**Introduction**

Ross Career Services (RCS) created the *Career Path* series to assist students with the career search process. Each *Career Path* handout examines a common business functional area in which Stephen M. Ross School of Business graduates pursue jobs each year. The first four steps of RCS’s recommended career search process are detailed for each specific business field.

**Real Estate Overview**

While a small percentage of students pursue careers in real estate, there are a wide variety of opportunities in this field. Positions are at the MBA and BBA level and entail investment and asset management for large insurance companies and pension funds that have large and diverse investment portfolios.

Some knowledge of architecture, construction, urban planning and real estate law is helpful for building a solid understanding of real estate. You need to understand and be interested in financial markets and interest rate activity as they relate to real estate transactions. Knowledge of markets, including major metro areas and their economic strengths, is also intrinsic to working in the real estate field.

**Steps for Developing a Career in Real Estate**

**Career Search Step #1: Conduct Self Assessment**

The first step in pursuing a career in real estate is finding the function that matches your skills and interests. Ask yourself:

1. What are you good at?
2. What skills do you want to build?
3. What field interests you – asset management, development, financing, etc?

Important qualities for success in real estate include the following:

- Strong interest and knowledge of the real estate market
- Confidence
- A well thought out plan (career path, reasons for steps)
- Knowledge of potential firms
- Marketing and financial skills combined
- Strong communication and presentation skills

**Career Search Step #2: Investigate Possible Career Opportunities**

Pursuing a career in real estate is primarily an off-campus endeavor, as the wide majority of companies with opportunities do not recruit on campus. The Michigan Real Estate Club is the best on-campus resource for networking with alumni and potential employers. Take real-estate related coursework to...
get a taste of what is possible. There are also several conferences which you should attend in order to educate yourself and expand your network, including the Urban Land Institute Meetings, GreenBuild, and the UM/ULI Forum. Take advantage of the company information resources available through Kresge Library - you will want to do a geographic search of eligible firms in order to identify and prioritize potential employers. Lastly, keep up to date with print and online media.

**Career Search Step #3: Research Potential Employers**

You can learn more about each employer hiring on campus in real estate management by attending the company presentations. In addition, take advantage of the company information resources available through Kresge Library— you will want to do a geographic search of eligible firms in order to identify and prioritize potential employers. Dun & Bradstreet’s Million Dollar Database is a very useful database for identifying companies, sorted by geography and by size, that are interested in business school candidates for positions.

**Career Search Step #4: Develop a Career Search Strategy**

In addition to learning more about your companies of interest, it is vital to build a network of contacts if you wish to pursue a career in real estate. Contacting alumni in the field is a great way to learn more about differing firms as well as begin to establish others’ knowledge of your interest and skills. The Real Estate Club is another important group to get involved with to keep abreast of opportunities for learning as well as networking with others in the field. The Real Estate Club’s website has several tools for researching firms as well as preparing your resume and “elevator speech.” One other group not to be overlooked is your own personal network of family and friends – real estate is a networking field, so be sure to let everyone you know that you are interested in learning more.

**Real Estate Career Descriptions**

**Affordable Housing**

**Developer: Affordable Housing**

Like other development firms, affordable housing developers are entrepreneurial and create and redevelop improved real estate, bringing together land, capital, entitlements, design, construction and the market (albeit a different kind of market). Affordable housing development particularly requires sophistication in financing, as projects typically require 4-10 sources of financing. Key relationships are with the aforementioned functions. Firms are most likely to be not-for-profit or small privately held for-profit corporations. Entry-level positions include project management assistant or project manager. Entry-level employees frequently get a significant amount of responsibility. Senior positions include development director or executive director. Compensation is typically salary only or limited incentive pay in addition to the salary base.

