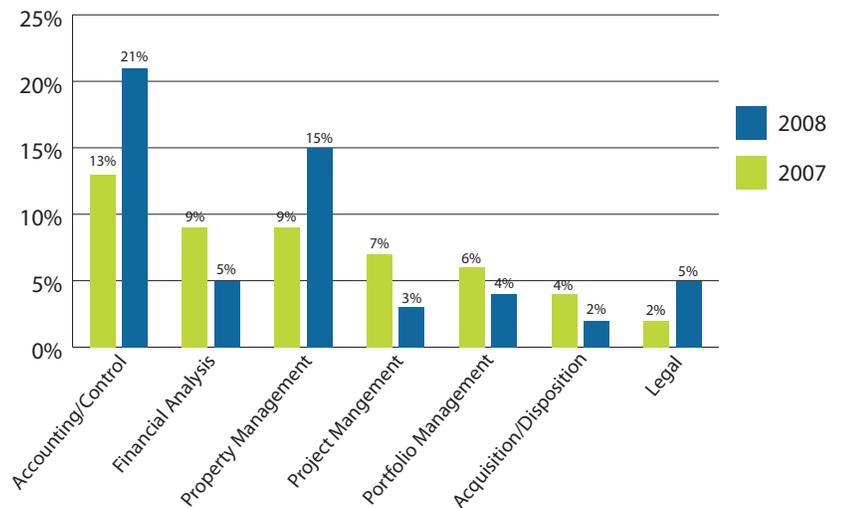
“Hiring in a difficult environment is challenging. Although traditional wisdom would indicate that there should be more players to choose from, the truth is that many people seeking employment or thinking about changing jobs are prone to shy away from industries that are most impacted by the poorly performing

Chart 9: Job Postings by Job Function – Top 10



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 10: Job Postings by Job Function Comparison (2007-2008)



Source 2008: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings. 2007 Source: New postings of commercial real estate positions on key job boards over the months of February, April, June, August 2007; base = 3,718 postings.

“On the corporate side, we’re being challenged with what we think is a limited talent pool for project management and other commercial real estate types (even in the face of a down economy).” —survey respondent

economy,” said Jacobstein, noting that financial services and real estate are two of the industries that have negative visibility at this time. Jacobstein also notes that vacancy rates have edged up, thus requiring additional leasing horsepower to fill vacant space in existing and new projects.

“The ‘best of breed’ companies will take advantage of market conditions to improve their workforces and position themselves for a return to normalcy and, ultimately, future growth.” —David Jacobstein, Senior Advisor, Real Estate at Deloitte LLP

Besides Accounting/Control, another job function that has jumped significantly in the number of postings compared to last year is Property Management. It has seen a 6% increase in job postings, many of them within the Multi-Family sector. The correlation of an increase in Property Management job postings to today’s economy is discussed in Key Findings / Multi-Family (see page 12).

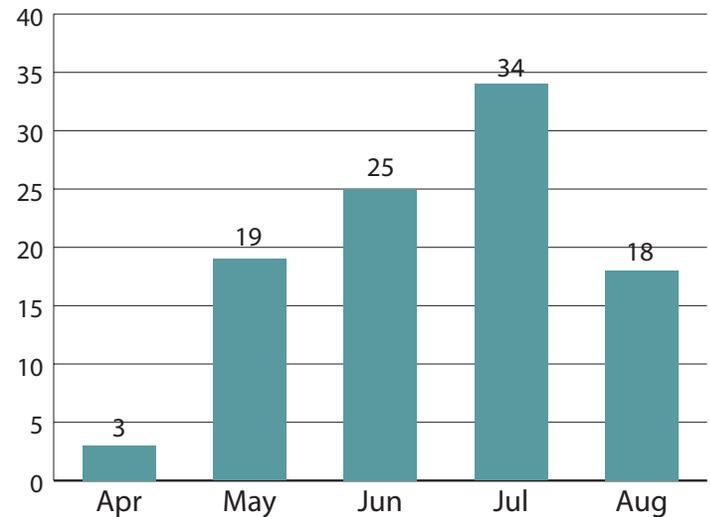
Not surprisingly, Property Management experienced an increase in its overall percentage share of all job postings as companies continued to staff for projects brought online over the past 3-5 year time period as well as an area in which to make improvements during a stalled transactional climate.

Three job functions specifically related to development decreased in the number of postings over last year – Financial Analysis (down 4%), Project Management (down 4%), and Acquisition/Disposition (down 2%). With the real estate market seeking recovery in the next year or two, there simply has not been the need for these job functions.

Key Findings | Single Family

It is no surprise that the Single Family industry has taken a serious hit over the last few months, especially new development and construction. However, SelectLeaders/Cornell data shows that Development job postings within the Single Family sector actually increased through July and then dipped in August (see Chart 11). Can we accurately conclude from this data that home builders believed the end of the residential downturn was near and were, therefore, ramping up production to meet a future need in the marketplace? Or does the underlying data tell us another story about the single family residential market?

Chart 11: Single Family – Development Job Postings



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

“Regardless of outcome, getting the election behind us will have a positive impact in terms of getting people to commit to decisions. While we will be investing in people to facilitate future growth, salaries will most likely remain relatively constant due to an overall balance of supply and demand.” —survey respondent

A closer look at the Job Functions within Single Family Development revealed that 60% of the jobs posted were related to brokerage or sales, while less than 7% were related to project management, i.e., development (see Chart 12). Instead of residential developers looking to hire employees to manage a new housing construction project, they are looking to hire employees with sales skills in the hopes that they could sell off the existing inventory surplus.

“Finding the bottom on housing is an important milestone, as is the return of debt capital availability to facilitate transaction flow. At this point, I am not sure we are seeing visible signs of any of these indicators, although we are working through the painful process of de-leveraging hard assets.”
— survey respondent

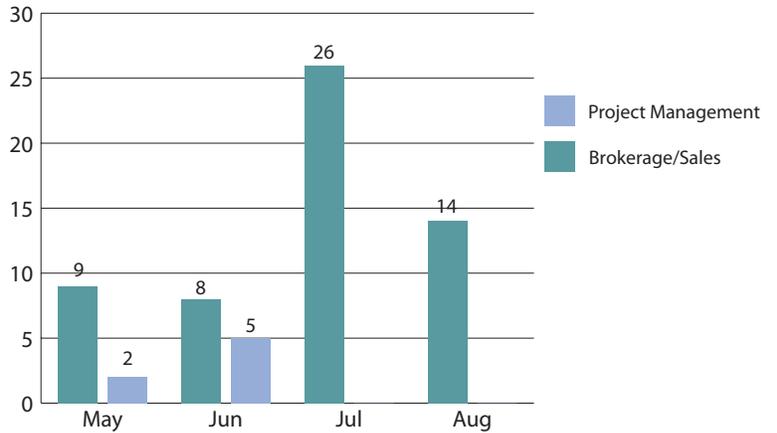
Key Findings | Multi-Family

We all know that impacts in one sector of the real estate market can affect other sectors, and, not surprisingly, the challenges in the single-family residential area had a corresponding impact in the multifamily sector, which then dominated the job postings in this year’s data (see Chart 6).

As many families were forced out of their homes for financial reasons, many were left with only one option available to them: return to apartment living. With thousands of Americans looking at apartments again, owners and property managers of Multi-Family properties geared up for the increased demand.

