

## REAL ESTATE JOBS FOR MBAS



### Overview

Real estate is a high-risk, high-reward industry. Although the likelihood of becoming a mogul of Trump-like proportions is small, many MBAs with entrepreneurial mindsets are turning to this field, attracted by the potential for equity accumulation. The multifaceted industry offers opportunities in brokerage, consulting, development, investment, and more.

The real estate business is constantly evolving. Over the last decade, consolidations, mergers, and alliances have bifurcated the list of players.

- Huge multiservice firms, such as Trammell Crow and [CB Richard Ellis](#), make up one level; many midsize companies have been rolled up into these vertically integrated firms, which offer a range of services including property sales, leasing, and management; corporate services; investment banking; investment and asset management; capital markets; and appraisal/valuation.
- Small, local, specialized firms comprise the other level. Industry segments include asset management firms, banks, brokerages (sales, leasing, mortgage, and tenant representation), corporate real estate, construction firms, development companies, hospitality firms, property management companies, real estate investment trusts (REIT's), and third-party service providers (environmental firms, architectural firms, engineering firms, title companies, and so forth).

**Career opportunities for MBAs in real estate** vary widely but generally fall into one of three basic categories (some jobs such as consulting or development may fall into more than one):

- **Corporate finance.** Corp fin focuses on the money involved in real estate transactions: where it comes from, how it is managed, and where it goes.
- The emphasis here is on the property It'self. These jobs are typically property management, leasing agency, and brokerage positions. Developers fall into both this category and the investment finance category they manage a project from inception through completion. And yes, a few MBAs do go into residential brokerage: One of our sources gave up a lucrative career in finance to handle residential property in New York City.
- **Investment finance.** These jobs involve analysis, acquisitions, asset management, loan origination, loan servicing, mortgage banking, and securitization. Opportunity funds are especially popular. The usual entry-level position is analyst or associate.

### Major Players

The list includes all the usual suspects: major financial services houses, such as Credit Suisse, Deutsche Bank, [Goldman Sachs](#), Lehman Brothers, [Wells Fargo & Co.](#), Merrill Lynch, and UBS; and real estate bigwigs like Trammell Crow, Cushman & Wakefield, CB Richard Ellis, Hines, Lincoln Property Company, Archstone-Smith, and Del Webb (Pulte Homes). Big names on the REIT side include Equity Office Properties Trust, Weingarten Realty Investors, and Mack-Cali Realty Corporation.

### Trends

There has been a gradual cultural shift from old boys club homogeneity to greater diversity. There are unspoken initiatives to increase hiring of women and minorities. One longtime insider admits, It's a very sensitive subject. At the same time, ownership of property is becoming increasingly institutional (as opposed to individual).

### Salary

New grads can make anywhere from \$50,000 to \$150,000, plus bonuses. One recent graduate attributes this range to the relative differences in opportunities: Real estate is an entrepreneurial field. Owners make the money, not service providers. People may want to take a low salary to work with the right entrepreneur. Others may want to make \$150,000 in investment banking and will always live off fees, never hitting any home runs.

Senior associates and analysts with MBAs may make closer to \$80,000 or \$90,000. Consultants are generally paid more coming out of an MBA program, but have less room for growth because there are no entrepreneurial possibilities.

A graduate of UCLAs Anderson School working in development estimates that in his field a new MBA can expect to earn from \$75,000 to \$100,000, depending on the size of the company.

Commercial brokers begin a little differently in many firms, initially making no income or drawing about \$40,000 against future production. Often, they are sponsored by a senior member of the firm. But within three years, a broker can expect to be making \$125,000. According to one broker in a leading Dallas firm, there's no cap; people can make millions.

### Hours

Hours in this field vary depending on the position and the company.

Investment bankers may work 80 to 100 hours per week, while commercial bankers tend to work more traditional banking hours typically about 50 hours per week.

Developers keep fairly regular hours, logging about 50 to 60 per week, and during critical periods, up to 100.

My job is particularly unusual in It's relatively 9-to-6-ish lifestyle which is one of the biggest reasons I joined, explains a recent grad now working in development. Most people in real estate and most MBAs for that matter work much longer hours.

Consultants normally work 50 to 70 hours a week, depending on how close to deadline a project is.

The focus in this industry, however, isn't so much on the amount of time you work as on the quality of the job you do, according to some insiders. Productivity, not face time, is the measure. But more often than not, to produce you do need to put in the hours.

