

Building a Foundation for DEI in the Real Estate Industry

- > Growing commitment by the European real estate industry through putting in place strong policies and initiatives to address DEI needs and practices
- > DEI efforts have been catalysed by the global pandemic which led to a greater focus on employees and increased the interest in achieving social goals
- > Addressing gender inequality is the top priority for DEI Europe
- > Data gathering is the main challenge of DEI progress which is dependent on legal restrictions for collecting demographic data in Europe

Introduction

In December 2021, a partnership of seven leading industry associations (ANREV, INREV, NAREIM, NCREIF, PREA, REALPAC and ULI) together with Ferguson Partners published the first [Global Real Estate DEI Survey](#) to respond to the growing prioritisation of diversity, equity and inclusion (DEI) within the real estate industry – and to track DEI data and management practices.

Global DEI Survey

Representing more than 435,000 full-time employees and a cross section of the industry in terms of size, region and business classification, 175 participants with a total gross Assets Under Management (AUM) of \$2.4 trillion took part. Majority of this year's respondents coming from North America (77%) and understandably lower participation from Europe and Asia-Pacific as the survey was extended to these regions recently.

What is clear from the survey is that real estate organisations worldwide are putting in place a strong policy and reporting foundation from which to make practical inroads to address DEI in the industry. Almost all firms surveyed (92%) reported having formal programmes in place or enacting some DEI initiatives.

However, each region is approaching DEI differently, and there is variation in where progress is being made and what the priorities are. This paper, therefore, brings specific focus to the challenges, progress and initiatives of real estate companies in Europe. To that end, this paper combines data from the survey along with additional interviews with leading DEI professionals, which include senior fund managers, leading HR practitioners, dedicated DEI experts and CEOs.

Diversity, Equity and Inclusion (DEI) (See [INREV Definition](#))

Diversity is the presence of differences within an industry or an organisation and is considered to exist where individuals are able to think and act differently.

Equity is about acknowledging differences and promoting justice and impartiality within the procedures, processes, and resource distribution. People are likely to feel included when they are able to feel heard fully in the decision-making processes and see development opportunities within an organisation.

Underrepresented groups

For the survey purposes, it is defined as a subset of the employee population with a smaller percentage than the overall population. Underrepresented groups could include those based on gender, gender identity, sexual orientation, race, age, ethnicity, nationality, religion, language, physical abilities and more.

The wider trends shaping DEI

COVID-19 has intensified DEI strategies in Europe

The results of the Global survey demonstrate that real estate organisations worldwide are putting in place a strong policy and reporting foundation from which to make practical inroads to address DEI. This is irrespective of location, number of employees or size of firm.

Supporting the survey results that most firms in Europe are started addressing DEI by adopting strong policies, interviewees in Europe believe that COVID-19 has added momentum to the DEI drive in the region, with senior leaders reporting that the pandemic was the moment when it became possible to talk with greater honesty.

The rise of hybrid working and the increased competition for talent meant real estate companies are placing a greater focus on employees. Interviewees for this paper agreed across the board that the new hybrid working regime has enabled staff to talk with greater openness about their personal needs, from flexibility around family life to mental health and wellbeing support. “Nothing should be taboo and there is no progress in DEI until the business culture changes,” said one. “The mentality around this has changed.”

In addition, the pandemic has brought a company’s social responsibility – not only to its own people but wider communities it impacts – into the spotlight.

Another factor driving some companies DEI policies is corporate survival. DEI is a high priority for institutional capital, shareholders and other stakeholders. The appetite and the energy and enthusiasm for DEI isn’t always necessarily motivated from an authentic intention prospect... “It could be a deal breaker in terms of winning and losing business,” as an interviewee said.

Turning statement into action

One motivation for DEI is that it helps firms position themselves as “preferred employers”, with a focus on employee wellbeing, supporting staff with flexible working policies, comfortable workplaces, and leadership that embraces inclusivity.

Real estate businesses are therefore dedicating more resources to ensure that statements of intent transform into meaningful action, as this paper explains. But this enhanced focus is also, say interviewees, on account of the fact that real estate companies are feeling the increasing pressure to produce results around DEI.

“The industry has reached the uncomfortable reality that it isn’t diverse enough at the top of the house...there will only be a certain period of time where you can have early-stage activity in your organisation without having proof of concept,” said one interviewee.