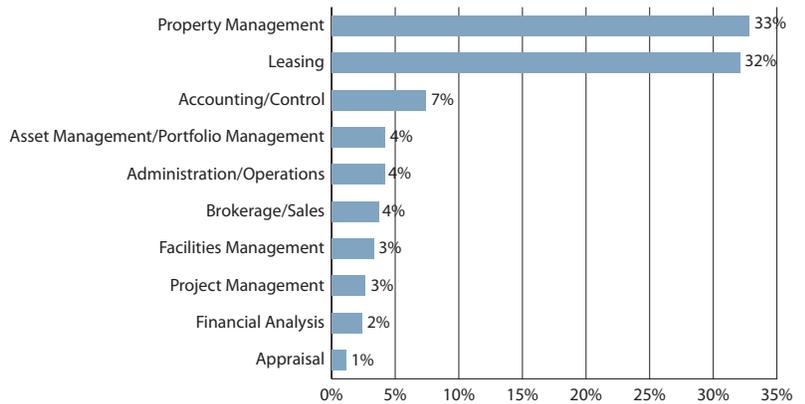
To meet this demand, they looked to hire additional property managers, assistant property managers, and, possibly the most important Job Function in this case: leasing agents. These two Job Functions—Property Management

Chart 12: Single Family – Development Postings by Top Job Function



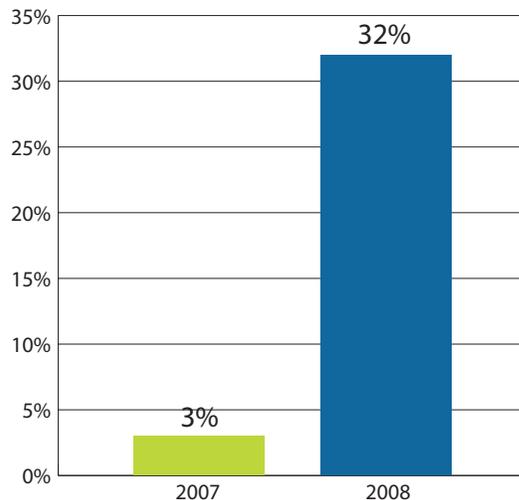
Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 13: Multi-Family Job Postings by Job Function – Top 10



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 14: Multi-Family Job Postings by Leasing Job Function ‘07-’08 Comparison



Source 2008: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings. 2007 Source: New postings of commercial real estate positions on key job boards over the months of February, April, June, August 2007; base = 3,718 postings.

The high correlation between the states with highest numbers of foreclosure filings, and states with highest numbers of Multi-Family job postings is clear.

and Leasing—accounted for 65% of all Multi-Family job postings in 2008 (see Chart 12). In fact, leasing job postings within the Multi-Family sector jumped from 3% in 2007, to 32% in 2008, verifying the need of employers to have leasing agents on payroll to help new tenants move into their new homes (see Chart 13).

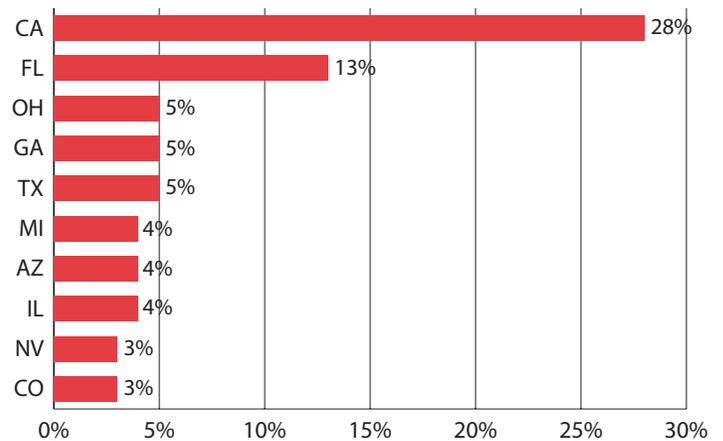
Key Findings | Finance

Most Business Fields followed the same pattern as shown in Chart 1, with job postings increasing over the months of February, April, and May and then peaking in June, followed by a decline over the months of July and August. However, Finance job postings were an exception. Despite an increase in May, Finance job postings declined every month from the beginning (see Chart 17) of the year, which is not surprising, given the credit crunch and overall fall-off in transaction volume during 2008. While there were still some finance jobs in New York, the real estate finance capital of the world, the fact that only 17%, or a grand total of 11 of the 62 total real estate finance jobs posted in August were for positions in the Big Apple, is telling of the fall-off.

This conclusion is further strengthened by observing the number of foreclosure filings in the U.S. provided by RealtyTrac (see Chart 15). The high correlation between the states with highest numbers of foreclosure filings, and states with highest numbers of Multi-Family job postings is clear (see Chart 16). Six states (California, Florida, Georgia, Texas, Arizona, and Colorado) are found in both Top 10 lists.

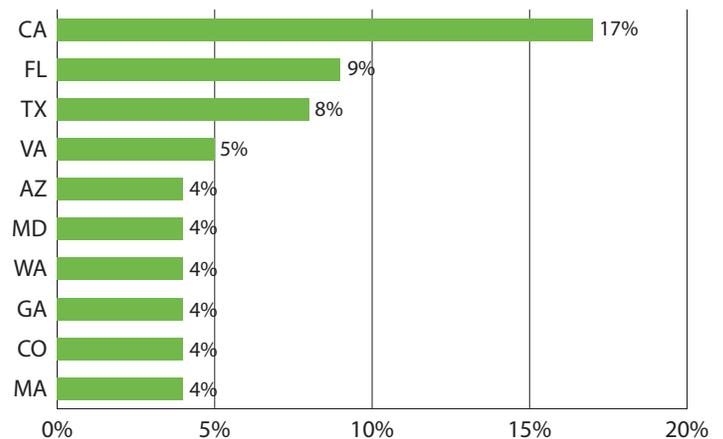
While there are still some finance jobs in New York, the real estate finance capital of the world, the fact that only 17%, or a grand total of 11, of the 62 total real estate finance jobs posted in August were for positions in the Big Apple, is telling of the fall-off [in real estate finance activity].

Chart 15: Foreclosure Filings by State – Top 10



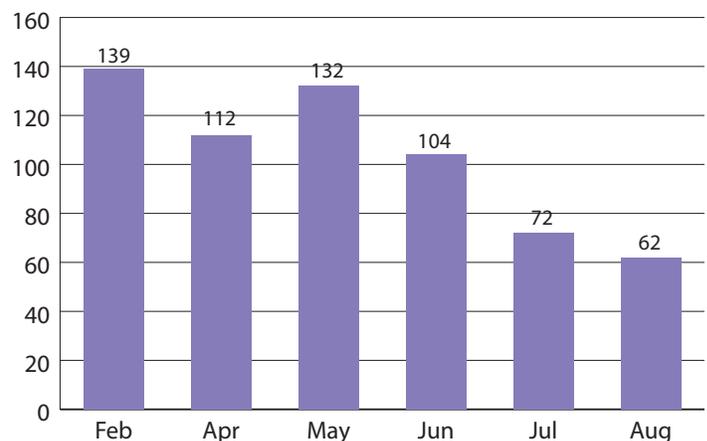
Source: "Rate of Home Foreclosures Expected to Get Worse," USA Today, Stephanie Armour, 4/15/08; Foreclosure data from RealtyTrac.

Chart 16: Multi-Family Job Postings by Location – Top 10



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 17: Job Postings by Business Field – Finance



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Key Findings | C-Suite and Senior Management

Of the 5,102 total job postings over the six-month survey period, only 101 positions were for C-level or Senior Management positions. This low number of C-level job postings reconfirms that companies looking to hire Senior Management generally pursue them through executive search firms and more traditional forms of job searching and placement, such as through relationships and networking, rather than online job boards.

California, with 20% of the C-level postings, led the nation, with New York and Illinois following with 15% and 9%, respectively (see Chart 18). This makes perfect sense when you consider that these three states are the main commercial real estate centers of the country. Together these three states make up almost half (44%) of all C-level postings.

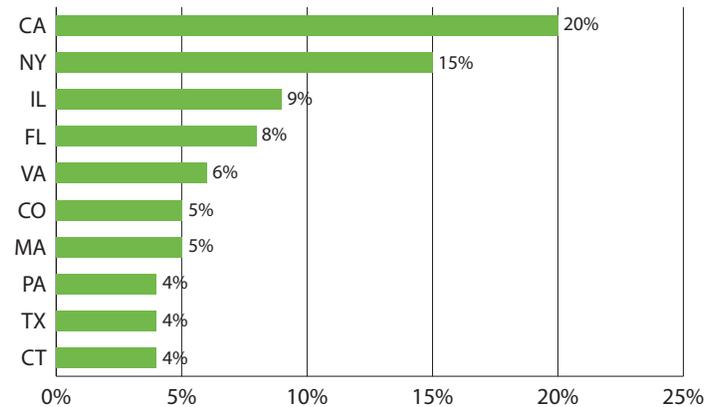
“General sense is the market will remain weak. Our hiring will be opportunistic at the executive level and we will maintain our college recruiting program without change. The view is that compensation at analyst and associate levels will be down, compared to a year ago.”