**Finance: Affordable Housing**

Affordable housing lenders provide loans to developers of multifamily properties that house low-income people. Typically private lenders work in conjunction with public sector lenders (city, state, etc.), adding complexity to the financial structure. Private lenders in this field include banks and mortgage lenders who typically sell their loans to Fannie Mae or Freddie Mac. Key relationships are with active developers in the field, as well as consultants who advise those developers. Compensation is typically based on the dollar amount of loans closed by the organization or individual (i.e., base + bonus or commission based). Entry-level positions include underwriting and financial analysis at commercial banks or mortgage banks. Career path typical includes underwriting, advancing to loan origination, and then to senior management.
Commercial Brokerage

Investment Sales

Investment Sales brokers are hired for the disposition of commercial assets by an ownership entity. Investment Sales brokers market investment real estate as more than just a commodity with passive value - rather, as a functioning asset with value that is affected by location and the way it is operated. By presenting an accurate and complete picture of an asset's optimal operation and performance, they are able to create a competitive market and extract the highest offers from prospective purchasers through the elimination of many of the "unknowns" that investors must otherwise underwrite in an offer. This process requires in-depth market research, senior level relationships and sophisticated financial modeling which enables the broker to provide a credible offering memorandum. The most successful brokers are the ones with deep and senior relationship within the institutional and entrepreneurial real estate ownership community. These relationships are formed through marketing and the success of past sales. Entry levels positions are typically as an underwriting and due diligence analyst, marketing associate, and research analyst. Senior positions are typically Vice Presidents, Senior Directors, and Managing Directors. Most investment sale brokers are compensated based on the fees they directly generate, split with the “house”. Some investment brokerage firms compensate their brokers with a salary and a bonus based on fees earned.

National firms: Cushman & Wakefield, CB Richard Ellis, Grubb & Ellis, Colliers International, and more.

Leasing Brokerage

Commercial Real Estate brokerage firms work on behalf of landlords, tenants, and buyers and sellers of commercial real estate. They serve as a fiduciary to each of their clientele in assisting them by 1) Understanding exactly what they want and need, 2) Locating properties that fit their wants and needs, 3) Negotiating the best terms on behalf of their client, and 4) Managing a process and timeline to insure the agreed to terms are all met in a timely manner. Typically, commercial real estate brokerage is a 100% commission only compensation structure, so it is a high risk/high return career, with brokers earning exactly what they deserve through the value of their efforts.

There are approximately 1,000 – 1,500 active licensed commercial brokers in the Bay Area. The typical career path is to start as a market researcher or as a “runner” or apprentice for a more experienced agent. After gaining knowledge of the properties, owners, and other data, an agent will either start out on his own at a brokerage firm, or team up with an established team of agents. Most brokerage firms are privately held, locally controlled firms, but many are increasingly trying to increase their reach to service clients globally by affiliating with franchise groups such as NAI, Oncor, Corfac, and TCN.

National Firms: Colliers International, CB Richard Ellis, Cushman & Wakefield, Grubb & Ellis, and more.

Development

Apartments

Development firms are highly diversified including local and regional market rate developers, regional and national REITs, local affordable housing builders, small boutique enterprises, individual entrepreneurs and investors. Firms specialize in new development as well as acquisition and rehab. New market rate development fundamentals are extremely difficult at the moment with the condo market driving land values. Acquisitions are also challenging because of the extremely low yields available. A great deal of capital focuses on the rental market and when fundamentals are favorable, equity and debt capital are usually available from multiple sources. Property management is detailed, but very routine. Entry level positions include site acquisition and assistant project management. Senior positions
depend upon the size and type of organization. Larger organizations tend to have more levels of project management, regional management and portfolio management. Smaller organizations have greater opportunity for equity ownership.

National REITs: Archstone-Smith, AvalonBay

**Commercial Properties (office, industrial, retail)**

Development firms create and redevelop improved real estate, bringing together land, capital, entitlements, design, construction and the market. It is one of the most entrepreneurial fields within the RE profession; both risk and reward can be high. Key relationships are with the aforementioned functions. Firms are most likely privately held and frequently utilize outside equity partners. Entry level positions include leasing and project management assistant. Senior positions include project direction, regional management and CEO. Compensation is typically salary with incentive based on leasing, project budget or project performance; senior developers may accrue equity in project partnerships or share options.

National firms: Forest City, Hines, Opus, Prologis and more.

**City Redevelopment Agency**

Redevelopment agencies are responsible for revitalizing and redeveloping blighted and/or underutilized parts of the city where private investment is lacking or non-existent. Using property tax-increment financing mechanisms, they can generate public investment dollars that regular city governments cannot generate. These public dollars can then be invested strategically into blighted areas to entice private capital. Project managers oversee the entire revitalization and redevelopment process – including planning, community relations, financing, design, and development – within one or more project areas. It is often a high-profile, high-responsibility position that can have a very noticeable and direct impact on particular neighborhoods. Key relationships are with private developers and architects, private lenders, other public officials, and community members. Compensation structures depend on the specific city pay scale, although some cities offer limited bonuses. Entry-level positions include assistant project managers or development specialists. Senior positions include project managers, senior development specialists, managers, deputies, or executive directors.

