

INDUSTRY UPDATE: Construction & Real Estate

Introduction

In this Update we have decided to marry two industries that are quite intertwined because this provides a better prospective on the total executive market in this sector. Nevertheless, at least at the outset, let us look into the major segments (Construction and Real Estate) and understand some of the underlying factors driving demand.

In the US, conventional wisdom expected the housing market to cool off a bit in 2022. Here's what *Fortune* has to say about the current state of play:

“Entering into 2022, the consensus among much of the real estate industry was that the spring housing market—the industry's peak season—would be a bit less frenzied this year. After all, it couldn't get much worse than the 2021 spring housing market, when over 70% of home listings saw a bidding war, right?”

“Unfortunately for would-be homebuyers, that conventional wisdom has shifted. Not only does the spring housing market look like it'll be red-hot, there's a chance this goes down as the hottest spring home buying season ever. Already, bidding wars are picking up again.”

Apparently there is simply a lack of residential inventory in the US. [See [Source](#).]

Europe shows a similar trend in the imbalance between supply and demand, but there is another factor apparently driving pricing in the European residential market. “The research carried out by Daniela Gabor, professor of economics and macrofinance at the University of the West of England, and Sebastian Kohl at Berlin's Free University, suggests Europe's housing has become an increasingly attractive “asset class” for investors in part due to near-zero interest rates and an encouraging regulatory framework.”

“European central bank data shows that real estate funds in the Eurozone reached €1tn in 2021, the size of Spain's GDP, from about €350bn in 2010. Within that, residential assets are said to be an increasingly important part.” [See [Source](#).]

Another key factor is the shift that the pandemic has brought to utilization of real estate for offices or hotels versus other uses.

“Institutions' deployment patterns are shifting, with sector allocations moving away from traditional segments such as offices and retail, and toward emerging areas of focus, including rental housing, healthcare, student accommodation, and self-storage, which offer stable income streams. Capital market activity in 2020 across offices and retail [was] down 31% and 6% year-on-year, respectively, in stark contrast to the pan-European logistics space, which saw investment volumes up 14%. [See [Source](#).]

Construction also seems set for continued growth as one source highlighted an expected spending increase for construction in the US from \$1.67 to \$1.79 trillion between 2021 to 2023 (See [Source](#).) — provided the industry can find the roughly 650,000 incremental employees required to support this increase.

While demand for residential housing remains high, there appear to be five major types of projects driving the demand on the commercial side of the construction industry in the US: distribution centers and warehouses, data centers, shipping ports, life sciences, and state and federal infrastructure. (See [Source](#).)

In Europe the trends are similar with this news, for example, coming out of Germany: “Financial figures from the [construction] associations indicate that a high order backlog in 2021 means that sales will increase by 5.5% next year, significantly higher than the €143.5 billion achieved in 2021, which was only 0.5% up on 2020.”

“The growth projection is likely to be led by the strong performance of the country's residential construction sector, which has remained resilient throughout the pandemic.” (See [Source](#).)

The Middle East (ME) is also expected to see an uptick in construction growth powered perhaps by four major trends: large new commercial and residential projects, sustainable energy investments, growth in modular housing, and digitalization infrastructure. (See [Source](#).)

The ME market's construction demand will therefore also most probably recover. For example, “...[the] construction industry in United Arab Emirates is expected to grow by 6.8% to reach AED 245,982 million in 2022.” (See [Source](#).)

