



## SNL Blogs



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## REIT exec comp climbs in '09, study finds

By Moira Dickinson

Turns out 2009 wasn't such a bad year for REIT CEOs, at least in terms of their pocketbooks.

Chief executives saw their total compensation increase by 18% at the median over 2008, with annual bonuses rising 26% at the median, according to a new study of executive compensation trends conducted by FTI Schonbraun McCann Group, the real estate advisory business of FTI Consulting Inc. Long-term compensation awards increased the most, SMG said, due to recovering stock prices and the addition of performance-based equity awards; the firm pointed out that CEOs' equity bonuses rose 22% at the median.

REIT CFOs saw total compensation tick up 16% in 2009, while all other executives saw a median increase of 12% in total compensation. Annual cash bonuses for REIT officers increased 3% at the median, while the equity component of bonuses increased 22% at the median. SMG did note that total compensation for all REIT officers in 2009 was 5% below 2007 median levels.

This is a very different [story](#) from 2008, when REIT CEOs saw a median decline of 13%, according to a previous SMG study. Total compensation for CFOs declined 12% in 2008, while total compensation for all other executive officers had a median decline of 9%. In 2008, companies tended to reduce the equity compensation for executives while maintaining cash compensation close to that of prior years, the SMG study indicated.

The 2009 results were not really surprising, Anthony Saitta, managing director and co-head of SMG's executive compensation practice, told SNL on June 28. Stocks performed better than they had a year before and management teams had also taken a fairly sizable hit to compensation in 2008.

What SMG did find surprising — in a positive way — is that a lot of companies have embraced multiyear performance awards and stock programs that are based upon sustained performance of the company. "We think that's a really good development," he said, as it ties the management team very much to the interests of shareholders.

That is not to say that how executives are compensated has completely changed just yet, but it is a step in the right direction. "Clearly you want to find ways to continue to reward management for providing shareholder value, and so as more companies are endorsing it, I think that you could have a fundamental shift, but I don't think that you're there quite yet," he said.

Larry Portal, senior managing director and co-head of SMG's executive compensation practice, said in a news release discussing the current study that he expects 2010 bonus adjustments could "level off somewhat" given the large increases in overall 2009 annual bonuses. He also noted that many REITs may still have to manage limited share capacity in their incentive plans, which may result in smaller equity award grants until shareholders approve an upsizing. "This could have a significant impact on 2010 compensation levels, as many REITs are rewarding executive teams for value added management and aligning compensation with sustainable growth through the increased utilization of long-term equity performance plans," Portal said.

Fixed compensation components such as annual base salaries remained generally flat over 2008 levels in 2009. Saitta noted that it has been about two years since REIT executives have seen a bump in salaries given the uncertainty in the market, and he expects that to see some moderate increases over the next year or so. "You need to give people after a couple of years of stagnant pay some level of increase ... if only from a motivational standpoint," he said.

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