



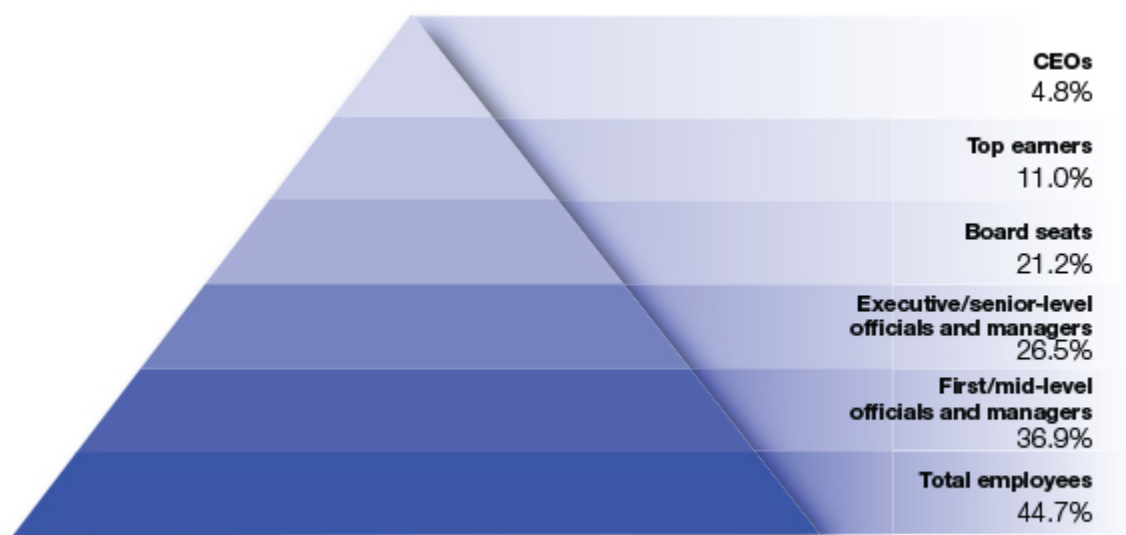
Female founders: Women-owned businesses are carving out space in the real estate industry

BY LORETTA CLODFELTER

Women have made great strides in business, and in the real estate industry, but women infrequently reach the highest echelons of real estate investment. A KPMG survey of women in alternative investments found 17 percent of the CEOs in the real estate sector were women, as well as 12 percent of the CIOs or portfolio managers.

Trends in the real estate industry reflect the broader culture. An analysis of S&P 500 firms by Catalyst found 4.8 percent of CEOs were women in 2019, compared with 44.7 percent of all employees. At each step of the career ladder, women represent a smaller proportion of the people on that rung.

Women in S&P 500 companies



Source: Catalyst, *Women CEOs of the S&P 500* (2019)

The rarity of women at the top is reflected in the persistently small number of women who have founded their own businesses in the real estate investment industry. When Deborah Harmon, CEO and co-founder of Artemis Real Estate Partners, was preparing to launch the firm in 2009, she could not identify any real estate investment companies founded by women.

"That was the first time, in 2009, that I realized that maybe it is more difficult for women founders. I recognized the magnitude of the challenge ahead of me," says Harmon. In 2018, women-owned firms represented 1.8 percent of all the firms in the industry, according to Bella Private Markets' 2018 Diverse Asset Management Firm Assessment, and women-owned firms account for 0.8 percent, or \$7.8 billion of a total of \$970.3 billion, of real estate assets under management. "That is a staggeringly low number," says Harmon.

Since Artemis came onto the scene 10 years ago, several other women-led companies have been founded. But challenges for entrepreneurial women in real estate remain. Founding a real estate investment firm requires a demonstrable track record and seed capital. Both may be more difficult for women to access.

"My perspective, having been in this industry my entire career, is it's a legacy industry. It's also, certainly, white-male dominated. And it's also a relationship business," says Tammy Jones, co-founder and CEO of Basis Investment Group. A significant majority of the executive jobs in commercial real estate are held by white men. "How you navigate the gender and racial waters is very difficult," acknowledges Jones.

Falling off the ladder

The first challenge is one of pipeline. There need to be sufficient numbers of women at junior levels, who then move up into senior levels, who then go on to establish their own companies. That means recruitment of women needs to be a priority for firms — and, at some firms, it is.

"You're seeing a growing number of women in the industry, but they are younger," says Deborah Smith, managing partner at The CenterCap Group, a boutique real estate investment bank she co-founded with June Munshi in 2009, after leaving CBRE. "It takes time for change to rattle through the system because, while there is a lack of senior women still today, there's a lot of junior women coming up

through the ranks. Over time, junior women become senior women. So how can we keep getting junior women into the industry going forward?"