INDUSTRY UPDATE: Construction & Real Estate

The Demand for Executives

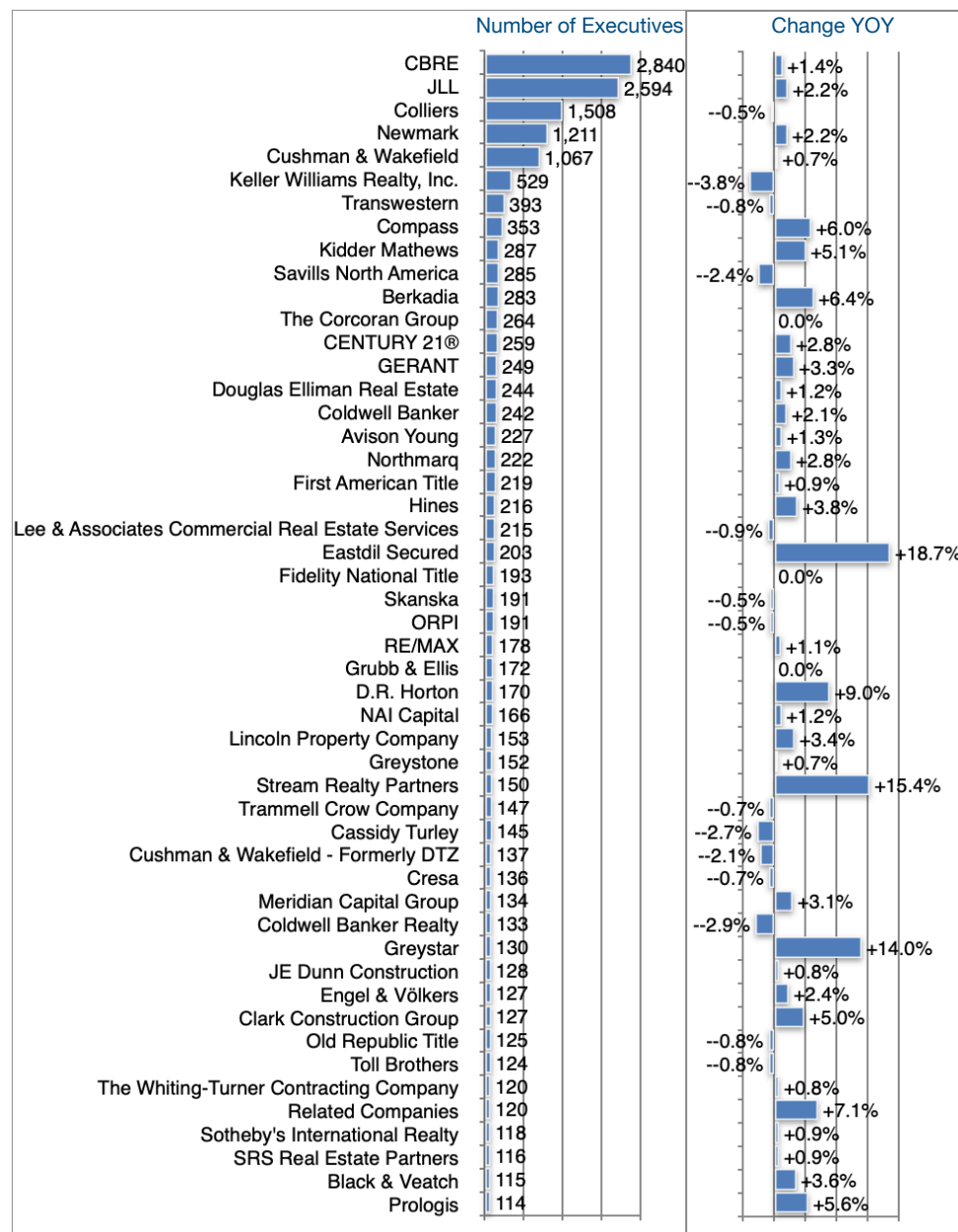
In total some 917,000 executives as we define them (see Editor's Note) worked in these industries in the latest period, an increase of just 1% year on year (YOY) and only about 2% changed jobs in the most recent months, a relatively low churn rate compared to other industries we have studied. Approximately one-third of these are located in the EU, UK, and ME markets, a pool that grew by 2% in the last year, while the remaining roughly 600,000 worked in the US, a group that grew by just 0.8% YOY.

In the US this cohort breaks down further into three major segments: about 341,000 in construction, 233,000 in (residential) Real Estate, and 31,270 in Commercial Real Estate, the latter showing the largest growth (+2%). D.R. Horton, Clark Construction Corp, and Black and Veatch are the largest employers of executives in the construction industry while CBRE, JLL, and Newmark lead the general Real Estate area and Colliers, Cushman & Wakefield, and Transwestern represent the top tier in the Commercial Real Estate ranking.

In the EU, UK & ME cohort some 200,000 are active in construction (+1%), 118,000 in (residential) Real Estate (+2%), and 10,000 in Commercial Real Estate (+2%). Skanska, Strabag, and Ance are the largest employers of executives in the construction segment, Gerant, ORPI, and JLL in the general Real Estate area, and Colliers, Eastdil Secured, and Cushman & Wakefield employ the most executives in the Commercial Real Estate sector.