Another reflected: “I am happy to see progress around this, essentially no one would now say DEI isn’t important. But today it is a question of how fast you can make

change, and that comes down to how deeply you believe in it.”

DEI will help create resilient real estate

Another driver highlighted by the interviewees is the role of DEI to build more resilient companies. Creating real estate that is resilient and fit-for-purpose will require input from the broadest possible range of perspectives.

DEI, they say, gives a business the ability to create an asset that is relevant to the people and communities who use them.

Another interviewee reflected that “it was imperative” to consider nationality in the context of approaches to different crisis, for example to discuss climate change solutions. “If you are born in Nigeria, for instance, it is the norm to take your empty bottles to be

It is upsetting that such a small part of society is creating spaces. They are just a small section of society amid a very large one. If we don’t have all perspectives on board then how can we make the right places for the community?

refilled and therefore a conversation about recycling isn't as much of a pressing issue. Having different voices helps to show what is happening on the ground and in different parts of the world."

Not only that: interviewees recognise that a younger workforce is coming to the industry with high expectations that the workplace will be fair and inclusive. Thus, one initiative being employed by the European real estate industry is a mentoring programme led by younger members of staff in which they

educate senior members of staff around equity and inclusion issues. One European firm is also promoting its young talent by ensuring more junior staff take part in company podcasts and media content.

Some firms say - recognising that it will take time to create diverse decision-making teams at senior level - they are supplementing gaps in DEI by using non-profit organisations that engage with communities impacted by development to get those key perspectives in place from the outset.

Europe's strategy for improved DEI practices

To build a more diverse and inclusive environments, several solutions raised by the interviewees; including such as, mentorship programmes, trainings, embedding DEI approach to recruitment and promotion processes, extended parental leave, data gathering to understand and report on the progress etc.



Addressing gender inequality is top priority for DEI Europe

Every European company that took part in the Global survey reported that gender was directly addressed by its DEI initiatives.

The survey, however, puts the challenge in context: only 14% of boards of directors in the region are accounted for by women (compared 26% in Asia-Pacific and 21% in North America). When this is considered alongside the equal gender split among junior-level full-time employees, it is an inescapable fact women in Europe's real estate companies are dropping out of organisations on the way up.

Addressing the causes of that drop-out rate is, therefore, a key challenge for the future. Interviewees acknowledge that Europe's real estate industry remains dominated by men at senior levels.

Interviewees say women within organisations still face challenges around being heard by their colleagues. Solutions include mentoring partnerships between women and encouraging better allyship to help employees tackle engrained sexism.

Another solution is constantly analysing “people metrics”. “Only when you do this do you realize that, for some reason, you’ve got 75% of your high potentials for promotion are men.” To that end, 70% of European firms that responded to the survey said they had hiring targets for underrepresented groups; 80% had defined targets around senior-level employees from underrepresented groups.

Another interviewee notes that statements of intent are paramount: “I think you’ve got to create a positive momentum in the firm and create some statement appointments and promotions. This shows a commitment at the top of the house, shows we are taking it seriously.”

Interviewees also believe companies must do more to ensure they support women to be able to balance family life with work, enabling employees to balance both rather than choose one over the other.

This means firms must allow employees, male and female, the bandwidth to leave the office or not attend a work events for childcare reasons. “As an organisation we need to ensure women get through that period of time where they have children and can return to the workplace” said one.

The change comes when you’ve got more diversity at a senior, decision-making level and that is still where the industry has a long, long way to go.

One solution to support women across the industry, is to create policies that encourage men to take paternity leave and take their fair share of the burden of family life. “Men want to spend quality time with their children too. It is important we create those policies, communicate them widely and ensure people adopt them,” said one. This focus echoes the survey, in which the data showed that providing parental leave beyond legal requirements is one of the most popular policies implemented in order to promote an inclusive work culture.

Globally, almost eight out of 10 firms said they are currently implementing or planning to implement parental leave, beyond legal requirements, in the next year – with Europe placing importance on expansion of time off, through additional holidays or mental health days.

Europe leads DEI initiatives when it comes to a focus on physical disability
Almost all companies in the survey said they

address gender and gender identity as well as race, ethnicity and nationality in their DEI initiatives – irrespective of the number of employees or AUM. When it comes to other dimensions of diversity, the survey showed that each region placed a different weighting on key dimensions, with European firms leading in addressing physical disability, both visible and nonvisible.