—survey respondent

The Business Fields of Development and Investments (Asset Management) contain the bulk of all C-level postings with 51% (see Chart 19).

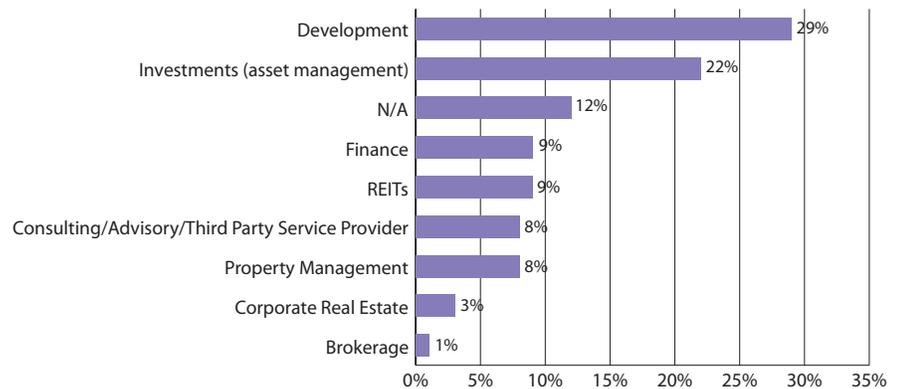
The CFO Job Function led all C-level postings with 32% of postings followed by Accounting and Property Management (see Chart 20). In fact,

Chart 18: C-Level Job Postings by Location



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

Chart 19: C-Level Job Postings by Business Field



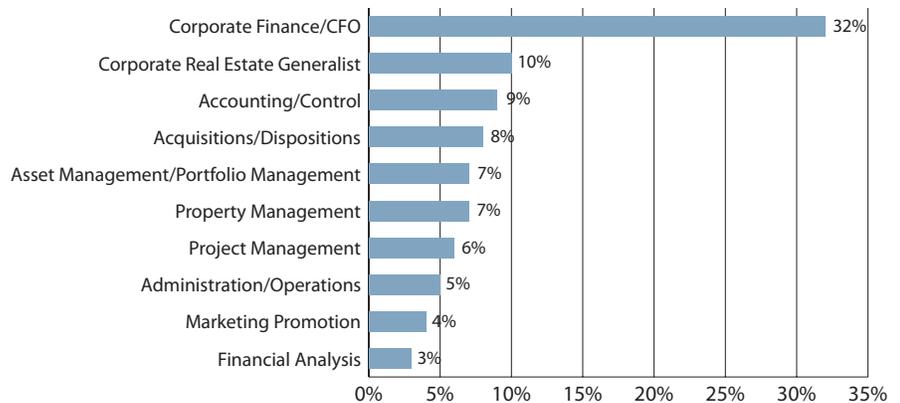
Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

out of the Top 10, three were finance related: Corporate Finance/CFO, Accounting/Control, and Financial Analysis. Combined, they account for 44% of the total CEO postings.

The larger story, however, is that the decline in hiring at the C-suite level is not as pronounced as it is in the larger market. Even though 81% of the commercial real estate managers that were surveyed in our study said they felt that hiring within their firm would remain the same or decrease, one responder’s remark should give hope to many of the C-level executives and Senior Management, “Our hiring will be opportunistic at the executive level” (see Chart ?). Another responder echoed that sentiment by saying, “...the more senior professionals may be in higher demand as many middle management personnel are let go.” In contrast, another senior executive remarked in the survey that more and more professionals are being let go to accommodate the bottom line, continuing with “There may be more companies started for consulting and advisory services to allow for the off-loading of benefits by companies that are downsizing and for individuals who have been let go.”

Clearly, many real estate companies see the value in turning to these executive search firms to locate potential applicants. Their reasons may include lower overall cost to outsource this human resources function, executive search firms’ ability to tap into a large, qualified pool of applicants, and lower turnover cost by hiring more qualified applicants. Whatever the reasons, this trend is likely to go on as real estate companies continue to demand a more skilled and experienced workforce to ride out the turmoil.

Chart 20: C-Level Job Postings by Job Function – Top 10



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings.

“More senior professionals seem to be in higher demand as many middle-management personnel have been let go and the need for capable leadership is all the more crucial, including the ability to train others in the organization.”

Jobs Attracting Candidates

Where Are Job Seekers Applying?

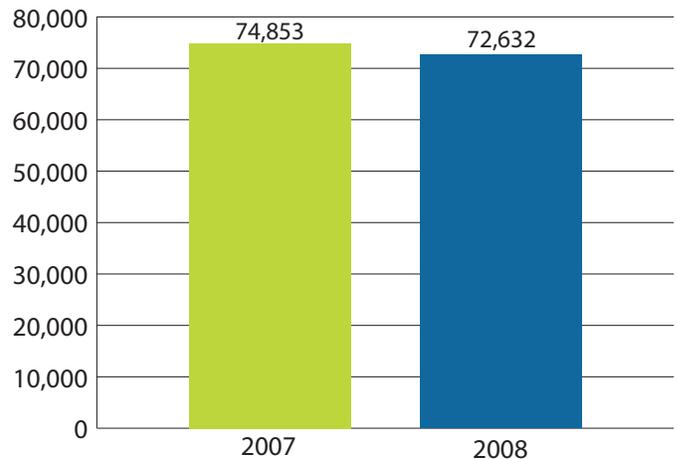
We've seen where the jobs are and which companies are hiring, but where have the job seekers been applying and what jobs do they find most attractive? Based on data collected during the seven-month period February 2008 through August 2008, a total of 72,632 resumes were submitted to the SelectLeaders Job Network, and subsequently coded according to Job Function and Location. Some findings were expected, but others were shocking.

Job seekers, realizing the downturn of the real estate market cycle, submitted fewer resumes for commercial real estate jobs this year than last year. During 2007, 74,853 resumes were submitted to the SelectLeaders Job Network compared to only 72,632 resumes this year.

Where Do Job Seekers Want to Work and Live?

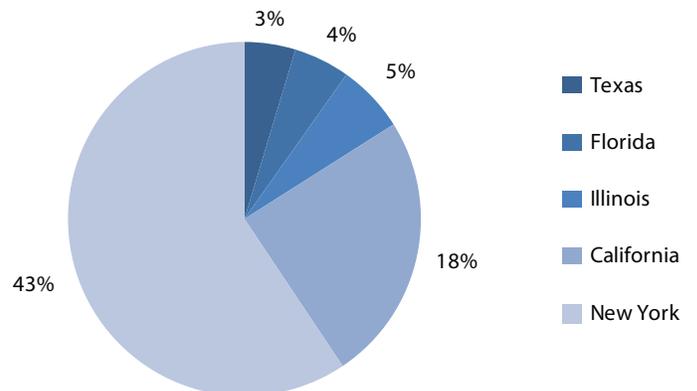
Once again, job seekers re-confirmed the notion that, when it comes to commercial real estate, New York is king, or at least in terms of attracting interest among job seekers. 43% of all job applications were submitted for online jobs originating out of New York (see Chart 22). California and Illinois followed with 18% and 5%, respectively. The only change in the Top 5 states over the last year was Florida replacing Georgia.

Chart 21: Total Resumes Submitted: Comparing 2007-2008



Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08

Chart 22: Top 5 States Receiving Resumes for Online Job Postings



Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08; base=50,339 resumes. Note: "Other," which gave no indication of State, was excluded.

