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Diversity & Inclusion in Canadian Commercial Real Estate

March 2020



Canada is home to some of the world's largest and most sophisticated investment managers, with growing allocations to commercial real estate projects. These investment managers and other real estate entities – such as real estate investment trusts (REITs), private owners, and advisory organizations – employ talent across a broad spectrum of functional disciplines including development, finance, operations, and brokerage. While the growing commercial real estate industry has been seen to lag behind other sectors in terms of diversity and inclusion, it has seen recent progress in this area. This report provides an overview of the current state of diversity and inclusion as it applies to commercial real estate globally and in Canada.

Diversity: having representation of gender, race, age, thought, ethnicity, nationality, cultural heritage, religion, language, sexual orientation and gender identity, physical or mental abilities, educational background, socioeconomic status, or geographical residence, and other identifiers from society at large reflected in an industry, organization, or other specified group.




Inclusion: having a welcoming and friendly environment within an industry, organization, or other specified group that creates opportunities for people inside and outside of it to participate in a meaningful way in its activities and feel comfortable doing so.

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More and more companies are tracking diversity and inclusion information within their organizations. For example, in its 2019 Real Estate Assessment, GRESB, an Environmental, Social & Governance (ESG) benchmark of 1,005 entities globally, reported that 91% of its participants monitor the diversity of governance bodies and employees.¹



Further, in REALPAC and FPL's 2019 Canadian Real Estate Compensation Survey Results, 31% of the respondents said they had a diversity and inclusion program, up from 13% in 2017. Of the 31% of respondents with a program, 59% had a dedicated formal diversity and inclusion initiative, team, or committee. That marked a 39% increase from 2017, indicating significant progression.

While the above statistics are optimistic and senior leaders seem to be advocating for change, we still have a long way to go to implement impactful diversity and inclusion initiatives throughout the commercial real estate industry.