Right now, women represent approximately 40 percent of students in MBA programs and about one-third of the attendees at IREI's Springboard event focused on young leaders. CREW Network estimates the US commercial real estate industry overall is 35 percent women (44 percent of asset managers, 29 percent of brokers, 32 percent of developers and 34 percent in finance).

"Men rise up through the ranks" at large institutional platforms, says Susan Barlow, co-founder and managing partner – COO of Blue Moon Capital Partners, and then they spin out and get funded. "But there are so few women that make it up the ranks into that level to then spin out and start their own firm. It's a numbers game," explains Barlow.

But it isn't only a matter of getting more women into the industry overall. Women have to be in the roles that allow them to develop an investment track record.

"To some degree, women in the real estate industry tend to go into roles that are oriented more toward marketing, asset management or leasing. To get to the point where you're founding a business or running a real estate enterprise, you really do need to have P&L responsibility or transaction-level experience," says Patricia Gibson, founding principal and CEO of Banner Oak Capital Partners.

"There are not that many women who have a significant amount of experience on the real estate finance side," adds Gibson. "The pool today is not that robust, but I do think it is evolving, and I am optimistic we'll see more women in these roles in the future."

At Blue Moon, Kathryn Sweeney's track record was a key part of the puzzle to get the senior housing firm off the ground. "Having come out of a couple of organizations where I had built a track record, it just felt like it was our time," says Sweeney, who is co-founder and managing partner – CIO.

Along with establishing a track record, real estate entrepreneurs need a source of startup capital. While Sweeney had the requisite track record, Barlow was able to bring capital-raising expertise.

"One of the most significant hurdles for women in real estate is that real estate is such a capital-intensive business," says Harmon.

Founders typically need to put up their own equity, or that of friends and family, to get started. And women in real estate are at a disadvantage when it comes to money. On average, women in the real estate industry earn less than their male counterparts, and that pay gap is a real barrier for entrepreneurial women. A 2015 CREW Network survey found a mean income gap between men and women of 24.6 percent and a median income gap of 23.3 percent. Particularly challenging for women looking to strike out on their own, the disparity between men's and women's incomes widens as they move up the ladder.

And the challenge may be even greater for women of color. CREW Network points to U.S. Census data that shows, broadly, women earn 79 cents on the dollar, compared with men, while African-American women earn 60 cents on the dollar compared with white men, and Latinas earn 55 cents on the dollar. All of this pay disparity puts women, especially women of color, at a serious disadvantage when they decide to start their own businesses.

“Those of us, women, minorities, who don’t have that footing and that legacy, or that family connection or the capital to get started, certainly have a harder row to hoe,” says Jones. “A lot of women don’t have access to the kind of resources that I had,” adds Harmon. Those resources meant Artemis was able to build out its team and infrastructure before investing LP equity. And, when it did come time to begin fundraising, Harmon had the track record and team to back up her efforts.

“When I was raising Artemis Fund I, I used to say that the only thing I was emerging at was being emerging. I had 25 years of industry experience, and a significant number of former investors reinvested with me at Artemis. Their support gave me the confidence to move forward and the opportunity to outperform. That form of ‘sponsorship’ is far too rare in real estate,” says Harmon.

Female founders need one more element — the desire to run their own company.

“I’ve always had an entrepreneurial spirit from the time I was knee-high,” says Jones. “It was about grit for me. ... Nobody could outwork me. And I always had this thing inside of me that said, ‘I want to do this on my own one day.’”

Barlow explains a focus on accountability — on being the one making the decisions and then being responsible for those decisions — was one reason why she moved away from the consulting side of the real estate business. “I wanted to be in a position where I would be accountable for the decisions I was making, be part of a group that made them and yet be held accountable,” says Barlow.

Diversification and diversity

Many female founders credit emerging-manager programs as an important element of establishing their own firms, as such programs can be a crucial source for early investor capital.

According to Harmon, “These programs are key to producing better returns for beneficiaries — they are all about performance. The impact of institutional capital programs aimed at increasing diversity is almost impossible to overstate. They will ultimately be credited for bringing transformational change to the real estate investment industry.”

For the participation of women at the highest levels in the industry to change, investors need to do more than simply talk about diversity. There has to be real intentionality from limited-partner investment committees, and emerging-manager programs need to be well structured.

“Broadly, there’s been an effort to find diversity across business organizations. So there’s an awareness that diversity is a good thing,” says Nancy Lashine, founder and managing partner of Park Madison Partners. “Diversity leads to growth. It leads to more different kinds of opinions. It leads to the ability to hire a broader range of people. And the clients are more focused on it, as well.”

“I do think that the biggest challenge facing all of us, women and minorities, is access to capital, and it is a problem,” says Jones. “And I think that the only way we can break it down is through having institutional capital players that control trillions of dollars actually understand something basic, which is we are all looking for diversification in our portfolio, but I don’t think we value diversification of team enough. Because if you’re investing with all the same type of people with the same thoughts, you don’t get the diversity of thought that’s going to lead to outperformance.”