### Travel

Some travel is involved in most positions. Commercial and investment bankers travel the least. Consultants travel the most, sometimes weekly.

### Office Culture

As in most industries, the dress code has relaxed in the last five to 10 years. Dress is generally business casual, unless there are presentations or client meetings.

The atmosphere is friendly but demanding. People joke around quite a bit, but there are very stressful times, says a recent graduate working in an investment bank. The energy level is kinetic, a broker says.

Many of our interviewees described a more flexible, less hierarchical structure than traditional banking and consulting environments. But with freedom comes challenge: To succeed, you have to find a way to fit in and contribute, because no one is going to hold your hand, warns one insider.

Socializing is generally very limited; business dinners with clients may be the most social event of a week. Most people are married, and there is little socializing besides an occasional beer or lunch with people, one investment banking associate says. Once again, however, cultures vary by firm: One recent grad participates in weekly basketball games with his colleagues and reports that Here's plenty of informal socializing.

**See: Organization Culture Matters Most**

### The Crowd

In many places, It's still an old boys network. According to one recent B-school grad now working as an analyst in a multiservice firm: Many firms are dying to bring in more women and minorities, because embarrassingly, the field is very white-male dominated. And not just white male fraternity-pledging, football playing white male. Individuals have to be able to work in that environment, because relationships in real estate are critical. A high-level insider with a major Dallas brokerage firm agrees, noting that the image is pretty much on target.

Companies efforts to diversify are starting to pay off, though: It is getting better, one source says. The old boy's network comment is especially true of the transactional and **investment banking positions**, but the other parts of the industry are balancing out.

Colleagues will include fellow MBAs as well as those with assorted other graduate and undergraduate degrees even a handful without degrees in some smaller (especially family-run) firms. A recent graduate working in development reports that most of his colleagues have MBAs from top business schools: lots of Stanford and UCLA MBAs, and a lot of Ivy League grads.

### Getting In

The industry's efforts to shed its conservative image makes this an ideal time for women and ethnic minorities to **pursue careers in real estate**. Overall, job prospects are good, although they may soften a bit with the economic downturn. Nevertheless, **demand continues to grow for real estate professionals** familiar with a range of industry issues, such as property and asset management, securitization, valuation, and investment.

An MBA isn't critical for many positions; experience is far more important for success in real estate, and personality is the main key to getting a foot in the door. About 80 percent of the hiring decision is based on personality, warns one insider. Employers want to see ambition and drive. Don't seem overconfident, though; they are also looking for someone who recognizes that there's a lot to learn and is willing to learn it.

Contacts are invaluable—real estate can be a small industry. Get involved in the aspect of the field you are interested in while still in school by joining appropriate clubs and organizations: You can network and learn how to sell yourself.

One real estate professor from a prestigious MBA program strongly urges students to use the Internet to post resumés long before graduation. Real estate-related sites for MBAs include [www. RealEstateAndLandCrossing.com](http://www.RealEstateAndLandCrossing.com) and, of course, our favorite [Granted.com](http://Granted.com).

### Moving Up

You can move up quickly in this industry, but it's not always easy. Real estate professionals—perhaps more so than those in other fields—need to stay current on a variety of issues beyond business trends. Tax-law changes, new highway routes, and zoning regulations all affect properties and their value. Top players and producers in this space know one another in every market niche: Networking is critical, as is membership in professional associations. Self-motivation and focus are also crucial, particularly in development and asset-management positions.

If you are going to have lasting and increasing value in your career, says one industry recruiter, consider these three pivotal questions:

1. What do you know about the property? Do you understand how it operates?
2. Do you understand it at the investment level? One insider warns that this is where many property managers lose out. They understand how to operate a property, but very few rise to the level of understanding how investors look at the deal. They are driven by keeping it occupied, but fail to consider the actual yield.
3. What's your level of responsibility? Firms want somebody who's acted as a principal—someone who's been responsible for negotiating contracts, making critical investment decisions, and allocating capital. If you want to move ahead in real estate, find the opportunity to take on these responsibilities.

It's not always up to you, though, warns one analyst. Some firms don't encourage mobility. They may be what he calls "inherently small shops." Since the principals don't want the firm to grow, no one moves up. "Other firms are looking to grow people to their fullest potential." His advice? "Learn from the first kind of firm, and go work for the second when you're ready."