**Hotels (Multi-Brand Operator)**

Hotels are extremely risky real and complicated. On top of the underlying real estate sits a complex operating business with numerous employees and multiple revenue streams (e.g. food and beverage, spas, rooms, etc.). In addition, the main source of revenue is from the rooms which have to be “leased” on a daily basis. It is also the most capital intensive class of real estate requiring frequent and costly renovations. Hotel companies with multiple brands offer many options to third-party hotel developers and owners such as franchising and/or management (incl. reservation systems and corporate programs), and branded residences.

The development function within a large, hotel company is multi-faceted. It requires an in depth understanding of real estate fundamentals, hotel operations, contract negotiations, finance, public company accounting, business development, etc. The development person is constantly evaluating projects to see whether they work for the brand. The hotel operator will try to sell the brand and management services to the developer. Additionally, some projects are 100% owned and operated in addition to a large number of joint ventures partnering with local developers.

Key Relationships within the industry include hotel developers and owners, brokers, lawyers, architects, interior designers, banks, and industry consultants. Entry-level positions include underwriting, market
research, or working for a senior development person. Senior positions include having geographic responsibility (domestically or internationally), working on franchise agreements and management contracts, and/or investment ventures (joint ventures, mezzanine loans, 100% company owned). Compensation is generally base salary and bonus with the bonus determined by the number and profitability of deals closed in addition to overall company performance. Long-term compensation is awarded in the form of stock options and restricted stock.

National Firms: Kimpton Hotels, Joie de Vivre, Starwood, Hilton

**Homebuilders (For-Sale Residential)**

Homebuilders develop real estate and create residential communities, based upon the forces of the capital markets, entitlement opportunity within a city/county, construction industry and regional demand for housing. It is a very entrepreneurial business in which the risks and reward can be high. Constructing homes is multi-disciplinary by nature and the homebuilder coordinates project input from various design consultants, community members, city officials/staff and financiers of the project. The homebuilding industry is also highly regulated; therefore, homebuilders must process approvals for environmental impacts, affordable housing, growth management, regional infrastructure projects, etc.

The size, governance and functions of a homebuilder can vary significantly. Homebuilders can be smaller local developers who only acquire and entitle lands versus larger publicly held companies which acquire land and then construct and sell the homes. Project financing also widely varies from traditional bank loans, equity partners, capital from shareholders and (of course) the homebuilder’s own equity.

Entry level positions include project management assistant within the land acquisition and/or forward planning (i.e. entitlement) departments. There are also possible internships within another department such as construction or sales. Senior positions include (a) project management with internal departments, consultant/design team and city staff/official; (b) regional management; and (c) Vice President or CEO. Compensation is typically a base salary with quarterly/annual bonuses. Equity interest (e.g. stock options, equity partnerships, etc.) for senior staff is case by case and depend upon company policy.

National Firms: KB Homes, Pulte, Lennar, Centex, Toll Bros, and more.

**Finance**

**Real Estate Commercial Lending (all property types)**

Commercial banks provide capital for a variety of real estate types, stages, and risk profiles. Large commercial banks usually have specialized construction lending, permanent lending (CMBS), and mezzanine/quasi-equity capital for all real estate property types. Some institutions further segment their business by borrower structure (large REIT/corporate borrowers vs. private developers) or by property type. The experience and nature of real estate work will vary depending on the stage and type of lending: construction lending, for example, involves greater focus on managing entitlement and construction risk than permanent lending. A banker’s key relationships are with clients at real estate firms. Typically these are Principals, CFO/Controllers, or VP Capital Markets. Additional relationships are with appraisers, brokers, environmental engineers and other service professionals, as well as internal specialists such as loan syndication staff.

The banker’s role is a combination of marketing externally to customers and internally to a ‘credit’ function, supported by market and financial due diligence and analysis. A banker may also help address a customer’s other financial needs, such as hedging, treasury management, or investments. Post-MBA positions are typically as a relationship manager or analyst/associate. Senior positions include senior
relationship management, or office/division/group management roles within the organization. Real estate investment and development firms also hire from banking to fill finance positions. Compensation is typically salary plus bonus.