“‘Masters of the universe’ employment will decline until they invent a ‘new’ thing to sell to return to full employment and \$20mm bonuses. Lender employment will be steady with changes in seats, titles and companies... again. Employment recovery will be slow in single family housing: residential developers will get a prolonged vacation, condo developers will get a slightly longer vacation, and apartment dwellers may be on vacation and not know it yet, based on equity requirements in current loan underwriting.” —survey respondent

When resume submissions per job were calculated, it became clear that some states had a stronger appeal over others in attracting job seekers' applications. New York, with 74 resumes submitted for every posting, easily led the way as the state where many job seekers look to work (see Chart 23). North Carolina, Colorado, California, Connecticut, Georgia, and Florida were also states that attract job seekers. On the flip side, there were also states that, for one reason or another, do not attract as many job applicants as others. These states included Kansas, Iowa, Nebraska, and Michigan. For job seekers looking for the highest probability of success, though, applying for positions within some of the Midwestern states offers a much better chance of getting the job.

Chart 23

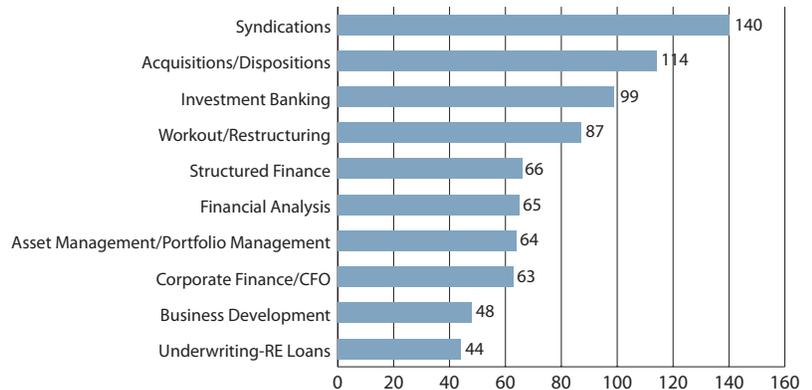


Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08; base= 50,339 resumes.

Does Supply Match Demand?

A look at the Job Functions that received the highest number of resumes reveals strong demand for chic, highly desirable, news-making jobs. The top three Job Functions: Syndications, Acquisitions/Dispositions, and Investment Banking, received 140, 114, and 99 resumes for each job posting, respectively. Syndication, which includes positions involving deal structuring, joint venture activity, and private equity, once again was the most desirable commercial real estate job function. Perhaps with the real estate financial markets (and the real estate market in general) reeling over recent events, such as Lehman Brothers filing for Chapter 11 Bankruptcy, real estate employers involved in these "chic" business fields may see some relief, even if it is only the relief of having to wade through fewer resumes for each job.

Chart 28: Top 10 Most Appealing Job Functions



Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08; base= 50,339 resumes.

Where is there the least amount of competition among job seekers? The Job Functions that received the fewest resumes per posting provide the best opportunity for job seekers to find employment, based solely on the number of applicants competing for that position. The Accounting/Control Job Function, which received, on average, 16 resumes for every job posting, might be the best bet for financially knowledgeable professionals, given that job postings for this Job Function accounted for 21% of all postings in 2008 (see Chart 8).

While syndication, acquisitions/disposition, and investment banking remain perennial favorite commercial real estate job targets, the past year witnessed considerable other shifts in preference among job seekers. The Job Function Workout/Restructuring not only offered more positions in 2008, but the rush of applicants was such that each posting received 137% more applicants in 2008 than an equivalent posting the year before. Percentage changes in acquisitions/dispositions and financial analysis was more a function of the decrease in opportunity, while the fall off in applications per accounting/control position continues to reflect the hiring challenge in that job function.

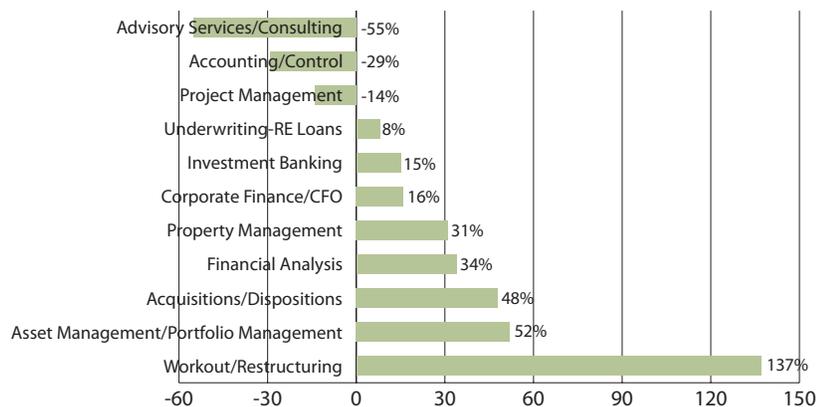
“The emerging markets overseas will offer origination opportunities, BRIC in particular, and will be increasingly important in balancing the global portfolio and P&L —for jobs, look there.”
—survey respondent

Chart 25



Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08; base= 50,339 resumes.

Chart 26: Percentage Change in Applications per Job



Source: Resumes submitted to jobs on SelectLeaders Job Network, February '08 - August '08; base= 50,339 resumes.

Where the Jobs are Posted

Real estate companies employ a variety of search strategies in order to promote job opportunities and identify talent, including posting to their own company websites as well as via job search engines. The growth in online posting of real estate jobs via national and niche job boards led the Cornell research team to conclude that online recruiting represented the most powerful, comprehensive measure of hiring trends available in the industry. A 2006 Booz Allen study found that national and niche job boards provided the source for 21% of all real estate job postings (see Sources of Job Postings). The 5,102 jobs pulled and coded as professional, commercial real estate jobs from February to August 2008, meanwhile, ranged an estimated 14% to 28% of all commercial real estate jobs available. The eight job boards of the SelectLeaders/Cornell Job Barometer account for an impressive 16.9% of all professional, commercial real estate jobs available in the U.S. in 2008.

While the niche sites tend to post fewer jobs than Career Builder or Monster, the giants in the online job posting arena, they have a much higher percentage of professional jobs compared to their overall job postings.

The Job Barometer also found that, in the specific search for commercial real estate talent, the niche job posting sites were significantly more successful in targeting the professional positions than were the national search engines, which cater to the mainstream, undifferentiated workforce (see Table 1 in methodology section). While the niche sites tend to post fewer jobs than Career Builders or Monster, the giants in the online job posting arena, they have a much higher percentage of professional jobs compared to their overall job postings. In the search for C-level and Senior Management quality applicants, furthermore, the niche sites have a much more receptive and qualified audience than the typical two giants in online job hunting.

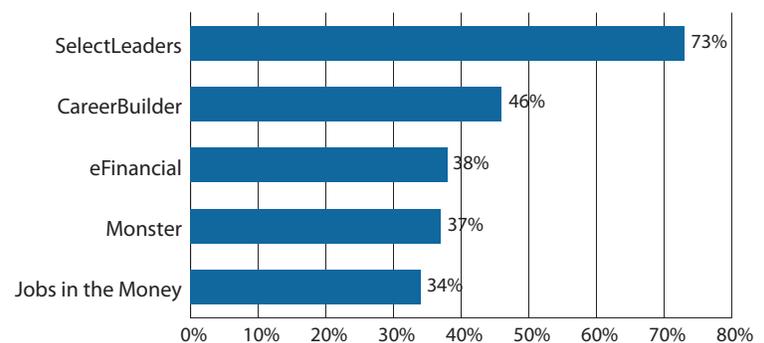
More critically for the discerning commercial real estate job seeker, Career Builder and Monster receive a large number of postings, but the percentage of real estate jobs that are professional level and worthy of coding is less than half, whereas with SelectLeaders, ICSC, and CoreNet Global, the majority of postings are at the commercial, professional level.

For job boards with at least 100 real estate postings, SelectLeaders had the highest percentage of postings that are commercial, professional positions, and thereby coded for purposes of this report, with 73% of all postings worthy of consideration, followed by Career Builder, eFinancial Careers, and Monster at 46%, 38%, and 37%, respectively.

“It is time for investors and developers to hunker down and take care to complete their projects and manage their portfolios carefully. Also time to retain good people and trim excess staff. That is why I expect professional compensation to increase.”

—survey respondent

Chart 27: Job Posting by top 5 Job Boards: The Percentage of Professional Commercial Real Estate Jobs in general real estate job postings



Source: New postings of commercial real estate positions on key job boards over the months of February, April, May, June, July, and August 2008; base = 5,102 postings coded; 1,830 pulled.

