



DEI Déjà Vu - What is Different This Time Around?

This is not a new conversation, but it needs a new approach – accountability!

Diversity, Equity and Inclusion (“DEI”) in the institutional real estate industry – for the millennials in our industry this might sound like a novel, inspiring time where real change is going to happen. “Rah, rah, go women and minorities, you can be successful in this industry!” For the rest of us, we have seen this merry-go-round before, with minimal improvement in increasing diversity over the past 10, 20 and 30 years. Today, there is more and more data and research to support the “business case for diversity” (for more information see McKinsey¹ and Deloitte² research). Even with research to support the business case to embrace DEI, women and minorities are significantly under-represented in the institutional real estate industry, especially in the US³. Unfortunately, for the rest of us, we have heard and/or participated in this conversation before, yet it has resulted in very little change. For those around during the GFC, who can forget Nori Gerardo Lietz’s “Cloistered in the Pink Ghetto⁴” research from 2011? Looking at the top institutional real estate companies today – has anything materially changed in the near decade since? Nope.

What the current “DEI initiative” is missing is accountability. Why should any company take DEI seriously if there are no repercussions for not doing so? Companies must set DEI specific goals, take action to meet those goals and then measure and report on the success of their implementation. Then capital partners must hold their investment partners accountable by investing in companies with goals and measures in place that support DEI. Without the combination of measurable and reported action taken by investment companies that support DEI and capital commitments made or withheld based on the success of a company’s DEI initiatives, does a permanent industry change embracing diversity, equity and inclusion stand a chance of happening?

This thought-piece was crafted by the team at Belay Investment Group, a majority women-owned real estate investment firm. Valuing diversity, equity and inclusion (“DEI”) is at the core of Belay; from diverse team members being represented across all ranks and departments (our team composition including analysts/admins is 2/3 “diverse”), to the selection of our operating partners, to our team’s diverse real estate

¹ McKinsey & Company, “Diversity wins: How inclusion matters”, May 19, 2020, <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

² “Organisations with inclusive cultures are twice as likely to meet or exceed financial targets and three times as likely to be high-performing. And companies are six times more likely to be innovative and agile and eight times more likely to achieve better business outcomes, as Deloitte partner Juliet Bourke found in her research.” Christian Van Dartel & Mary Enriquez - Ramones, Deloitte, <https://www2.deloitte.com/au/en/pages/real-estate/articles/diversity-inclusion-real-estate-sector.html>

³ “The level of diversity in real estate is lowest when measured by AUM, with women and minorities accounting for 0.8% and 1.2% of total real estate AUM.” 2018 Diverse Asset Management Firm Assessment, a study commissioned by the James L. Knight Foundation, <https://www.sec.gov/files/amac-background-2018-diverse-asset-management.pdf>.

⁴ Nori Gerardo Lietz, “Cloistered in the Pink Ghetto”, November 18, 2011, https://www.hbs.edu/faculty/Publication%20Files/Women's%20Final%20MASTER%2018November2011_944b87d8-a515-494a-b7b5-1a9dfca71535.pdf

backgrounds; Belay has avoided homogenous group think because we believe that diversity is accretive to the outcome for our investors. It also makes our organization a more interesting place to work.

With more industry media coverage, dialogue at conferences about best practices, mentorship/internship programs and collaboration across organizations; Belay believes the real estate industry can improve the diversity statistics and make it one that professionals of all backgrounds, gender and ethnicity can thrive and enjoy working in. The good news is, those conversations are happening more now, than ever in the history of our industry. This thought-piece is meant to continue the conversation and hopefully encourage additional companies to take proactive measures for their DEI initiative. It is also a call to action for capital partners – if a diverse and inclusive industry is what you want, reflect that desire in your capital allocations.

Money talks – we must provide capital to firms with diverse ownership and management teams

Success within this industry is predicated on having access to investible capital. If dollars do not flow to firms that have, or are currently fostering DEI, this topic is mostly just talk and nothing will ultimately change within our industry.

While our asset class is real estate, our assets are our people. Investments need to be made in people, all people. The vast majority of capital within our industry currently goes toward established firms with a long track record and significant AUM⁵. However, those firms are not typically majority women and minority owned or operated. In fact, as referenced in the 2018 Diverse Asset Management Firm Assessment commissioned by the James L Knight Foundation, women and minority firms represent only 2% of firm ownership collectively within the institutional real estate industry⁵.

How do we ensure capital is flowing into diverse hands? - Assessing DEI within a firm

First, investment companies must start by growing DEI within their firms. This piece provides some ideas on how to attract and retain diverse talent, and support DEI, within organizations.