U.S.-based Banks with Significant Real Estate Presence: Bank of America, JP Morgan, Key Bank, Union Bank, Wachovia, Wells Fargo

International Banks: Deutsche Bank, ING Capital, Scotia Capital, Societe Generale, Sumitomo

**Permanent Lender: Commercial properties (all property types)**

Permanent Lenders generally work for larger institutions such as banks, insurance companies and investment banks and provide mortgage loans (loans that are secured by real estate) to real estate developers and investors who build, acquire and/or refinance investment properties. Permanent Lenders make the decision whether or not to invest large amounts of capital (up to 80% or more of the property value) in real estate projects. The position is quite analytical, however, there are a large number of Permanent Lenders vying to make the same loans so the most successful people in the business tend to be good marketers as well. Most individuals who begin a career in this field start as analysts where they learn real estate and finance fundamentals. Once those fundamentals are in place, the job path varies depending on a person’s particular strengths and skills. Those who are more marketing-oriented tend to become loan originators while those who have a preference for analytics more than likely become loan underwriters and/or credit officers. Those who are most successful in either role generally take on management or strategic responsibilities within their firm. Compensation structures for more senior lending positions are based on a salary and bonus program. Generally, loan originator compensation is more volatile (i.e. more bonus based) than those in underwriting roles and is based on an individual’s annual loan production.


**Real Estate Investment Banking (all property types)**

Real estate investment bankers stand at the intersection between the real estate markets (Main Street) and the capital markets (Wall Street). They provide corporate finance services and strategic advice to real estate market participants. Publicly traded REITs and real estate operating companies comprise a significant portion of the client base, which also includes large privately-held real estate companies and financial investors in real estate opportunity funds and institutional investors. Key relationships are primarily with these companies, and secondarily with investors in the various capital markets the companies utilize. Typical transactions include CMBS financings, corporate bond offerings, public equity offerings (including IPO’s), equity private placements and strategic advisory assignments regarding the purchase or sale of real estate companies or portfolios.

Many real estate investment bankers operate as part of industry-focused team within large investment banks, many of whom also operate real estate opportunity funds. Others work in smaller boutique firms specializing in a specific niche, such as sale of large real estate assets and portfolios, or equity private placements. Newly-minted MBAs enter the industry as associates, assisting in business development and the execution of a broad range of transactions. The typical career progression involves taking on more direct responsibility for managing transaction executions (Vice President), developing client relationships (Principal) and generating revenue (Managing Director). A substantial percentage of compensation comes in the form of an annual cash bonus, based on performance and overall group or firm revenues and profitability.

National investment banks: Banc of America Securities, JMP Securities, Morgan Stanley
**Capital Markets (Commercial Mortgage Backed Securities)**

Investment Banks have commercial real estate finance divisions that employ 1) mortgage loan originators and underwriters (see Mortgage Lender career description) who originate and underwrite loans that the bank intends to sell in the capital markets as Commercial Mortgage Backed Securities (CMBS), and 2) bankers who manage the securitization process. The bankers who manage the securitization process take 100-200 loans originated by the bank, package them in a trust structure which is rated, and sell bonds known as CMBS. The process includes working with rating agencies, below investment grade bond buyers (B-piece buyers), investment grade bond buyers, legal, and the bank’s sales and trading desks. The bankers also oversee hedging of the loans from loan funding to loan sale in the capital markets. Entry level positions include loan originations as well as banking project management related to the securitization process (managing 100-200 loans with numerous parties involved). Senior positions include overseeing the securitization business, which includes working closely with both the originations and the sales/trading areas of the bank. Compensation structures include a base salary and bonus. Compensation is generally weighted towards bonus, and therefore can be volatile in a given year depending upon the success of the real estate finance division and the overall bank.

**National Firms:** Prudential Mortgage Capital, Wells Fargo, Barclays

**Credit Companies**

Credit companies provide a wide range of financing to real estate firms, typically as alternatives to more traditional bank loans. Credit companies are not regulated, so the financings tend to be riskier and more “asset-based”, with the clients more entrepreneurial than institutional. These companies can range from being very large, public, international firms to small, local private companies.