Outlook for Commercial Real Estate Job Market: Senior Management Survey

What do senior real estate executives have to say about the commercial real estate employment market and where it is headed?

“It’s going to be a very difficult year.” This statement, given by a survey responder, seems to be the consensus of the majority of the 217 real estate industry players SelectLeaders/Cornell Job Barometer surveyed this year. Perhaps never before, and certainly not in the last 10 years, has the commercial real estate market looked so bleak.

Commercial Real Estate Managers weighed in on hiring, compensation, and the overall market through a survey conducted in September 2008. Whereas last year the same commercial managers had a very optimistic outlook for these areas, this year was starkly different. Via survey, they indicated where they thought their firms’ hiring needs and compensation packages were headed in 2009 as compared to this year.

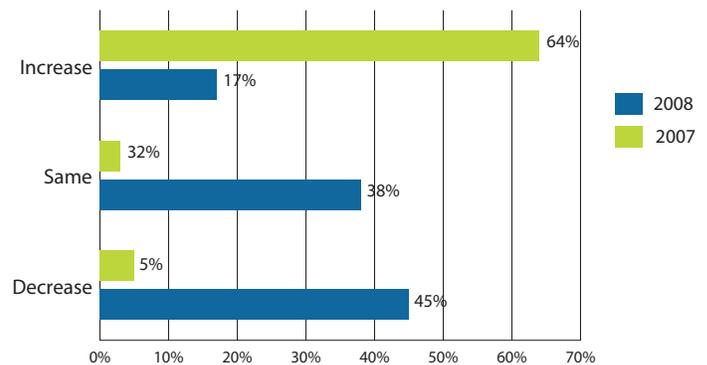
Hiring Outlook

Commercial real estate managers last year were very optimistic about the future hiring needs of their firms, with 64% of respondents feeling that hiring within their firm would increase over the next 6 months. One year later, managers are facing the cruel reality of the real estate marketplace with only 17% believe hiring will increase at their firm (see Chart 28).

In light of today’s job market, many managers may be reconnecting with their old co-workers, college friends, and business contacts. 41% of managers surveyed felt their firm would be decreasing its job force over the next year (up from only 5% last year), and, surely, the thought may have crossed their minds, Could it be me? They’re all hoping that what happened to one survey responder’s company—“We’ve already slashed 50% of our workforce”—does not happen to theirs.

“I agree with Sam Zell’s latest quote: ‘(the market will) come clean in 2013’.” —survey respondent

Chart 28: Hiring Outlook of Commercial Real Estate Executives



Source: 2008 Surveys sent August 2008 by Equinox Partners to commercial real estate managers; base respondents = 217. 2007 Surveys sent February and April 2007 by Equinox Partners to senior executives; base respondents = 123; and Middle Managers; base respondents = 164.

“We’ve already slashed 50% of our workforce. Base salary pressure resulted in merit increases that are a point and a half lower than previous years, whereby, upside potential on incentives has been cut by 85%.”

Compensation Outlook

With management's perception that jobs will not be as abundant in the coming year, it follows that pay for those jobs out there will naturally be less than during the bullish years of only a few short years ago. Only 29% of managers surveyed this year believed that overall compensation packages at their firms would increase, down from 58% last year, (see Chart 29). Perhaps a more surprising story is that last year an astoundingly small 2% felt that compensation packages would be decreasing, while this year, 35% of respondents believe the future to be much less financially rewarding.

Prospective applicants looking to be hired at these firms, when entering into compensation negotiation, should remember the fact that 71% of survey respondents believed that compensation would either stay the same, or would decrease. When it comes to compensation in the real estate market, employers are holding all the cards, and many employees are backed up against the wall with little negotiating power.

Not all employees should be overly concerned about their jobs and their income, however. Senior-level professionals are most likely to be retained by companies and because of the increased demand for their leadership skills in the current environment, some may have a degree of leverage in salary discussions. According to one survey responder, speaking to the industry as a whole, "It's time to retain good people and trim excess staff. That is why I expect professional compensation to increase."

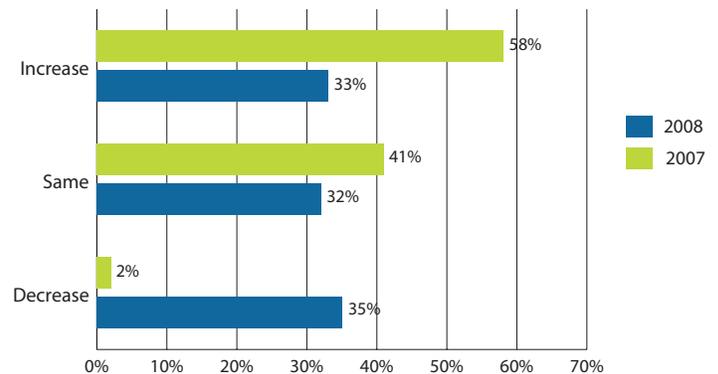
Market Outlook

From a management perspective in the real estate industry, one survey responder summed it up pretty well—"Still more pain to go." This honest expression of the future of the commercial real estate market was shared by many of the managers surveyed.

An overwhelming majority, 93% of all respondents, felt that the real estate job market would either stay the same or would contract; with a minority of optimistic managers feeling the market would actually expand over the course of the coming year (see Chart 3). Another responder expressed his view about the coming year by saying, "2009 could be worse for commercial real estate than 2008."

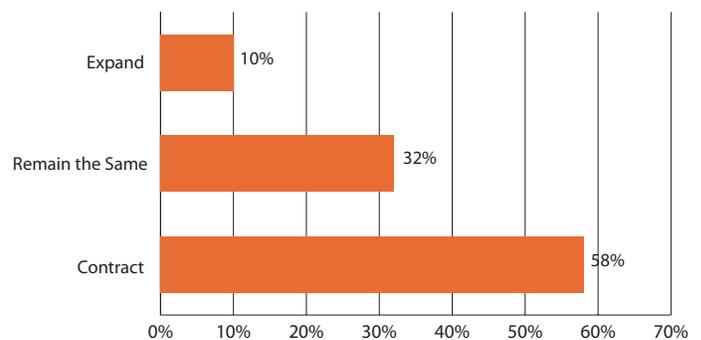
See page 25 for a sampling of what the senior managers are saying about the commercial real estate job market and its prospects in their own words.

Chart 29: Compensation Outlook of Commercial Real Estate Managers



Source: 2008 Surveys sent August 2008 by Equinox Partners to commercial real estate managers; base respondents = 217. 2007 Surveys sent February and April 2007 by Equinox Partners to senior executives; base respondents = 123; and Middle Managers; base respondents = 164.

Chart 30: Market Outlook of Commercial Real Estate Managers



Source: 2008 Surveys sent August 2008 by Equinox Partners to commercial real estate managers; base respondents = 217

"Bottom line: things need to get worse before they get better, which means trading water for most of 2009."

Key Insight | Prospects for Masters-level Graduates

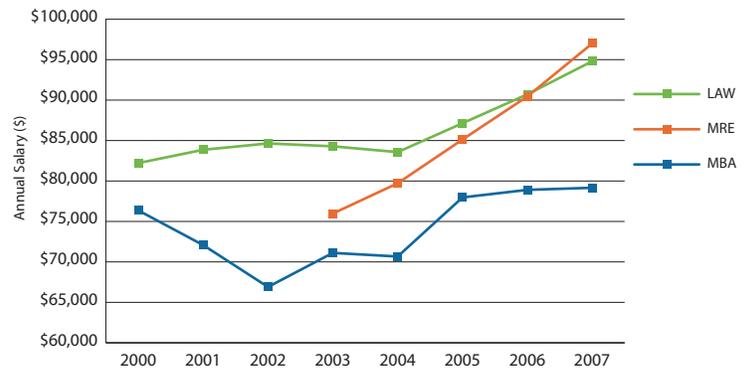
What are the prospects for graduate students soon to be entering the job market?

