

# 2011 NAREIM Compensation Survey: Summary of Key Findings & Trends

The National Association of Real Estate Investment Managers and FPL Associates L.P. recently published the 2011 NAREIM Compensation Survey. Conducted by FPL, the survey focuses on pay practices in the real estate investment management industry. In its 16<sup>th</sup> annual edition, the survey generated an impressive 58% participation rate, which resulted in 46 participating companies (NAREIM members) who collectively manage over \$400 billion in assets under management (AUM).

## Performance & Organizational Results

- In 2010, most firms experienced improvements in performance (versus 2009 results)
  - YE 2010 AUM increased at 74% of participants, with average change of +29% across all respondents
  - 70% of participants reported revenue increases, which helped lead to improved margins in 2010
- Most participants expect a more modest uptick in performance in 2011 (versus 2010)
  - Asset values continue to climb, but challenges remain due to increased pressure on fees and a highly competitive fundraising environment (more firms competing for limited capital)
  - Many believe the sector is undergoing a fundamental change in enterprise/organizational strategy
- In 2010, most firms increased headcount and reduced turnover, though organizational concerns remain
  - Nearly all participants reported concerns over retaining top talent, while employees are less concerned over job security and more concerned over compensation and career development

## Compensation Results

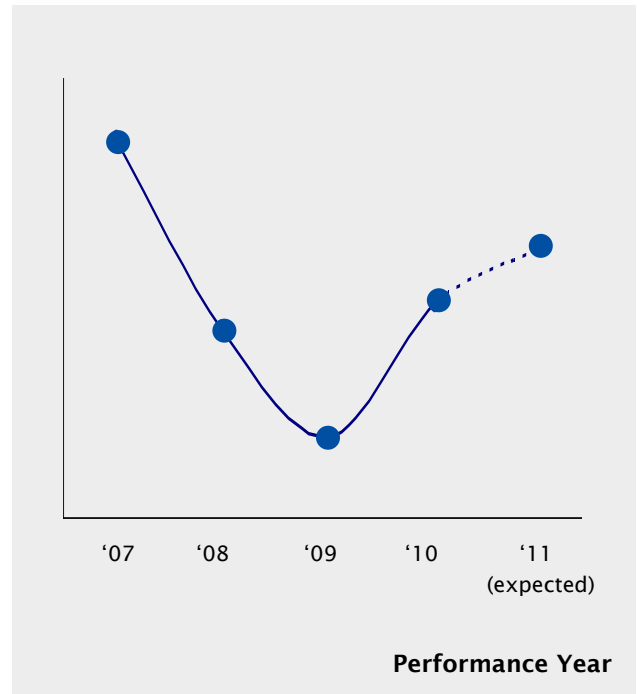
- After two years of declining compensation, pay levels for performance year (PY) 2010 were up, but still below pre-recession levels at most companies
- 88% of participants raised salaries in early 2011, with most increases falling in the 3-5% range
  - Increases were most prevalent for mid-level and junior professionals
- 76% of participants paid out larger bonuses for PY 2010 than they did for PY 2009, with amounts at or above target levels in most cases (60% of respondents)
  - Executive managers fared the best: median increase of 31% and average increase of 70%
  - Less than 10% of firms reduced bonuses, whereas over 40% reported doing this in last year's survey

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## Compensation Results (continued)

- Year-over-year changes in long-term incentive (LTI) awards varied considerably among participants
  - Roughly half of participants (52%) increased LTI for PY 2010, with the remaining companies split between keeping LTI flat (24%) and reducing LTI (24%)
  - Among firms that increased LTI, the median and average increase was 18% and 46%, respectively
- Looking ahead, most firms expect to increase pay for PY 2011, but at relatively modest rates due to uncertainty regarding how the rest of the year will pan out from a performance perspective
  - 2012 salary increases are expected to be 3-4% (on average), although a meaningful number of firms (24% of participants) expect to keep salaries flat (only 11% took this approach in 2011)
  - 44% of participants expect to pay out larger bonuses, most of whom expect 1-20% increases over PY 2010 levels, while 41% of participants expect to keep bonuses flat (18% reported this in 2010)
  - LTI should continue to vary by company, and eligibility parameters may broaden at some firm

### Illustrative Year-Over-Year Trends in REIM Compensation



## Contact

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