Barriers to entry exist on the institutional investment management side, says Barlow. “In the investment

management world, you have to really have a solid platform, and it's hard. There are a few good programs out there that are trying to help people, but just the barriers to entry are so difficult," she adds. The thing about a glass ceiling is women can't break it through sheer force of will. Effecting broad change in the industry will take a concerted effort from established stakeholders.

"Institutional investors have definitely started focusing on having a diversity of managers in their roster," says Lashine. "But that's relatively new in the business, and it started with a few very insightful people."

"There is a heightened focus from the investment community, certainly from institutional capital, to invest with diverse enterprises, and that is not just based on gender, but all types of diversity," says Gibson. "Raising capital is hard no matter who you are. It's really about: 'Do you have a strategy? Do you have a great story? Do you have a track record?' I think those things are critical, and diversity alone is not enough. However, if you do have the strategy and track record, you are much stronger if you can also point to having a diverse team."

In addition to having programs aimed at diversity, the limited-partner universe also is holding the industry accountable for the people they have in their firms, says Smith.

"Because [limited partners are] focused on diversity, they have put women and minorities into the dialogue when they're talking to private equity shops who are looking for allocations," says Smith. "They are asking about women in organizations, they are asking about who sits on their boards, they are asking about how many women they have, and they are forcing the dialogue and forcing firms to look at it. As a result, the industry is responding in kind to that."

Not every emerging-manager program is created equal, however.

"Large organizations change slowly. And so the initial efforts at diversity were, frankly, some lip service. There were emerging-manager programs that started among some of the public funds quite a while ago, but I would hear from emerging managers that it was very difficult to actually access that capital. And for lots of good reasons, right? I mean there's a huge fiduciary responsibility. It's hard to access capital no matter who you are," says Lashine.

Taking the reins

Why does it matter that fewer women start real estate companies than men? Founding a company — building it up into something from nothing — is an opportunity to create a corporate culture that reflects its founders' values.

"The cultural changes we are talking about begin with the founders," says Harmon. "Cultural norms start at the top and require intentionality every step of the way — especially when they go against the grain of a legacy industry. Culture is a differentiator, a strategic advantage in producing outperformance, and highly valued by the most sought-after talent. And talent, at the end of the day, will define performance."

One element of creating a company culture is particularly at the forefront in the current #MeToo era.

"If your company culture allows men to disrespect women, women can't advance in that environment," says Barlow. "We're focused on creating a culture where everyone is respected and given an opportunity to advance, with zero gender inappropriateness," adds Barlow.

When you consider more than half of women in the real estate industry have experienced some sort of

sexual harassment, according to a 2018 report from RETS Associates, such an emphasis becomes even more important. Another way female founders are changing culture: creating the flexibility that parents need in the workplace. Lashine remembers going to a reunion for Columbia Business School, where she received her MBA, and realizing, “There’s not one other woman here who’s working and has children.” For women of her generation —she now has grown children — “It was just very hard to fit it all in.”

But things have changed. “Just the whole concept of working from home, or close to home, is so much more desirable and acceptable,” says Lashine. “I think it’s easier today.”

Smith also points to changes around work environments, with the modern workplace having more flexibility around where and when people do their work. And while such changes have been experienced by everyone in the real estate market, “women are the biggest beneficiary of things like that,” says Smith.

Looking ahead

“The mantra is: You can’t be it if you can’t see it,” says Jones. She says it is important for women, and particularly women of color, to have role models who have paved a path to success.

When Jones was coming up in the industry, “I didn’t see anyone who looked like me,” she says. Jones is working to change that for younger entrants to the industry through the Basis Impact Group Foundation.

Gibson agrees the next generation in real estate will benefit from observing the existing group of female founders and focusing on developing the necessary skills to move into leadership positions. “When I was coming up through the business, there were very few women to look toward as role models,” says Gibson.

“Even an incremental increase in the number of women-owned businesses can be viewed by other women,” says Sweeney. That creates more opportunities for role models and mentors.

For fiduciaries, performance is the most important thing. And the evidence is clear: Diversity of team and diversity of thought correlate with better returns. Research by MSCI found firms with women on their corporate boards were more innovative, while Morgan Stanley research has linked gender-diverse workforces with better risk-adjusted stock returns. Studies from Credit Suisse, Thomson Reuters and others have found similar results.

One thing is certain: as diverse founders continue to take the reins, they are focused on building cultures and workplaces that take diversity seriously. The founders interviewed for this article are in agreement: Performance is everything in investment management, and inclusion makes for stronger businesses.

Research increasingly points to a diverse and inclusive workforce as a contributing factor to stronger portfolio performance, says Harmon, and “LPs who take the opportunity to diversify their investments across diverse managers increase the likelihood they realize outperformance over time.”

And that’s the bottom line.

Loretta Clodfelter is editor of *Institutional Real Estate Americas*.