This was addressed by 81% of European organisations’ DEI initiatives. In this respect, some leaders are focussing on more putting more resources into training to make interview processes non-biased, while others report that they are considering DEI in the context of how to ensure the physical office can better accommodate a multitude of needs to support neurodivergent and autistic staff, for instance.

Firms are also engaging with this topic by taking part in non-profit organisation such as, organisations that helps skill matching the jobs with candidates having mental or physical disabilities. One interviewee said their firm had also launched an internal network to help support employees caring for someone with a disability.

To attract and retain talent we need to understand what workers want and need in a holistic sense.

Greater efforts needed to broaden workforce demographics

Other current priorities among Global survey respondents were race, where 86% of European firms report having initiatives that address this DEI area, while 71% said they had policies around sexual orientation.

The survey also showed that socio-economic background was being addressed by 57% of European firms in the survey. However, interviewees believe that socio-economic background will take greater precedence in DEI policies going forward.

As the survey showed, recruitment of diverse talent is still predominantly led by word-of-mouth and employee referrals, even for the largest firms (by both number of full-time staff and assets under management). This does not bode well for anyone outside of the dominant demographic groups in the real estate industry.

This is because improving the socio-economic background of employees is not only crucial

The industry has been bad at attracting people from different backgrounds, but there is growing recognition that this needs to change.

in its own right, but simply the right thing to do. Interviewees say that tackling this will help unlock better DEI standards across many other areas, such as race and ethnicity.

This is because drawing from a wider pool of people will, some interviewees say, inevitably tackle the “white, male and stale” demographic make-up of many real estate companies in the region. What is more, the responsibility businesses feel around attracting (and retaining) talent from a diverse range of social groups is wider than their own workforce.

There is recognition that the DEI lens is something that needs to take in all levels of the company – from facilities managers to CEOs. “As we go through this process, ensuring equitable outcomes requires effort in terms of hiring, evaluations and promotions. To that end we train everyone in that to make sure we all are working from the same book.”

European real estate companies are, therefore, increasingly partnering with diverse recruiting organisations to help train young people in underrepresented groups, in order to support them to gain access, skills and experience for the business world. Interviews across the board say that they are supporting non-profit organisations in the region with offering internship places that teach skills around portfolio management and investment, for instance. Some say they have recruited interns into full-time positions following placements.

Firms are also engaging with secondary schools to raise awareness of a career in real estate as part of their DEI policies. Many noted that knowledge of the real estate industry as a potential career path in the business world was relatively unknown outside of the white middle classes. “You’ve got to have a lens on the talent pipeline from the start,” said one.

Voluntary data schemes help overcome regulatory data collection restrictions

Data collection, as the survey acknowledged, is where all real estate firms start their DEI work. While it is only part of the challenge in addressing DEI in the workplace, it is critical to understanding and tracking progress. Equally as crucial is that providing accurate, timely and understandable information on DEI is paramount for securing investment from institutional investors, activist shareholders, as well as attracting the right potential employees, possibly even securing customers.

One quarter of European survey participants noted difficulties in being able to support DEI progress as there are legal restrictions around collecting demographic data.

While there is already a requirement for every UK business with more than 250 employees to comply with gender pay reporting requirements and mandatory reporting on any pay gap due to race and ethnicity is expected to become a UK legal requirement soon, Europe faces challenges with data collection. The legal restrictions around collecting



employee demographic data are seen as a major barrier by Europe's real estate firms.

Under the EU's General Data Protection Regulation (GDPR), processing (e.g., collection, storage, and use of) personal data is bound by certain requirements and restrictions. For instance, GDPR makes sensitive personal data subject to heightened protections and, generally, much of the data collected in a DEI programme qualifies as sensitive personal data and prohibits processing of personal data revealing racial or ethnic origin, political opinions, religious or sexual orientation.

Swedish real estate companies, for instance, cannot gather statistics based on ethnicity or religion (even at national level there is no official population count of its five minority groups). As one interviewee reflected on data collection in Europe: "The whole approach to data collection in the US and in Germany is a world apart. Modern history and culture are factors, obviously. But in Germany it is just not acceptable to ask for any kind of diversity data to be submitted for ethnicity reasons."

Real estate companies say they are trying to overcome these restrictions by running

voluntary data collection programmes, which is opening the door for organisations to be more progressive.

One company that contributed to the interviews has already introduced voluntary reporting on pay. "We felt that this strategic pillar was important, and we now publish that externally and internally. We have done this already for the UK but it isn't as easy as that across all of our global business. We have to be honest about where we are."