Overall it would seem that the transatlantic integration is most advanced in the Commercial Real Estate segment, though in sheer number of executives employed, CBRE, JLL, and Colliers lead the way. (See Chart 1.) Growth in executive employment, however, is a different story with firms such as Eastdil Secured, Stream Realty Partners, and Greystar leading the pack. Eastdil Secured saw a spike in hiring and departures in June of 2021, adding staff from Wells Fargo, JLL, CBRE, SEO London, Newmark, KPMG, and Accenture (among others). Stream Realty has grown steadily during 2021 and into 2022, acquiring talent mainly from JLL, Colliers, CBRE, Cushman & Wakefield, and Transwestern. Greystar had net talent gains from FPI Management, The Finger Companies, and Asset Living.

Chart 1: Top 50 Employers of Executives



INDUSTRY UPDATE: Construction & Real Estate

Within the overall industrial grouping of Construction and Real Estate, executives list a vast range of sub-industries that employ them. Chart 2 quantifies these industries, with Financial Services being the largest followed by Management Consulting, IT, Marketing & Advertising, and Non-profit Management as the top five.

Segments that have added executives in the last year at an above average rate include Venture Capital & Private Equity (+6.1%), Events Services (+5.8%), Environmental Services (+5.7%), Investment Management (+4.9%) and Financial Services (+4.6%).

It is probably no surprise that the share of female executives in this industrial grouping is relatively low (just 17% overall), but there are pockets with higher ratios, for example, Health, Wellness & Fitness (33%), Non-profit Organization Management and Accounting (both 31%), Education Management and Event Services (both 30%), and Design (29%). Of course, recent corporate focus on diversity may actually lead to higher demand going forward. Let's stay tuned.

Barrett Group Client Success Story:

Kwasi Asare

Manager – Health, Safety & Environment Business Unit

Challenge: Kwasi's job was eliminated when Covid forced his company to restructure...

Success: Kwasi accepted a position as a business unit manager of a large company with good upward potential, and sweetened the compensation through negotiation.

Comment: "Looking back, I should have left my former job a while ago.

This whole experience really helped me take inventory of things in my career," said Kwasi. "For 20 years I never thought about leaving the company. I never tested the landscape. That's horrible! If I had known years ago what I learned from the Barrett Group, it might have set my career path in a very different direction." [[Read More](#)]

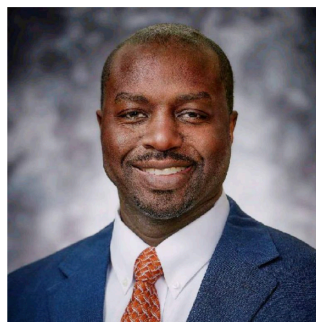
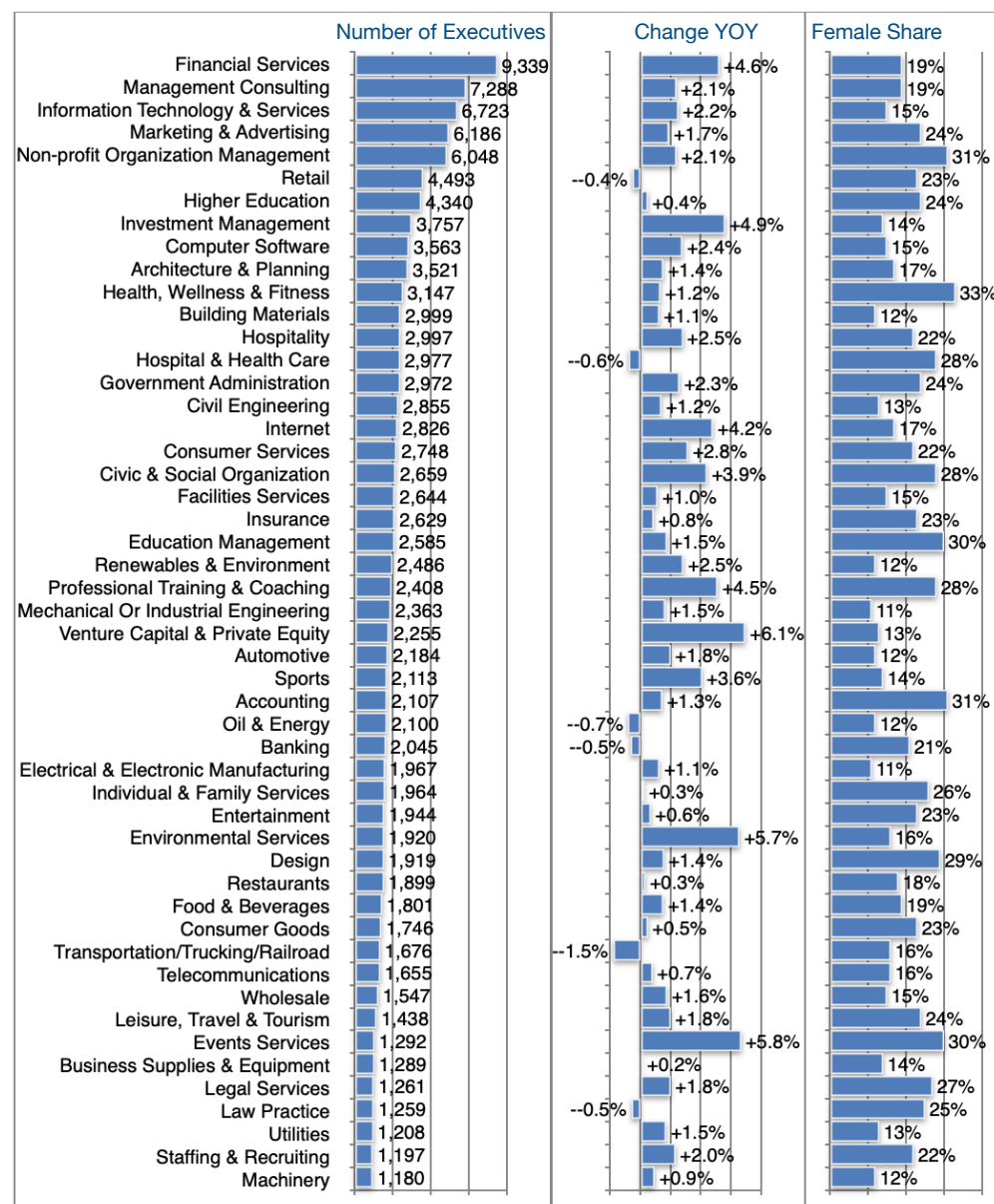