### What It Takes

Above all, you need an entrepreneurial outlook: tenacity, fortitude, and the ability to see opportunities after others give up.

On a more basic level, computer literacy is key. Employers expect candidates to know the basics: spreadsheets, database analysis, word processing, graphical analysis, geographic information systems, etc. Perhaps even more critical are analytic ability and quantitative aptitude.

"Some finance experience is almost a must. Always emphasize this to potential employers," says one Wharton graduate, now an associate at a New York investment bank. "Forget strategy and big thinking; one needs the ability to focus and get immersed in the details."

But others point out that real estate is so broad that there's room for a variety of skills. Curiosity, persistence, critical thinking, creative problem solving, the ability to multitask, honesty, confidence, and good communication skills were all mentioned.

"Both analytical and outgoing personality types can do well and have their place. If you are both, that is even better," says one longtime real estate insider. "Real estate offers so many career paths that there is room to excel based on your own skills; the consultant and the leasing agent can both do well—one analytical, one outgoing, both bright."

Investment bankers, appraisers, and property managers should have good analytical and writing skills. Brokers and leasing agents, on the other hand, need well-developed interpersonal, negotiation, and verbal skills. Developers often need both, as well as strong management expertise and a basic knowledge of every facet of real estate from site selection onward.

But sometimes, just like getting hired, getting ahead involves something more intangible than a polished skill set. "Since we don't have clearly defined job titles, you have to make yourself valuable to others," says one development industry source. "It's a pretty informal and subtle process. [It's] not necessarily a popularity contest, but if you're not liked, no one will want you to work with them."

### Typical Day

"Start early, work late, answer e-mails and voice mails, follow up on projects, schedule meetings, and only go out to lunch if meeting a client," says one insider.

That may be as close as anyone gets to describing a typical day. "There absolutely is no typical day. That is one thing people love about real estate," said a recent grad. For most positions, hours and job structure vary, and it's important to be able to go with the flow.

An average day could include a number of activities, depending on the particular field: financing a project, looking at potential building sites, helping a client with a real estate decision, marketing a property, negotiating leases, and so forth.

The investment banking side of real estate may be a little less varied and entail limited client contact. One associate at Deutsche Bank says he spends much of each day "either writing or crunching numbers."

### Career Path

Pre-MBA career paths are quite divergent. Some real estate people get their MBAs right out of college; others may be architects or engineers or come from a family already in the business. Some have worked in investment banking or for a real estate firm before pursuing an MBA.

After graduation, it depends on the job. For instance, those on the investment side start as analysts. Eventually, many look for more entrepreneurial opportunities, perhaps moving into the "buy side"—investment management.

Those in development may start by doing sales. Those planning to enter brokerage may start in property management or agency leasing. One development insider says the path is pretty linear, with "assistant vice president" as the starting position. "Employees who become partners generally do so with around eight years' experience. The promise of partnership provides a pretty big carrot; though a lot of junior people are concerned, especially in a relatively small company, about how much partnership expansion will occur in the next five to 10 years."

### Buzzwords

- Modeling
- FFO (funds from operations)
- Conduit
- Leverage
- Capitalization
- Mezzanine
- Capital structure
- Co-investment
- Cap Rate

### Misconceptions

Myth: Real estate isn't about capital flow.

Reality: It is. "Economically speaking, one of the things impacting the real estate industry—that will always impact the real estate industry—is capital flow," says a recruiter. The most important thing to ask an employer is, "Where is the capital coming from?"

Myth: An MBA is critical in this field.

Reality: It's not a must. An MBA can't hurt, but experience, personality, and drive are far more important to success in this business.

#### **Pros & Cons**

##### **Pros**

- Opportunity (in some jobs, at least) to be exposed to all facets of the business early in your career
- Potential for equity accumulation
- Co-investment opportunities
- In some fields, unlimited opportunities for wealth
- High-energy work environments
- Ability to work on tangible projects with considerable civic impact
- Good long-term compensation

##### **Cons**

- Potential for very long hours
- High risk—a deal you've worked on for a year or more could fall through in a second.
- Old boys' network atmosphere
- Instability in certain sectors, such as development

##### **Great Perks**

Perks depend on the type of company. For instance, some investment professionals have the opportunity to co-invest. And one recent grad who works in hospitality development: "We get to stay at a deep discount at any of our properties, which tend to be in vacation-oriented locations!"

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