Others say they would like industry guidelines to help unlock vital statistics. "It would be good to have some standardised guidelines on DEI to push us to discuss the topic properly and not hide behind regional differences," one said.

Interviewees acknowledge that improving data collection requires an industry-wide effort to create a fairer, diverse and inclusive workforce, with information sharing among companies paramount to raising industry-wide standards. Larger companies with the deepest pockets say they acknowledge their responsibilities to help smaller, less well-funded businesses.

Don't under-estimate language barriers

That process of enquiry also extends to deploying more tools to help break down the language barriers that appear between people in an organisation. Interviewees acknowledged that often people shied away from talking about race in case they used "the wrong terms", or inadvertently caused

offence. One challenge around language, report interviewees, is that language around ethnicity evolves - sometimes quickly.

Employees have asked firms for more education on these topics, fearing they do not have the requisite skills to discuss race and ethnicity in a wider forum. As terminologies change, leaders say that continually educating each other is imperative. "We have a lot of conversations internally about the words that are helpful. But the important thing is to make it known that it is okay to make mistakes, that conversations about race, for instance, can be uncomfortable," said one.

It is about getting involved in various organisations to influence meaningful change. Sharing is critical. There is no "playbook" out there so people across the industry are sharing best practices in the spirit of collaboration. As a firm, we look to our peers for innovative ideas. That is incredibly helpful.

Another remarked that it has introduced initiatives designed to help staff have open conversations about race and ethnicity, with emphasis on the intention behind the phrase, even if that phrase is wrong or outdated. "It is important to understand what people's motivations are, that people will not always get the language right. It is so valuable to be open to discussion and feedback on that. The history is important. As leaders we need to create the right circumstances in which people feel they are able to speak."

Acknowledgement of the substantive elements of DEI topics is reflected at senior level, too, with leaders reflecting that they are beginning to understand their duty to wider underrepresented groups. "It hasn't been obvious to me until recently that as a CEO I need to talk about sexual orientation but then I realised it was important for others that I did so," said one.

Targets can only take DEI so far

For European respondents hiring is an important step for DEI initiatives; sixty percent of firms with European operations that set measurable DEI goals use defined targets around promotions and board composition and target percentages in terms of their total numbers of employees. This data is not only being collected but analysed, sometimes on a quarterly basis, sometimes weekly. One European firm interviewed said its DEI recruitment council meets weekly to analyse recruitment processes to "make sure we are fishing in the biggest pond".

Data collection is a minefield but there is a hunger for that transparency across the business. You need to know where you are and where you are going.

But aside from targets, interviewees putting resources into training is just as key as it ensures a fairer interview process, helping to challenge, for instance, embedded unconscious biases. As one said, employees need to understand how using "gut feeling" in a hiring decision is not an appropriate methodology and almost certainly negates the creation of an inclusive workforce. One interviewee reports providing structured interview training that emphasises that the same questions need to be asked of each candidate, which ensures interviews focus on a person's key skills rather than veering into – for instance - the networks that interviewer and interviewee have in common.

However, it is felt that targets will not in themselves improve a firm's racial or ethnic mix, for instance, nor help retain that mix in the long term. To this end Europe's real estate companies are taking action with a range of

approaches: from training around privilege, as well as educational programmes that help all staff understand the importance of allyship in empowering inclusivity in the workplace Interviewees acknowledge that such training is a continual educational process.

It is also complex, as one senior leader said: “while a woman may feel at a disadvantage on the basis of gender, that same employee should be mindful that being white has offered an advantage in other areas”.

Conclusion

As every interviewee acknowledged, creating a diverse, equitable and inclusive European real estate industry will be a long road, even for the most motivated. This is only the beginning, particularly given constraints in data collection. But those companies which have been travelling this path for a while see data, as well distinct targets, policies and initiatives, are at their most powerful when they stand alongside a commitment to subtle - and yet crucial - cultural changes. This requires day-to-day awareness and meaningful allyship on “the shop floor”. Neither approach is easy. But those companies which are making greatest progress are embracing both tactics; recognising that debate and openness in discussions about DEI will make the greatest incremental improvements and support companies to reach the overall targets they set.

It is important to support people that are not part of your group, or those who do not feel the confidence to speak out themselves. We are communicating with our staff about what being ally means for them and for the organisation.