Chart 2: Top 50 Industries by Number of Execs



INDUSTRY UPDATE: Construction & Real Estate

Aside from the 180,000 executives who cited Construction and/or Construction Management as their primary specialization, we find a rather broad spectrum of additional specializations within the Construction & Real Estate business area as highlighted in Chart 3.

Obviously some of these specializations are indeed particular to this industrial cohort such as expertise in Residential Real Estate, Real Estate Development, Commercial Real Estate, Renovation, Real Estate Economics, Green Building, and many more. Roughly speaking, about 40% of these executives have cited specializations specific to this industry grouping. That means, of course, that about 60% of these specializations are relatively generic and could represent an opportunity for executives who want to enter or leave this sector to demonstrate transferability of skills and thereby move laterally or vertically to another industry, role, company, and/or geography.

Editor's note: helping clients demonstrate the transferability of their skills and experience and then providing assistance in changing industry verticals are two of the major areas of focus for the Barrett Group.

Returning to the subject of gender for a moment, let us highlight specializations that show a relatively high female share (Chart 3). It certainly seems that subjects involving higher emotional intelligence such as Working with First-Time Home Buyers, Relocation, and Social Media Marketing attract a higher share of female executives. However there are other pockets where the reasons are less evident, such as Short Sales, Condos, and even Foreclosures. Again, it is certainly our belief that over time this broad industry will become more diverse in multiple ways, including an easing of the historical male gender bias so that growth in opportunity for women may well be disproportionately large in the coming years.

Chart 4 provides an overview of the main titles within this cohort, whereby only the CFO (33%) and Chief Marketing Officer (38%) show significantly higher female shares.

