

# Diversity in CRE Today

## DE&I has the wind at its back...can it continue?

By Gemma Burgess and Ebony Mitchell

This article is the second in a series that will share perspectives on:

- The current state of DE&I within the CRE industry
- How to best accelerate change
- Being one's authentic self in the workplace
- How to be an effective ally
- Advice for colleagues and the industry

Over the past two years, the conversation about diversity, equity and inclusion (DE&I) has assumed its rightful place on center stage. Many in CRE say that this focus is long overdue even as they caution against celebrating this development prematurely. "DE&I is evolving in a positive direction but at a pitifully slow pace," says Ken McIntyre, CEO of the Real Estate Executive Council (REEC).

Having seen too many diversity initiatives flame out in the past, DE&I advocates will not be convinced of the staying power of current DE&I efforts until they see real systemic change that will support DE&I for many years to come.

"We are in the very early days," says Dale Burnett, co-founder and managing director for BIG Equity Investors LLC in New York. "The industry has become more aware of and willing to discuss its shortcomings in DE&I. To move beyond discussions, the industry must recognize that it is not only inequitable and exclusionary, but that it is worse off because of this," he says. "That's when you will see sustained and meaningful action."

McIntyre sees greater emphasis on DE&I as inevitable. "We are nearing a tipping point as increasing diversity permeates the ranks of decision makers, which increases the rationale for diversity as a business imperative," he says.

### **Will it stick this time?**

That work has already begun in many CRE firms. In the past, "DE&I was an afterthought and very few firms took it seriously," says Jeffrey Beckham, executive vice president and head of portfolio management at GID Investments. "However, in the last 18 months, nearly every firm has moved it far up on their priority list."

Beckham is seeing results from these efforts, noting the excitement of seeing more people of color appointed to corporate boards. "There has been more activity in the industry in the past 18 months than in the last five or maybe even ten years," he says. "My peers are moving into exciting new roles that they simply would not have been considered for two years ago." Industry executives point to efforts by National Association of Real Estate Investment Trusts (NAREIT) and other important players to emphasize and

serve as role models in DE&I. However, they also know that real change must occur among everyone at every level in every organization. This is what makes some executives more skeptical about the staying power of DE&I efforts. “In a lot of ways, the commercial real estate industry is having the same discussion now as we

did when I entered the financial services industry in 1977,” says Gwendolyn Hatten Butler, an independent board director and a senior advisor to Capri Investment Group. “Given the lack of substantive progress, we continue to talk about the same thing over and over again.”

## ■ Systemic change needed

To make sure this time is, indeed, different, it is important to maintain and build on the current DE&I momentum that began during the Covid-19 pandemic. Many observers are concerned that DE&I will lose steam once people return to the office and resume their pre-pandemic routines.

To avoid this, it is important for CRE firms to adopt new and ongoing efforts to recruit diverse talent to ensure greater DE&I. However, it is just as important for organizations to make a real commitment to retain, develop and promote this talent over time.

To seize this moment, firms need to take more chances and move slightly faster toward change than they might prefer. This means identifying mentors based on their merit, effectiveness and commitment to DE&I, creating more opportunities for mid-level professionals and promoting people based on their knowledge, results and potential rather than less important criteria.

“It is one thing to hire five analysts who are people of color, but it’s another to have all of them make it to vice president,” says Beckham. “In the first case, you checked a box. The second case is where you can drive real change.” Once real change takes place in a firm, it will be readily apparent based on that firm’s employees and what positions they hold.

Companies must also reinforce and drive DE&I efforts systemically. “Tying compensation to the achievement of DE&I goals is part of this,” says Tammy K. Jones, co-founder and CEO of Basic Investment Group LLC and chair of REEC. “But you also need a clear focus.” This focus can be reinforced with a diversity business plan, executive accountability and performance metrics tied to DE&I improvements.

It is these types of efforts that change company cultures. Once every candidate slate includes enough qualified people of color, that will become the standard and the expectation. “The goal is to make this second nature,” says Beckham. “There should be enough people of color in the room so that it is no longer a surprise when they’re there.”

One Black executive said his own career is an example of how far DE&I efforts have come and they are optimistic about the future. With more conversations going on about race, people can increasingly see that everyone is more alike than different. As DE&I efforts continue to gain momentum, they see reasons to be optimistic about the future so that their own career growth and trajectory can be replicated by others.

## ■ Expecting bumps in the road to progress

Keeping the momentum behind DE&I is important, but progress rarely moves forward in a straight line. “There may be bumps along the way, but we can’t be discouraged,” says Byron Boston, CEO and board member at Dynex Capital, Inc. “The only way to deal with it is for good people to lock arms and work toward a good cause.”

Today’s young professionals will be leading the way and can help to reshape the industry, says Kimberly Brown, managing director for Cushman & Wakefield. Pointing to the exponential growth among young professionals as members of the African American Real Estate Professionals (AAREP) organization, “there has been an explosion of Black talent in the industry,” she says.

However, this talent may not be willing to limit themselves to traditional institutional CRE. “The younger generation leans toward impact work,” says Brown. “They roll out of large corporate

firms seeking work that will make more of an impact”—for example, by working with local developers and on affordable housing. Keeping this talent engaged and interested in traditional CRE is another challenge for these firms.

Meeting these challenges will become an imperative for CRE firms. After all, CRE is a business and businesses thrive when they have great talent. As many studies have shown, diverse teams produce better outcomes.

As the pandemic labor market has shown, companies cannot afford to turn away or neglect promising talent because those individuals will move on to something better. “It is our fiduciary responsibility to generate the best possible outcomes for stakeholder and shareholders,” says Jones. “Not creating opportunities for people of color means you may not be generating the best possible returns. DE&I is not just the right thing to do, it is good for performance.”



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