



NAIOP 2008-2009 Compensation Report shows positive trends

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According to the recently released NAIOP 2008-2009 Compensation Report, compensation is on the rise in the industrial and office property industry. Results show that executives received an average merit increase of eight percent in 2007, while managers received about six percent and other employees around five percent. This is a pretty clear indication that while the housing market experienced significant difficulties in 2007, the commercial real estate market remained relatively strong.

The NAIOP 2008-2009 Compensation Report is an invaluable benchmarking tool for companies looking to offer competitive compensation and benefits. The biennial study surveyed 142 companies with nearly 5,800 employees.

Compensation Trends

Compensation for most job titles increased modestly during the recessionary period from 2002 to 2004. However, since 2004 compensation within the industrial and office property industry has increased substantially.

While there are many factors that can affect employee compensation in the industrial and office property industry, the size of the company has proven to have the most direct relationship. This holds especially true for executive and senior level staff. Larger companies typically pay more than smaller ones.

For instance, CEOs in companies with annual gross revenue of \$5 million or less earn a median total compensation of \$175,000. However, those in companies with annual gross revenue over \$100 million earn a median total compensation of \$712,800. Similarly, CEOs in companies with larger staffs and more square footage (owned and managed) paid higher levels of compensation. In general, this same pattern was found with most of the other job titles.

Real Estate Investment Trusts (REITs) tended to pay the highest levels of compensation to their employees. Using the chief operating officer (CFO) as an example, median total compensation for REITs was \$460,000, while private companies paid \$267,200. Much of this difference is likely due to the disparity in annual gross revenue, with REITs being decidedly larger than private companies. The average merit pay increase reported for executives in 2007 was 8.3%, managers received 5.9% and other employees received 4.9%. Average merit pay increases were higher in 2007 than those reported in 2005. In 2005, executives received an average merit increase of 6.1% while managers and other employees received 5.7% and 4.4%, respectively.

Incentives and Perquisites Are Critical

In addition to cash compensation, incentives and perquisites are an important ingredient in attracting and retaining the quality employees. The most popular short-term incentive surveyed was annual

performance bonuses, with 93% offering this incentive to all or some of their employees.

The most popular long-term incentive plan surveyed was equity participation (not stock), with 42% offering this incentive to some or all of their employees. Less popular plans include: long-term cash incentives (25%); promote percentage (23%); and stock options (20%).

Insurance benefits are a major component of an employee benefit package. More than half of the responding companies offered medical coverage, life insurance, dental benefits, disability insurance and a vision plan.

The vast majority of companies utilized a 401(k) plan for retirement (91%), while only 11% utilized a defined benefit pension plan. Of those offering a 401(k) plan, 83% report matching employee contributions. One-quarter have added a Roth 401(k) option to their plan and more than one-third report that enrollment is automatic.

Order Information

The 2008-2009 NAIOP Compensation Report contains more than 125 pages detailing compensation on 44 job titles in the commercial real estate industry broken down by primary property type, ownership type, geographic region, office structure, number of full-time employees, annual gross revenue, square footage of assets owned and square footage of assets managed. The report, available in a PDF or print version, also details long and short-term incentives, perquisites and employee benefits. Most important, it is laid out in a manner that is easy to follow and understand. For more information or to order your copy, visit the NAIOP online Bookstore at www.naiop.org/bookstore.

If you are interested in becoming a member of the Upstate New York Chapter of NAIOP, please contact David Topian, membership director at (585) 742-3236 or Karen McCready, executive director at (585) 249-9232.

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