Graduates of specialized masters degree programs in real estate enjoyed a steady increase in salaries from 2003 through 2007, jumping from an average of \$75,974 to \$97,242 for those programs reporting data. Real estate graduates also enjoyed multiple job offers during this time, and saw their employment prospects outpace that of their Law and MBA peers.

While Masters in Real Estate, MBA and Law starting salaries all rose from 2006 to 2007, real estate graduates were hired with an average expected 40% performance bonus, whereas, MBA and Law graduates commonly received bonuses, upon signing, that averaged 11%, in 2007. The pace of hiring slowed for graduates of real estate masters programs in 2008¹, and while graduates did still find positions, the indications are that starting salaries were slightly off and bonuses were expected to be cut in half, or greater, in 2008. It is to be expected that the cyclical nature of real estate will result in some reversal of the salary increases that real estate grads achieved over the past four years, but the more intriguing question is whether the special skill sets that these graduates bring will be valued in a difficult real estate job market.

Starting salaries for Masters in Real Estate graduates tended to range from lows in the \$60,000's to highs of \$160,000, but with the majority of students starting out near the mean in the \$90,000's. MBAs also experienced much the same salary distributions, with differences noted between some specializations, such as investment banking and consulting, historically hired at above-average salaries. While the average starting salary data of Real Estate grads does not show wide variability based on quality of program, class rank or the like, the startling distribution of starting salaries for law graduates does provide a stark contrast of a job market that does make such distinctions. While average starting salaries for law graduates in the \$90,000's are on par with their Real Estate and MBA peers, a closer look finds that the median salary is only \$62,000, with graduates split into two distinct salary ranges of either \$45-\$60,000, or \$130-\$150,000.

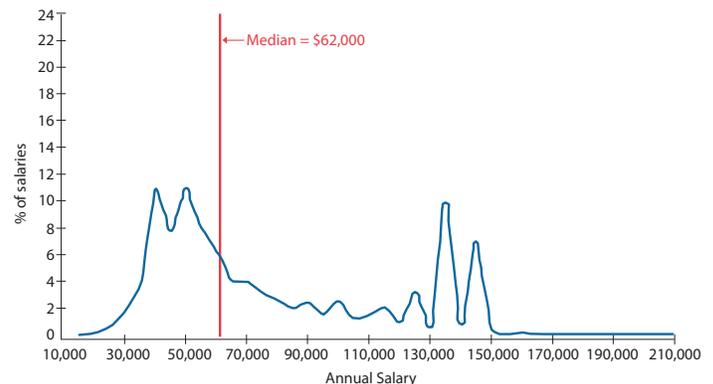
Chart 34 : Comparison of Starting Salary



Source: MBA data provided by the Graduate Management Admissions Council's (GMAC) Alumni Perspective Surveys administered to US MBA's from the graduating classes of 2000-07. Real estate data obtained from the graduate programs in real estate at Cornell University, MIT, and the University of Southern California for 2003-07. Law data obtained from the September and October 2007 National Association of Law Placement (NALP) bulletin

"We're being challenged with what we think is a limited talent pool for project management and other commercial real estate [jobs], even in the face of a down economy." —from the 2008 Commercial Real Estate Senior Management Survey

Chart 35: Law Salary Distribution 2000 -2007



Source: The National Association of National Association of Law Placement (NALP) bulletins 2000-2007.

¹ Salary data for 2008 graduates will not be available until November.

Key Insight | Are Real Estate Families a Safe Career Haven?

“Real estate is an uncannily common career choice for the sons and daughters of real estate professionals.”

Perhaps more than any other industry, real estate seems to run in the family. Names such as Gural, Ratner, and Tishman reflect multiple generations of family members who have joined the kindred trade in good times and bad. Even for less recognizable names, real estate is an uncannily common career choice for the sons and daughters of real estate professionals.

A study conducted among current first and second year Program in Real Estate (PRE) students at Cornell found 47 percent cite familial influence as a reason they have chosen to pursue a real estate career. For those who have family background in the industry, 40 percent expressed an interest in returning to their family’s company at some point, with that option perhaps even more appealing now. Development, brokerage, and property management are the most common real estate backgrounds for students currently in the Cornell Program in Real Estate.

“Many family-operated businesses are hesitant to bring new members on board unless they have accumulated some experience or education outside the family firm.”

Theories on why there is such a tight career connection in real estate families abound. For many, management and investment discussions permeate dinner table conversation in the same way other families talk about sports and politics, and industry concepts simply become ingrained. Experience in the business is carved out early and cultivated through progressive responsibilities, leading to real estate businesses becoming family establishments. Younger family members also tend to learn pride in good management of a tangible asset and older family members—consciously or not—groom trustworthy successors to take over.

Jeffrey Gural, Chairman of Newmark Knight Frank, a global real estate service firm located in New York City, is the sec-

ond generation to control his family’s real estate holdings. He believes keeping real estate within the family is the surest way to know it will be cared for. “I think it’s very hard to own real estate and not have a family member succeed you,” says Gural. “I’ve seen it turned over to banks, REITs, and it’s not the same.”

Today, Newmark stands as one of the largest private real estate service firms in the world, and Gural holds the same position previously held by his father, Aaron, although the company is much larger today than when his father was at the helm.

According to Ronald Ratner, CEO of the residential branch of Forest City Enterprises, balancing the family culture with shareholder interests has worked well for his company. Founded by his father, Max, among others, Forest City began as a lumber company before transitioning into one of the world’s largest publicly traded real estate development companies. “When we operate well, we are the best of both worlds,” he

says. “We have the rigor and discipline of a public company, with the entrepreneurial balance of a family business.”

Survey respondents who had chosen a real estate career noted that growing up in a real estate family provided “perspective and exposure,” while another mentioned having observed “the quality of life that a career in real estate can bring.” Ratner considers the multigenerational perspective a key to navigating the current slow market and concedes that Forest City draws inspiration from his family’s navigation of the Great Depression. “I am hesitant to compare historical periods,” says Ratner, “but some things are built into our nature [as a company]—You put a bunch of immigrants into a depression and this is what you’re going to get.”

Gural notes that there is a delicate balance to working within a family and maintaining appropriate power distance but that real estate may provide an inherent advantage. “As you grow older, you grow more conservative,” said Gural, adding, “When I was starting out, my father had become more conservative and I wanted to be aggressive and try to expand.” Now that Gural has welcomed his son, Eric, into the business, that philosophy has come full circle. “Now, I’ve grown more conservative and my son wants to be more aggressive and expand. For me, I want to be able to sleep at night.”

Many family-operated businesses are hesitant to bring new members on board unless they have accumulated some experience or education outside of the family firm. Ratner operates Forest City with a specific rule in mind: “No one from the family is allowed to join the company unless they’ve worked somewhere else.”

Ultimately, the decisions are made on a family-by-family basis. One current PRE student noted, “I [have been] brought up to take over the family real estate business upon graduating from college,” while others expressed no interest in returning to their family’s business.

“It’s always hard to work for your father,” says Gural. “It’s one thing to tell someone [from outside the family] to do something and they don’t do it. It’s another to tell your son to do something and he doesn’t do it.”

Those who choose to pursue a career building a real estate family business are in good company. One of the oldest family businesses in the world operated in the real estate industry. Kongo Gumi, based in Osaka, Japan, was founded in the year 578 and constructed and repaired Buddhist temples over 1428 years and 39 Kongo family generations, weathering numerous market ups and downs. Unfortunately, Kongo Gumi didn’t survive Japan’s recent real estate woes, and finally closed its doors in 2006. U.S. real estate families aren’t asking for another 500 years, but maybe just another few, until 2011?

“It’s always hard to work for your father,” says Gural. “It’s one thing to tell someone [from outside the family] to do something and they don’t do it. It’s another to tell your son to do something and he doesn’t do it.”

Senior Managers' Outlook in Their Own Words

Export trends will remain critical for determining the depth of the recession and our recovery trajectory. Domestic spending will remain anemic and the U.S. Consumer feels dangerously close to ceasing all but the most critical spending. I don't expect the Christmas season to be very good, which will lead to another flurry of retail bankruptcies this January/February 2009.