Second, we must support those firms that have taken, or are taking, action toward DEI. At Belay, we have found through the implementation of our emerging manager program, that there are many DEI focused firms that are deserving of investor capital. What does “DEI focused firm” really mean? There are multiple “levels” of success when measuring DEI, for example – where does diversity exist within the firm? The highest level is when women and minorities are represented at the ownership level. However, this can take time to grow organically. The other options are to promote someone in-house ahead of their peers, or bring in someone from outside the firm into ownership – neither option may be the right near-term business decision. It may be more timely or appropriate for some companies to augment their internal “diversity” through their external board, although this may not be as effective as having diversity within the company’s ownership. However, these are all steps toward the right direction as companies increase diversity at the highest level.

The next level is when women and minorities are represented within the management team, particularly in decision making positions, particularly investment and company strategy focused decision making. It is

⁵ “Between them, the world’s three biggest funds last year raised US\$43.5 billion”, JLL, The big are getting bigger: Mega funds dominate capital raising for real estate, January 28, 2020, <https://www.us.jll.com/en/trends-and-insights/investor/the-big-are-getting-bigger-mega-funds-dominate-capital-raising-for-real-estate>

important that diversity is included in decision making, in order for their perspective to positively impact the company. Having diversity represented in management is only effective when they are given a voice.

Lastly, we must support firms that are late adopters of DEI within their firms, and “nudge” those that have not yet fully adopted the concept. Ask yourself “Do the projects and firms you are investing in foster DEI?” If the answer is “no”, start asking questions regarding DEI initiatives within the project or firm and insist on measurable action toward improving DEI. All of our investment dollars hold the power to influence.

This time, DEI initiatives must be real and sustainable – so hire us for the value we bring, not for the diversity quota you are targeting

Although a majority of our team members at Belay check the “diversity” box, we also have diverse career backgrounds, which is what Belay values in its new hires and within the emerging manager firms we support – experience in senior management, acquisitions, equity fundraising, consulting, asset management, property management, accounting and administration. We value diversity in thought, career experience and life experience because it makes us better stewards of investor capital. Diversity by gender and ethnicity stands to further a team’s ability to “think from all angles”. As such, new hires, regardless of whether they represent diversity, should be considered based on their accomplishments and experience, which should speak for itself.

This is why, in order for a DEI hiring initiative to be sustainable, it is important that all new hires be considered based first and foremost on merit. Individuals hired, diverse or otherwise, must warrant the opportunity through demonstrating that they have the highest ability to succeed at the position. If this isn’t the case, hiring for diversity doesn’t help anyone –not the person hired who feels like they were given a great opportunity but may not be successful or second-guessing themselves “was I the best hire for this position?”, not the company who feels they are giving “diversity” a shot and the person doesn’t measure up, and not for the broader DEI initiative as the company ultimately won’t increase diversity over the long-term.

If it is not clear that all hires are being selected based primarily on merit instead of checking the diversity box, another potential unintended consequence is the concerns it might create for existing employees in your organization. They could potentially be asking themselves “Is my hard work going to get noticed at this firm if I don’t represent diversity?” How are current employees supposed to embrace and celebrate diversity when it is viewed as potentially hindering their own career advancement? If employees are not hired or promoted based on merit, how does the “equity” and “inclusion” elements of DEI stand to be successful?

Qualified women and minority candidates are out there – come find us

It is well known that women and minorities are comprising a larger and larger percentage of college graduates⁶. This trend provides every company within our industry with the ability to successfully recruit

⁶ “By late 2018, 56% of students on college campuses nationwide will be women, and that figure is projected to become 57% by 2026. Rising graduation rates across the board must be factored in, too. Between 1995 and 2015, the number of white 25-29-year-olds earning bachelors degrees had gone from 15% to 21%. It rose from 9% to 16% for Hispanics and, for Asians and Pacific Islanders, from 43% to 63%.” DHR International, Changing Demographics are Driving Change in Real Estate, August 2018, <https://www.dhrinternational.com/insights/changing-demographics-are-driving-change-real-estate/>

and hire women and minorities. You may be asking yourself “Why aren’t a larger percentage of applicants women and minorities?”

In some cases, it is a lack of knowledge of the career opportunities within the institutional real estate industry. We recently spoke with a young female broker we met during a property tour. When asked how many other female brokers she knew within the market, she answered “One”. She said this while standing in a group of six other male brokers, all of whom spoke highly of her ability as a broker. She went on to explain that she obtained a real estate degree, but was never made aware of her present career path during her education. Instead, she was informed of residential and private commercial real estate opportunities, but unaware of the institutional real estate industry. She was introduced to the opportunity through a friend at a brokerage firm.

