

DEI déjà vu

Is anything different this time around?

by Kelsey Harstad and Eliza Bailey

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

— Ruth Bader Ginsburg

The conversation about diversity, equity and inclusion (DEI) in the institutional real estate industry is not a new one, but it needs a new approach — accountability.

For younger people in the commercial real estate industry, the current environment might seem like a novel, inspiring time where real change is going to happen. 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, increasingly more data and research support the “business case for diversity” (for more information, see recent research from McKinsey & Co. and Deloitte). Even with research to support the business case to embrace DEI, women and minorities are significantly underrepresented in the institutional real estate industry, especially in the United States, according to the *2018 Diverse Asset Management Firm Assessment*, a study commissioned by the James L. Knight Foundation. Many of us have heard and/or participated in this conversation before, yet it has resulted in very little change. Those around during the global financial crisis should remember Nori Gerardo Lietz’s “Cloistered in the Pink Ghetto” research from 2011. But looking at the top institutional real estate companies today, has anything materially changed in the 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. 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 (1) measurable and reported action taken by investment companies that support DEI, and (2) capital commitments made or withheld based on the success of a company’s DEI initiatives, a permanent industry change embracing diversity, equity and inclusion does not stand a chance of happening.

This market perspective was crafted by members of the team at Belay Investment Group, a majority women-owned real estate investment firm. Valuing diversity, equity and inclusion is at the core of Belay; from diverse team members

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Kelsey Harstad
Belay Investment Group

represented across all ranks and departments, to the selection of our operating partners, to our team’s diverse real estate backgrounds, Belay has avoided homogenous groupthink because we believe 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 the industry one that professionals of all backgrounds, genders and ethnicities can thrive and enjoy working in. The good news is, those conversations are happening more now than ever in the history of our industry. We want to stoke continued conversation on the subject and hope

to inspire organizations that have not yet done so to take proactive measures for their own DEI initiatives. 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 concept is mostly just talk, and nothing will ultimately change within our industry.

Although 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 assets under management. Those firms, however, are not typically majority women and minority owned or operated. In fact, as referenced in the *2018 Diverse Asset Management Firm Assessment*, women- and minority-owned firms represent only 2 percent of firm ownership, collectively, within the institutional real estate industry.



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Eliza Bailey
Belay Investment Group

Assessing DEI within a firm

How do we ensure capital is flowing into diverse hands? First, investment companies must start by growing DEI within their firms. 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, many DEI-focused firms that are deserving of investor capital. What does “DEI-focused firm” really mean? Multiple levels of success exist 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, but this can take time to grow organically. Other options are to promote someone in-house ahead of their peers or to bring 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. These are all steps in the right direction, though, 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, spearheading strategic companywide and investment-specific initiatives. It is important diverse employees are included in decision making, in order for their perspectives to positively impact the company. Having diversity represented in management is only effective when given a voice.

Last, we must support firms that are late adopters of DEI and nudge those that have not yet fully adopted the concept. Ask yourself, “Do the projects and firms we 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.

Focus on adding value

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 they make us better stewards of investor capital. Diversity in 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, for a DEI hiring initiative to be sustainable, it is important that all new hires be considered, first and foremost, on merit. Individuals hired, diverse or otherwise, must warrant the opportunity through demonstrating 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

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company that feels it is giving “diversity” a shot, but 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, 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 do the “equity” and “inclusion” elements of DEI stand to be successful?

If a diverse and inclusive industry is what you want, reflect that desire in your capital allocations.

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

It is well known that women and minorities are an increasingly larger percentage of college graduates. This trend provides every company within our industry with the ability to successfully recruit and hire women and minorities. You may be asking yourself, “Why, then, 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 left 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 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 those offered by the Toigo Foundation
- Encourage your company’s senior team members to attend high school or college career days at schools that are women and majority-minorities attended, 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 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 surveying employees, preferably anonymously, on a recurring basis to see how the DEI ideas implemented are impacting your employees and how they feel about progress being made. A variety of online HR service offerings are available 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: In addition to your HR team, consider assigning the execution of the DEI initiatives to someone at the partnership or C-suite level who is passionate about growing DEI. 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” composed of employees from a variety of teams and levels within the organization. This makes it easier to hear ideas and issues from all levels on an ongoing basis. Last, 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, HR software service offerings can assist in rolling out employee-engagement surveys (and some 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. Demographic targets/quotas shouldn't 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. Last, one important measurement tool is a pay-gap analysis. CREW Network research completed in 2020 noted, within the commercial real estate industry, women are paid 34 percent less than men — in 2015, the gap was 25 percent; unfortunately, we are backsliding as an industry. 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 visitors, vendors, recruiters, etc.). Consider sharing your results both internally — to build employee trust, loyalty and goodwill — as well as externally — to help with recruiting “diversity” to show 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 progress.

Next steps for DEI collaboration

We want to acknowledge and thank all the real estate organizations that are embracing DEI and making positive changes in their firms. And thank you to DEI-supportive investors, such as the California State Teachers' Retirement System, for promoting DEI, as well. As an industry, we have the power to turn this conversation into real, sustainable change! ❖

Kelsey Harstad is senior vice president at **Belay Investment Group**, and **Eliza Bailey** is managing principal at the firm. For those who would like to continue the dialogue and share best practices, please contact Belay's team at DEI@belayinvestmentgroup.com.

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