Chart 4: Main Titles

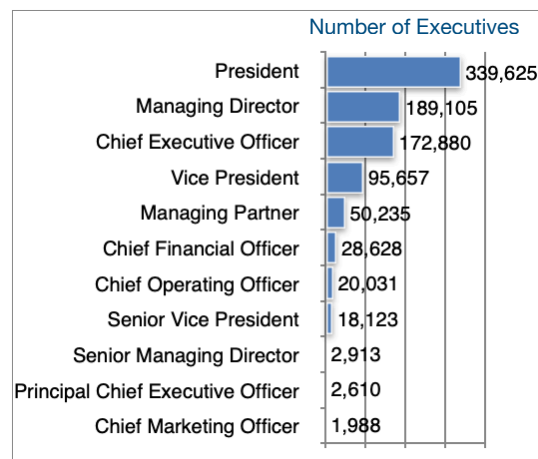
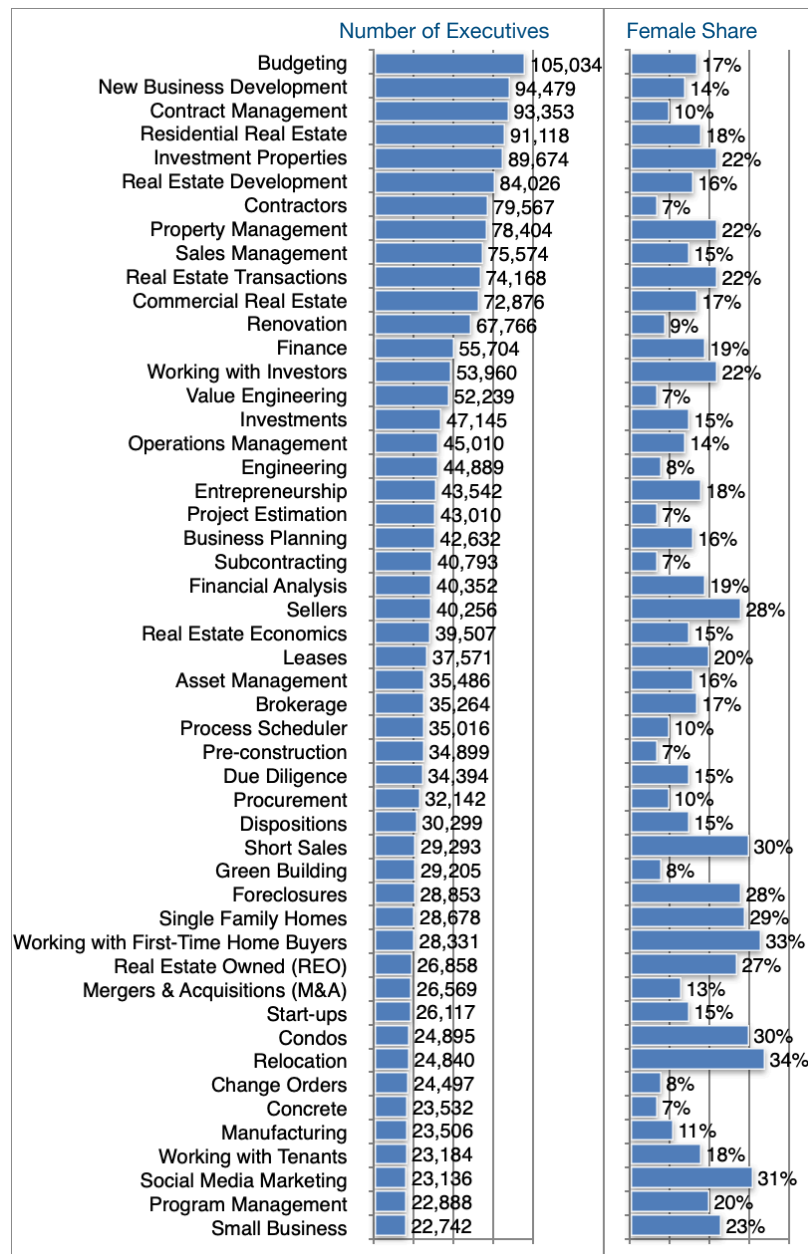


Chart 3: Top 50 Specializations



INDUSTRY UPDATE: Construction & Real Estate

So where are all of these executive positions in the Construction & Real Estate industry grouping?

Readers of these Updates will not be surprised to see New York at the top of the list in terms of total number of executives, though the difference in this cohort is not as extreme as in many others that we have studied with Los Angeles not that far behind while numbers 3 and 4, Miami and Washington DC are still almost 50% as large as New York.