Housing price declines are two-thirds of the way to the bottom and the nationalization of Fannie and Freddie will accelerate, stabilizing the market much sooner than otherwise would be the case. The second year of the credit crisis is now in session and we will witness its global impact on consumer business credit, further extending the economic slowdown.

We predict a severe retrenchment across the commercial real estate industry for at least the next 18 months. Lay-offs will accelerate at the end of 2008. New hires will be delayed and bonus payments will be eliminated.

As revenues go down, we are compelled to look at the expense side of the business, which means minimal job growth until the economy starts to recover. That said, we continue to hire revenue producers, but not much in the way of additional staff. On the recruitment front for revenue producers we see less willingness for people to move from one shop to another than we did in the hotter market.

2009 will be a clean-up year. The remaining LBO backlog of \$80 billion will clear, the remaining \$20 billion of CMBS backlog will clear, and about 200 regional banks will go bankrupt. Unfortunately, I also expect real estate fundamentals, which have thus far held up reasonably well, to really begin to deteriorate in a meaningful way. Debt capital will continue to be scarce and the pension community will become significantly more selective with their investment advisors. In short, 2009 could be worse for commercial real estate than 2008. The silver lining is that with no new development for a 3-year period, the recovery in 2011, 12, 13 should be fantastic.

I anticipate that asking (and taking) rental rates will drop 10-15% over the next 6 months, and that the deal you do today will be better than the deal you could do in a few months as the various effects of the global slowdown are felt in different waves. I am bracing our portfolio for a 2-year soft patch.

We have just finished our first round of layoffs and will have more to come. We are not hiring at all. Assets are flowing out of commercial real estate and moving to alternative investment classes. We are seeing increasing problems in our commercial mortgage and real estate portfolios and have been selling problem assets ahead of defaults. Every indication leads us to believe that we're approaching a cyclical peak, and this one will be compounded by the illiquidity in the capital markets. It's not looking good out there.

It is time for investors and developers to hunker down and take care to complete their projects and manage their portfolios carefully. Also, time to retain good people and trim excess staff. That is why I expect professional compensation to increase.

The immediate play is in the mezzanine loan space, as equity cannot possibly fill the huge gap between available levels of first mortgage financing and total project costs. The next play will be the acquisition of distressed or unfinancable assets at pricing that represents a significant discount to replacement cost. Bottom line: things need to get worse before they get better, which means treading water for most of 2009.

It will be a mixed bag. There will still be some housing-related losses that will cripple some banks and put the skids on lending. On the other hand, there are billions of dollars sitting in private equity and opportunity funds wanting to buy. Different product types and different geographic regions will start at different times, and that is where the job growth will emerge.

Staffing needs will be considered with caution. Vacant positions will not automatically be filled with replacements.

Our company is looking to expand our activities and hiring due to our ability to self-finance in a tough market. There are lots of good opportunities out there, and there will be even more next year.

Our deal volume is down over 60% from a year ago. Virtually all employees and agents are experiencing reduced compensation and the outlook for next year is more of the same.

The Fannie/Freddie takeover signals the bottom in my mind, but the recovery won't be swift - we're focused on lining up projects and people for 2010.

Appendix A: The SelectLeaders/Cornell Job Barometer Methodology

Eight Primary Job Boards Sourced for this Report

The SelectLeaders/ Cornell Job Barometer employs the following three major data collection approaches as part of a research methodology aimed at assessing professional jobs in the commercial real estate industry:

- **5,102 online job postings** for professional commercial real estate positions on the industry’s eight primary job boards were collected in the first full business week of the month from February to August 2008.¹
- **217 Senior Management Surveys** obtained from executives holding C-Suite, business-head, or division-head positions in large to mid-sized commercial real estate companies provided industry outlook information.
- **72,632 resume submittals** to job postings on the SelectLeaders Job Network of twelve real estate web-sites, which provided the data to identify jobs attracting candidate interest.

Table 1.

Eight Primary Job Boards sourced for this report

Monster
Career Builder
SelectLeaders
eFinancial Careers
CoreNet Global
ICSC
Jobs in the Money
The Ladders

Eight primary web-based job boards (see Table 1) made up the data source for determining the nature and scope of professional jobs in commercial real estate by sector, business field, and job function as well as by geographic location. This systematic tracking and coding of all professional commercial real estate jobs from February to August, 2008¹, that

were posted Monday through Friday of the first full week provided a “snapshot” of the current online commercial real estate job market.

All commercial real estate jobs posted to these boards during the first full business week of each month are coded and analyzed by the Cornell Program in Real Estate.

The Job Barometer focused only on professional commercial real estate job openings, which are marked by a high level of analytical and professional orientation, typically requiring a university degree with an annual salary greater than \$35,000², and excludes jobs related to residential sales.

Table 4.

Sector	Business Field	Job Function	Location
Office	Investment (Asset Management)	Portfolio Management	CA

All openings were coded within the Job Barometer’s real estate sector, business field, and job function matrix, developed by Cornell experts.

Each month all real estate jobs are pulled from the eight job boards, and then only those that are deemed professional, commercial opportunities are actually analyzed and coded. During February through August 2008, over 11,800 real estate jobs were posted but only 5,102 were professional, commercial in nature (See Table 2).³

Table 2.

Month	Number of Pulling Data	Number of Coding Data	Coding/ Pulling
Feb	1271	646	51%
Apr	1813	812	45%
May	2113	985	47%
Jun	2334	1085	46%
Jul	2123	981	46%
Aug	2176	593	27%
Total	11,830	5,102	

The Bureau of Labor Statistics tracks all real estate job openings on a monthly basis, and total opportunities have averaged just over 50,000 postings nationwide each month. Professional, commercial real estate jobs as defined within the SelectLeaders/Cornell Job Barometer account for 10% of all real estate job opportunities available on average at any given time. The jobs pulled and coded as professional, commercial real estate jobs, from the eight job boards during February to August 2008, averaged 850 per month, or an estimated 16.9% of all commercial real estate jobs available in the market at any given time.

Table 3.

Total real estate job openings (avg. per month 2008)	50,333
% of all real estate jobs that are professional, commercial	10%
Professional, commercial job opportunities (per month)	5,033
Jobs analyzed and coded (avg. per month 2008)	850
% of all professional, commercial jobs posted on 8 boards	16.89%

The following is an example of a California office portfolio management position in a real estate investment company:

¹March job postings are not analyzed for accuracy of comparisons with 2007, which did not include March job postings.

²Real estate job postings often do not list education requirements or salary ranges requiring the job coders to determine if a job should be included in the data based on job responsibilities and requirements.

³2007 job postings were pulled from eight job boards, which included Hot Jobs. During 2008, however, Hot Jobs was dropped in favor of The Ladders due to the quality of real estate positions. 2007 data was collected over a one week period during alternating months of February, April, June, and August. 2008 data was also collected over a one week period during the continuous months of February, April, May, June, July, and August. Both Business Fields and Job Functions were revised and consolidated in 2008 to allow for more efficient separation of Business Fields and Job Functions among job postings.

Surveys Gauge Hiring and Compensation Outlooks

Surveys obtained the hiring and compensation outlook from senior management. More than 217 senior managers holding C-Suite, business-head or division-head positions in large to mid-sized commercial real estate companies responded to an e-mail survey from Equinox Partners, an executive search firm that sponsored the survey, and from the Cornell University Program in Real Estate to the Cornell Real Estate Council.