In other cases, it is a lack of opportunity. Like many industries, hiring opportunities are often presented through existing connections and relationships. This process often does not allow for the opportunity to be presented to a wide range of qualified candidates.

Creating an outreach program through one or more of the following ways, helps to ensure that you are connecting with all qualified candidates for a given hiring opportunity:

- Recruit from a variety of colleges, including ones that are predominantly attended by women and minorities
- Create a company sponsored scholarship for real estate or business school degrees at programs with a high degree of women and minority attendees
- Hire interns through women and minorities scholarships such as Toigo Foundation
- Your company senior team members can volunteer to attend women and inner cities/majority minorities-attended high schools or colleges career day to introduce our industry and its potential career paths and/or develop mentorship relationships with students

Ready, Set, Go!

Keep yourself accountable through goal setting and a feedback loop to ensure the DEI initiatives are moving forward in the right direction.

- Set achievable and measurable goals: Start by pinpointing which DEI ideas you want to move forward with and discuss how you can measure their success. One effective measurement tool is taking employee surveys, preferably anonymous, on a recurring basis to see how the DEI ideas implemented are impacting your employees and how your employees feel about progress being made. There are a variety of online HR service offerings on this front. Another good first step is to ask your employees which DEI initiatives they think would be the most impactful. It’s great to collaborate and hear ideas from a broad group!
- Execute your plan: Consider assigning the execution of the DEI initiatives to someone at the partnership or C-Suite level who is passionate about growing DEI, in addition to your HR team. Leading from the top is so important for these types of initiatives! Then, continue to have DEI on the board meeting agendas to monitor progress. Further, it could be helpful to form a “DEI Committee” comprised of employees from a variety of teams and levels within the organization. This helps with hearing ideas and issues from all levels on an ongoing basis. Lastly, ensure communication to

employees is clear and concise about “why DEI matters” as well as how the forthcoming initiatives should benefit all employees.

- **Measure success:** It is important to gauge the success of your DEI initiatives by hearing from your employees about what works, what they like, and what could use improvement. Again, there are HR software service offerings to assist in rolling out employee engagement surveys (and some that are specific to DEI initiatives). To check if your on-the-ground initiatives are impacting the broader industry goal of increasing diversity statistics across our ranks, it’s helpful to start tracking the demographic composition of your team– we at Belay don’t believe demographic targets/quotas should be the ultimate DEI goal for an organization, but rather, the DEI initiatives that are implemented should help drive forward progress on adding and promoting diversity across your team. Lastly, one important measurement tool is a pay gap analysis. The CREW Network has completed research noting within the commercial real estate industry, women get paid 34% less than men (survey completed in 2020 – in 2015 the gap was lower at 25% - unfortunately we are back-sliding as an industry)⁷. How much less do your employees representing “diversity” get paid versus everyone else? Is the gap at your company decreasing over time?
- **Report back:** Get credit for the success of your DEI initiatives by reporting back to your employees and external parties (i.e. investors, website, vendors, recruiters, etc.). Consider sharing your results both internally (builds employee trust, loyalty and goodwill) as well as externally (should help with recruiting “diversity”, shows your organization “walks the walk”). And don’t be afraid to be open about what didn’t work – if we can all collaborate and share ideas, as an industry we can make much quicker forward progress.

Thank you and next steps for DEI collaboration

Thank you to all the real estate organizations that are embracing DEI and making positive changes in your firms. And thank you to DEI supportive investors like CalSTRS for promoting DEI as well.

For those who would like to continue the dialogue and share best practices, please email Belay’s team at DEI@belayinvestmentgroup.com. We are creating a DEI page on our website where we will be sharing best practice ideas that are sent in, and we will also coordinate a zoom call for those interested in further discussing DEI initiatives. As an industry, we can turn this conversation into real sustainable change!

“Fight for the things that you care about, but do it in a way that will lead others to join you.”

- Ruth Bader Ginsburg

⁷ CREW Network, “2020 Benchmark Study Report - Gender and Diversity in Commercial Real Estate”, 2020, <https://crewnetwork.org/getmedia/c3b1b456-46da-4c00-9a6e-da188ed9cd05/crew-network-benchmark-study-report-gender-and-diversity-in-commercial-real-estate-2020.pdf.aspx>