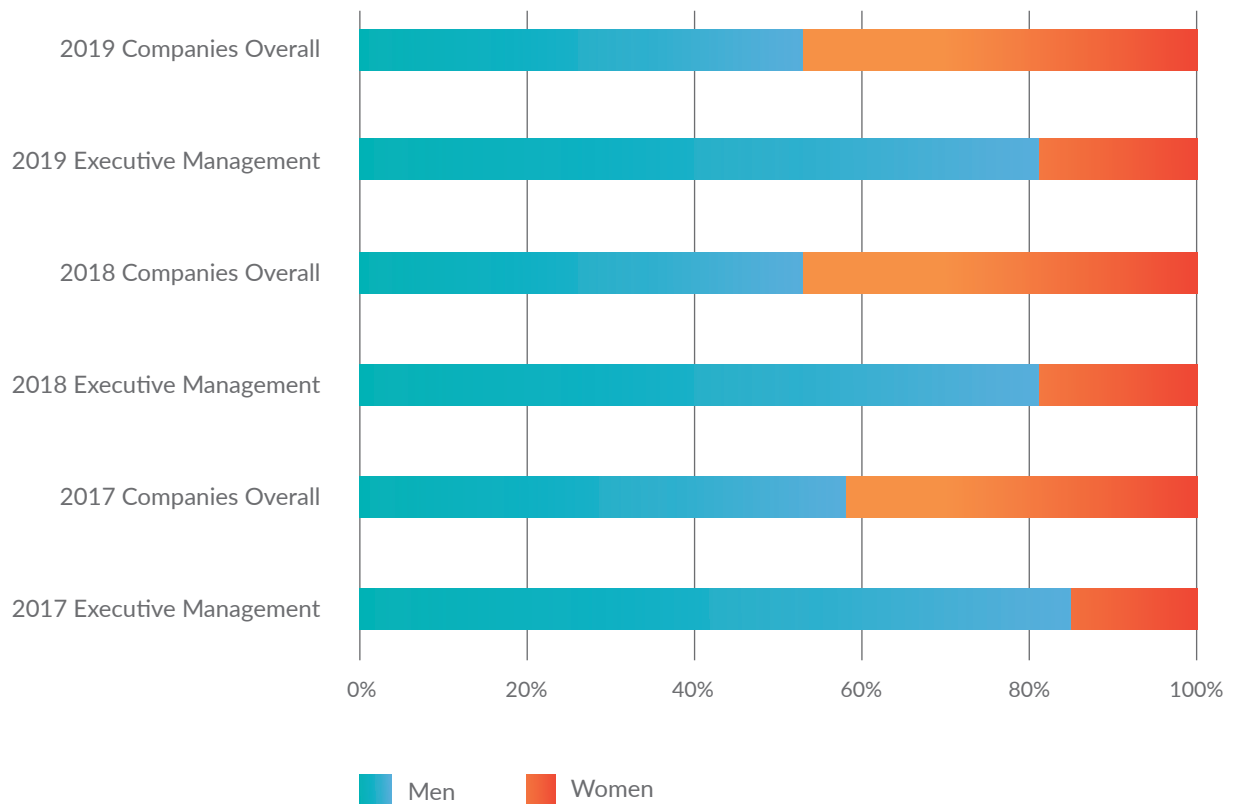
Gender Diversity

The commercial real estate industry has taken strides to improve gender diversity and inclusion. Seventy-seven percent of the participants in the 2019 GRESB Real Estate Assessment reported tracking gender ratio, making it the most commonly tracked diversity metric among participants. GRESB also reports that globally, the gender ratio of governance bodies is 26% women to 74% men. Women represent 31% of governance body members in Oceania, compared to 16% in Asia.² Grant Thornton LLP reports that women held 29% of

all senior roles across the globe and spanning all industries in 2019, up from 24% in 2018.³

Gender diversity and inclusion has seen steady progress in Canada and has continued to be a focal point of legislators and public figures in the media. In the REALPAC and FPL 2019 Canadian Real Estate Compensation Survey Results, 19% of executive management teams were made up of women, up from 15% in 2017. In addition, in 2019, women made up 47% of overall employees in surveyed companies, a 5-point increase from 2017.

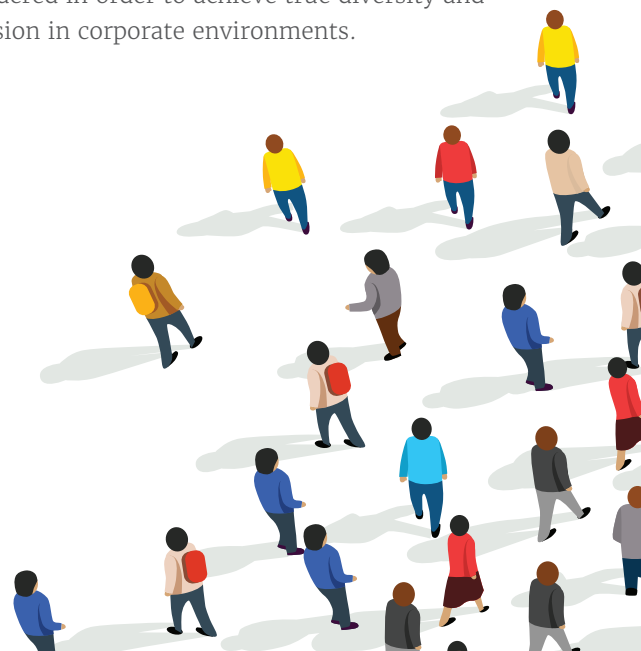
TABLE 1 REALPAC and FPL Canadian Real Estate Compensation Survey Results - Gender Diversity



These statistics allow us to conclude that gender gaps are slowly beginning to close within the commercial real estate space in Canada. However, there is still clearly more work that needs to be done to completely close this gap, specifically at the executive management level. The 2019 GRESB Real Estate Results report that the emphasis placed on tracking gender pay gap varies between regions; in 2019, 81% of participants in Oceania tracked this metric, compared to only 38% in the Americas. Companies in all regions should aim to analyze their pay data and eliminate any gender-based inequities in their pay structures.⁴

The real estate industry should also strive to compile metrics on identifiers besides gender diversity, including ethnicity, cultural heritage, religion, and sexual orientation, among others. Given the sensitive nature of these criteria, surveys that request this kind of information are

often voluntary, and therefore many participants may choose not to disclose such information about themselves. We found that there is limited access to this information and that the data that is available measures minority groups specifically by race. Other identifiers must be tracked and considered in order to achieve true diversity and inclusion in corporate environments.