Key relationships are between equity investors, lenders and property servicing professionals, which include leasing and sales brokers. Entry level positions include financial analysts and loan officers responsible for asset management. Senior positions typically lead investment decisions and include regional management. Compensation is salary with annual bonuses based upon origination volumes, credit quality and division profitability. Share or equity participations may be available at the most senior levels in the larger organizations.


**Equity**

**Investment/Acquisition Officer**

Most firms which invest equity in real estate employ one or more acquisition specialists to identify and recommend the acquisition of specific real estate assets to meet the objectives of the investment entity. The investment/acquisition process can vary, but typically requires collection, modeling and analysis of financial information, market information, and project specific attributes. It also requires an understanding of the equity and debt capital markets, the ability and desire to negotiate transactions, as well as an ability to make and support investment recommendations to constituents that ultimately approve or disapprove of the recommendations. Acquisition/investment officers may focus on specific product types (such as office, industrial, retail, residential, hotels, etc.) and/or may focus on key geographic markets. Key relationships are with the brokerage community, owners/developers, consultants, asset managers and research providers. Entry level positions include financial analyst, associate, asset manager, and broker assistant. Senior positions include acquisition officer, investment...
officer, and Chief Investment Officer. Compensation is typically salary with an incentive bonus, which in earlier years may be subjective or based on the amount of capital invested. More senior roles may be based on performance of the company or of the assets acquired.

National firms: Shorenstein, RREEF, AMB, Legacy, Hines, ProLogis, Carr America, Equity Office Properties, Essex, MetLife, KB Homes, Shea Properties, Westcore, MacFarlane Partners, etc.

Pension Fund Portfolio Manager

Pension Fund portfolio managers develop and then implement a fund’s investment strategy with respect to real estate. A fund’s investment strategy may be expressed in terms of some of the following parameters:

- Scale of its desired real estate portfolio (typical range might be 5-12% of the overall portfolio)
- Type of investments the fund wishes to consider (direct ownership of real estate, mortgages, REIT securities, securitized debt instruments, investments via 3rd party funds)
- Sector allocations (office, retail, multi-family, industrial, R&D)
- Geographic allocations (by domestic region and domestic / international)
- Desired leverage (or lack thereof)
- Requirements for current income versus capital growth
- Risk tolerance / return expectations (Core, Core-Plus, Value-Add, Development, Opportunity Fund)

Key skills requirements include the ability to: develop relationships with brokers, developers and investment partners; assimilate knowledge on target investment markets and sectors; to critically and objectively analyze the investment opportunities that are available in the marketplace, as well as those investments already in the fund, and ensure their consistency with the fund’s objectives; and the ability to clearly and persuasively present suitable opportunities to the fund’s investment committee.

Entry level positions might include Fund Analyst or Fund Associate with more senior positions being Fund Manager, Director of Investments or Chief Investment Officer. Compensation is skewed towards salary at the entry levels, with an increasing move towards target-based bonus compensation at the more senior levels. Bonus pay is typically linked explicitly to the attainment of portfolio goals / returns.

Large funds: TIAA-CREF, various state retirement systems, Canada Pension Plan Investment Board.

Portfolio Manager

A Portfolio Manager’s (PM) primary responsibility is to serve as owner representatives. The Portfolio Manager works directly with institutional clients to develop and implement specific real estate strategies. The strategies encompass considerations as to product type, geographic location, price, yield, and ownership structure. Portfolio Managers are not involved in day-to-day details (although they should be aware to identify problems), but rather they take a broader perspective to ensure that the clients’ overall goals and objectives are met and focus their attention on significant opportunities to add value to client investments. The Portfolio Manager serves as a liaison between the client and properties. Portfolio Managers are generally assigned by client, as opposed to an Asset Manager which is typically assigned by property type or geographically.

Job duties/roles of a portfolio manager include: client relations/communications, asset management/value creation, valuation/appraisal process, acquisitions and dispositions. The portfolio manager must maintain constant communication with the client and ensure that their investment objectives are being met and presented to them in an accurate manner. Next, the PM must establish the strategic fund plan and maximize the asset values (through leasing strategies, capital programs,
budgeting, etc.) to achieve the highest possible return for the client. Also, in the asset management role, the PM must anticipate and identify market changes to identify potential acquisition or disposition opportunities. The PM also helps the acquisitions professional by establishing acquisition specifications and ensuring that the asset transitions smoothly into the portfolio. On the dispositions side, the PM approves the marketing strategy and presents the disposition recommendation to the investment committee.