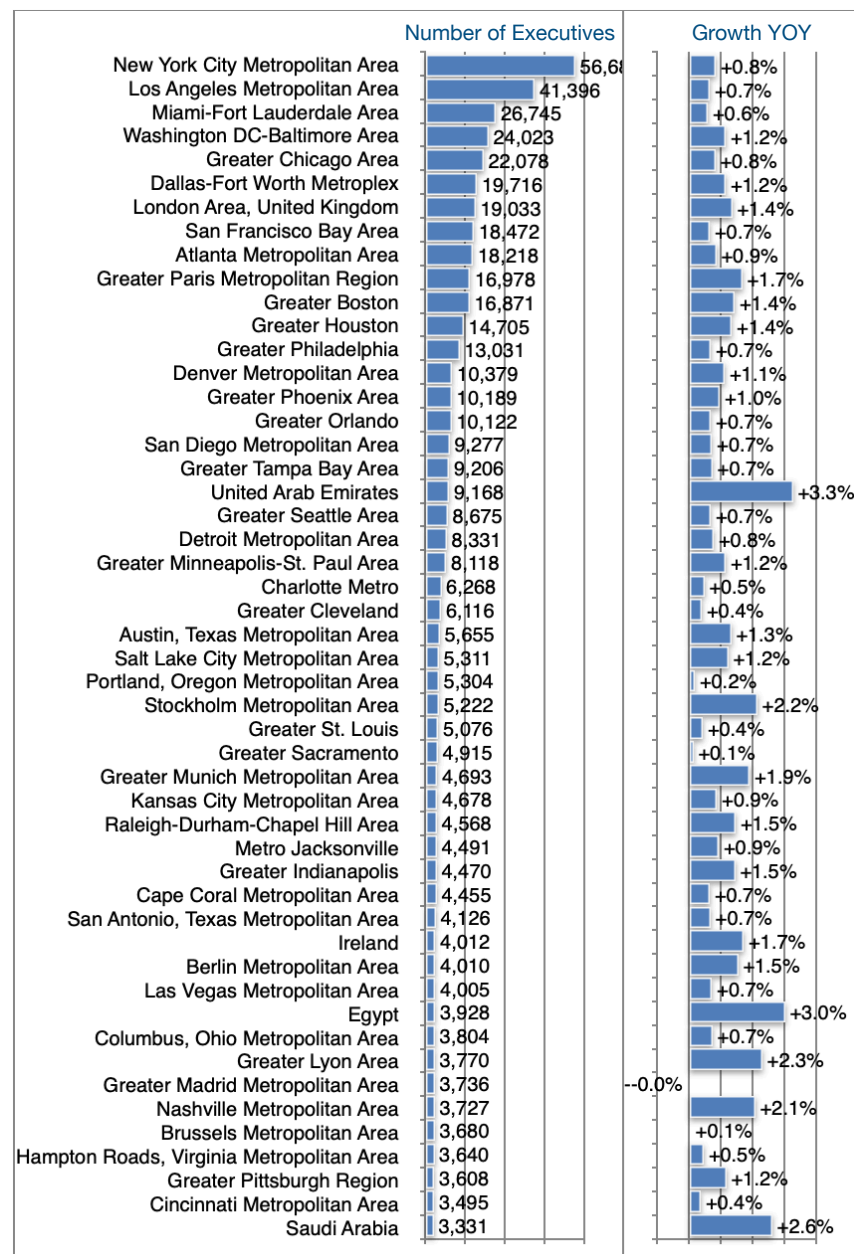
Still, none of those important centers of concentration is showing high growth in the number of executives employed. The growth is definitely in the ME region (UAE, +3.3%, Egypt, +3% and Saudi Arabia, +2.6%) and then in Europe (Lyon, +2.3%, and Stockholm, +2.2%). In fact, according to our data, only one US city in the top 50 makes it to 2% growth—Nashville (+2.1%).

In the ME region, ALDAR (+23%, UAE), Amer Group (+11%, Egypt), DAMAC Properties (+10%, UAE) and Talaat Moustafa Group (+29%, Egypt) among the top five employers of executives in this industry grouping are helping to drive regional growth to about 3% YOY.

In Sweden, Stockholm and Gothenburg are both showing approximately 2% growth in executives employed propelled by Skanska, Newsec, Fastighetsägarna, HSB, Serneke, and Framtiden Byggutveckling AB. In greater Lyon (France), where this executive pool has grown by more than 3% in the past year, top employers such as ORPI, Guy Hoquet L'Immobilier, and Laforêt France are helping to drive the trend.

Editor's Note: In this particular Industry Update “executives” will generally refer to the Vice President, Senior Vice President, Chief Operating Officer, Chief Financial Officer, Managing Director, Chief Executive Officer, Chief Human Resources Officer, Chief Marketing Officer, Chief Information Officer, Managing Partner, and President titles. Unless otherwise noted, the data in this Update will largely come from LinkedIn and represents a snapshot of the market as it was at the time of the research. Is LinkedIn truly representative? Here's a little data: LinkedIn has approximately 722 million users, 174 million in the US and 163 million in Europe. (See Source) It is by far the largest and most robust business database in the world, now in its 18th year. LinkedIn defines the year over year change (YOY Change) as the change in the number of professionals divided by the count as of last year and “attrition” as the departures in the last 12 months divided by the average headcount over the last year.

Chart 5: Number of Execs per Location



INDUSTRY UPDATE: Construction & Real Estate