The respondents were asked to answer the following questions as well as to provide any additional insights on the year ahead:

- Compared to this year, in 2009 do you expect your hiring needs to: Increase; Decrease; Remain the same
- Compare to this year, in 2009 do you expect your professional employees' total cash compensation (base and bonus) to: Increase; Decrease; Remain the same

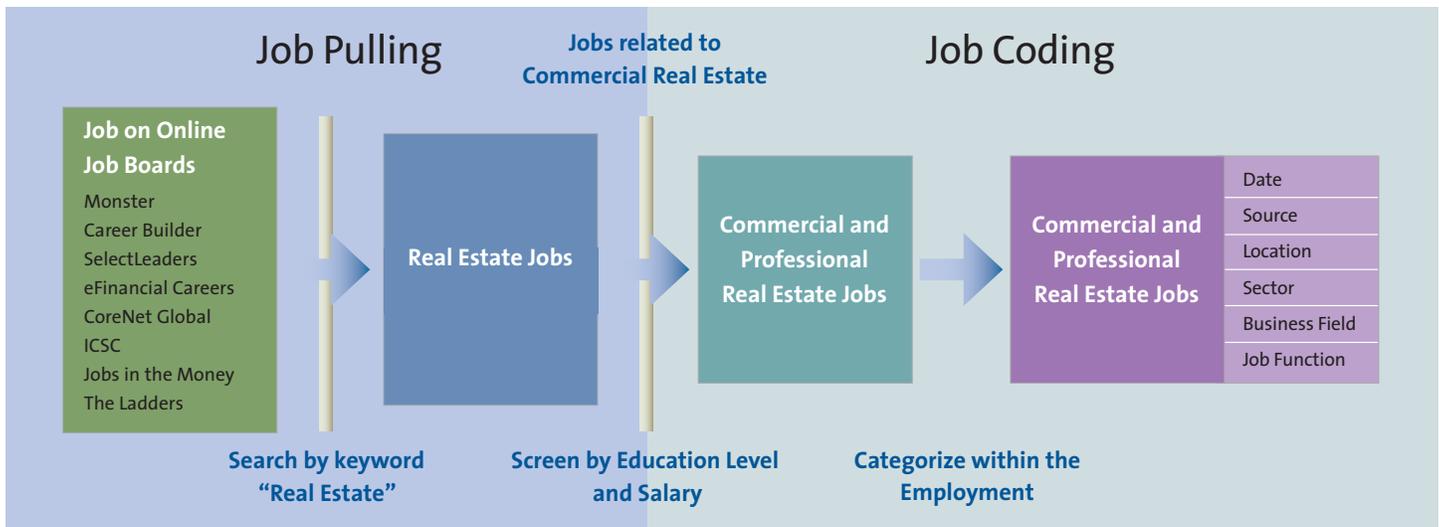
- What is your outlook for the real estate industry in 2009?
Expansion; Contraction; Remain the same

Resume Submittals Discern

What Jobs Attract Candidates

Resumes submitted to the SelectLeaders Job Network over a six-month period from February 1, 2008 to September 1, 2008, were coded according to job function and geographic location. A total of 72,632 resumes were submitted during this time on the SelectLeaders Job Network. Multiple resume submissions from a single candidate were counted each time, while employers that posted positions on SelectLeaders were able to check off up to five different job functions applying to each posting. As a result, one resume submitted for one posting might be recognized in several job functions. Only total submission numbers were studied in this analysis; no private information on resumes was, or will be, used for analysis.

The Job Analysis Process



The SelectLeaders/Cornell Commercial Real Estate Industry Employment Matrix (see page 28) was developed for the Job Barometer as a comprehensive model for organizing jobs within the industry. Organizing jobs within a three-part matrix by sector, business field, and job function not only provides a structure for understanding employment, but also serves as a model for understanding the structure, activity and roles within the commercial real estate industry as a whole.

Once the sector has been identified, the position is classified by its business field. The 14 business fields represent the company's focus—their main line of business. It does not reflect the

specific job duties; rather it reflects the broader context within which the position is placed.

Job functions truly capture the specificity and diversity of activities and jobs within the industry: A total of 40 distinct commercial real estate job functions are identified. The job function reflects the fundamental job duties that make up a substantial portion of the employment position.

The SelectLeaders/Cornell Commercial Real Estate Industry Employment Matrix thus provides a structure for understanding activity in the industry and establishes a model for appropriately coding and organizing jobs within the industry.

The SelectLeaders/Cornell Commercial Real Estate Employment Matrix



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Program in Real Estate

The SelectLeaders/Cornell Commercial Real Estate Employment Matrix serves as a model for understanding the structure, activity and roles within the commercial real estate industry as a whole.

Job Functions reflect the fundamental job duties that make up a substantial portion of the employment position. The job functions capture the specificity and diversity of activities and jobs within the industry.

Table 1. Job Functions

Academic	Business Development	Human Resources	Planning
Accounting/Control	Communications/Investor Relations	Interior Design	Project Management
Acquisitions/Dispositions	Corporate Finance/CFO	Investment Banking	Property Management
Administration/Operations	Corporate Real Estate Generalist	IT/Information Systems	Real Estate Research
Advisory Services/Consulting	Credit/Risk Management	Landscape Architecture	Securities Analysis
Appraisal	Due Diligence	Leasing	Structured Finance
Approval & Entitlement	Engineering	Legal	Syndications
Architecture	Facilities Management	Marketing Promotion	Tax
Asset/Portfolio Management	Financial Analysis	Mortgage Brokerage	Underwriting-RE Loans
Brokerage/Sales	Historic Renovation	Mortgage Origination	Workout/Restructuring

Table 2. Sector

- Alternative Investments
- Banking
- Entertainment/Leisure
- Government/Education
- Hospitality
- Industrial
- Mixed-Use
- Multi-Sector
- Office
- Residential
 - Affordable Housing
 - Multi-Family
 - Single Family
- Restaurant
- Retail
- Senior/Congregate Care
- Unspecified

Job Sector refers to the broader area of the commercial real estate industry within which the position operates. It typically is defined by the product focus of the role.

Table 3. Business Field

- Academia
- Advisory Services/Consulting
- Architecture
- Brokerage
- Construction
- Corporate Real Estate
- Development
- Finance
- Government/Non-Profit Organization
- Investments (asset management)
- Law
- REITs
- Property Management
- N/A

Business Field represents a company's primary focus. It does not reflect the specific job functions, but the broader context that the job function supports.

The real estate industry commonly employs the following list of job areas to describe career categories available in commercial real estate. Career categories consolidate job functions into categories of similar areas, and the resulting broader categories capture the "career field" within which the position fits. Career categories may encompass several job functions, reflecting potential roles that may be pursued by an individual in that field.

Table 4. Career Categories

Academia	Asset/Portfolio Management	Development	Law
Accounting/Tax/Control	Brokerage & Leasing	Finance	Marketing
Advisory Services/Consulting	Communications	Human Resources	Planning
Appraisal	Construction	Investments	Property Management
Architecture	Corporate Real Estate	IT	Research



Cornell University Program in Real Estate

Cornell University's Program in Real Estate is home to the Masters of Professional Studies in Real Estate degree, a comprehensive, graduate-level curriculum that educates the next generation of real estate industry leaders. Cornell is also home to the Cornell Real Estate Council, an extensive network of over 1,400 real estate industry leaders, as well as the annual Cornell Real Estate Conference, now entering its 26th consecutive year.

Cornell boasts the largest full-time, on-campus real estate faculty in the country, including three endowed positions in real estate, with its nineteen full-time real estate field faculty selected from seven colleges at Cornell to create a unique interdisciplinary structure. The core courses in the Program in Real Estate are drawn from each of the colleges to create a multidisciplinary educational experience that utilizes the full resources of Cornell. Students at Cornell receive broad exposure to real estate, from architectural design, construction management, real estate finance/investment, real estate development to deal structuring and on, as part of their core coursework. The ability to specialize in one of ten real estate niches during their second year, furthermore, creates the opportunity to maximize Cornell's extensive real estate offerings in sculpting a concentration ideally suited to the individual student's interests.

Cornell is also at the forefront of graduate-level real estate career development and management with its exclusive Real Estate Career Guide® program the centerpiece of a career development and placement process integrated throughout the two-year graduate program.



Cornell boasts the largest full-time on-campus real estate faculty in the country.

The Cornell Real Estate Council, believed to be the largest university-affiliated network of real estate professionals in the country, is a key link between Cornell students, alumni, and the real estate industry. An additional link between campus and industry is the Cornell Real Estate Review (CRRER), a scholarly journal providing a conduit for scholars, professional practitioners, and students to express ideas, concepts and research findings from all fields related to the real estate profession. The Review, unique as a student-managed real estate journal, is similar to a Law Review as the student editorial board referees and edits submissions from scholars and practitioners worldwide.



To learn more about the Cornell Program in Real Estate visit www.realestate.cornell.edu.

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