Why is Diversity & Inclusion Important?

Moral and ethical imperatives aside, it is critical for our real estate leaders to understand that diversity and inclusion within an organization should reflect a proportionate representation of the general population. Diversity on a leadership team nurtures diversity of thought, which translates into improved bottom-line performance. For example, according to CPA Canada, women have unprecedented economic influence, making 80% of consumer purchasing decisions in the US.⁵ As such, even if only for economic reasons, organizations should reflect the diversity of their customers and mirror the marketplace, leading to a greater understanding of consumer needs and preferences. In addition, companies with women in senior leadership positions see a +41% average return on equity and +56% average on earnings before interest and tax (EBIT),⁶ and just three women sitting on a board constitute enough of a presence to change the boardroom's entire dynamic.⁷

Similarly, studies by McKinsey and Company found that US companies experienced a 0.8% improvement in EBIT for every 10% increase in the racial and ethnic diversity of their executive leadership teams, and that companies saw a higher profitability and above-average

performance if they ranked in the top quartile for ethnic diversity in leadership roles.⁸ The McKinsey Global Institute (MGI) – the business and economics research arm of McKinsey & Company – also found that advancing women's equality in business could add \$12 trillion USD in opportunity to the global economy by 2025. When MGI studied Canada alone, narrowing the gender gap could potentially add \$150 billion CAD in incremental GDP by 2026, an increase of 0.6% to annual GDP growth. It was also discovered that the largest potential for additional GDP growth lies in British Columbia, Ontario, Prince Edward Island, and Québec.⁹

Similarly, TD Economics reported that the combined total income of First Nations households, businesses, and government sectors had grown from \$12 billion CAD in 2001 to an estimated \$30–31 billion CAD in 2016. In other words, a forecast growth of \$18–19 billion CAD in 15 years, which means that every sector of the Canadian economy will be impacted by the growing and increasingly mobile First Nations population, and should have First Nations reflected in their workforce.¹⁰

In summarizing these research studies, there is evidence that companies moving toward gender parity suffer less employee turnover and enjoy higher levels of employee engagement, which translates into improved economic performance.



Progress & Next Steps

There have been a number of Canadian diversity and inclusion initiatives taking place in the commercial real estate industry. REALPAC, for instance, has created an assembly of Canada's major real estate organizations, including the Building Owners and Managers Association (BOMA) Toronto, CoreNet Global, NAIOP Greater Toronto, Toronto Commercial Real Estate Women (Toronto CREW), the Society of Industrial and Office Realtors (SIOR), and the Urban Land Institute (ULI). The goal of this industry collective is to promote diversity and inclusion at the different levels of companies in a collaborative fashion. For example, REALPAC has direct access to C-Suite executives while NAIOP focuses on emerging leaders. One of the first accomplishments of this group was hosting a diversity and inclusion industry breakfast on June 5, 2019, which over 200 people attended. The event consisted of speaking panels focused on gender, LGBTQ+, and racial and ethnic diversity in commercial real estate. The industry collective will host a second diversity and inclusion event in the future. In addition,

REALPAC has created separate diversity and inclusion resources for the industry including the [REALPAC Panel Pledge](#) and the [REALPAC D&I Clearing House](#), both available at [realpac.ca](#).

While advancements have been made within the Canadian real estate industry, further headway is essential. More companies must embrace the case for improved diversity and inclusion and remember that it can lead to an organization's improved economic performance; a more positive company culture; a more diverse client base; an enhanced ability to attract and retain talent; more engaged employees; and a stronger brand.¹¹ There is a long road ahead, but REALPAC and FPL look forward to supporting the commercial real estate industry in becoming more diverse and inclusive.



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