FTI Consulting Expects 2014 REIT Executive Compensation Increases to Exceed 2013 Levels

November 17, 2014

WASHINGTON, Nov. 17, 2014 /PRNewswire/ -- FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today announced the findings from the firm's *2014 REIT Executive Compensation* study.

Conducted by the Real Estate and Infrastructure practice of FTI Consulting, the study found that while total compensation levels for REIT executives increased five percent in 2013 compared to 2012 levels, with actual increases ranging from three percent to eight percent, this is below the 2012 increase range of five percent to 10 percent. The study also found that board compensation increased by three percent in 2013 compared to 2012 levels, with more than half (57 percent) of REITs increasing their board compensation during 2013.

According to the firm's *2014 REIT Executive Compensation* study, Chief Executive Officers ("CEOs") experienced slightly larger increases in 2013 than other senior executives. This represented a shift from the past couple of years when CEO adjustments were more tempered as a result of REIT Compensation Committees being more conservative during the first few years of Say-on-Pay ("SOP"). Specifically, total compensation for REIT CEOs increased seven percent from 2012 to 2013, while total compensation increased five percent for all senior executives.

"Given that most REIT Compensation Committees look to investor returns for directional guidance when making year-end compensation decisions, 2013 increases reflected the fact that the REIT market was relatively flat in 2013, with the MSCI US REIT Index up only one percent for the year, compared to an approximate increase of 18 percent," said Anthony Saitta, Managing Director of the Real Estate & Infrastructure practice and Co-Head of the executive compensation group at FTI Consulting.

"If shareholder returns are an indication of compensation adjustments for senior executives, we anticipate that 2014 changes will be larger than in 2013 and closer to the eight to 10 percent range. The MSCI US REIT Index is up over 20 percent year-to-date, with REITs outperforming the general industry by a substantial amount, with both the S&P 500 and the Russell 3000 only delivering single digit returns thus far. Although actual pay will be contingent on how the industry performs over the full year, if REIT stocks can hold steady or continue their uphill climb, we would project some meaningful 2014 executive compensation increases," Saitta added.

Other key findings of FTI Consulting's 2014 *REIT Executive Compensation* study include:

- More than one-third of REIT executives had no base salary increase in 2013. Of those that did increase over 2012 levels, the average increase was five percent. Preliminary 2014 base salary increases are expected to be in the same range.
- Annual cash bonuses ranged from decreases of 10 percent to increases over 20 percent, with the median increases being six percent for all executives. Overall, however, 2013 increases were below 2012 increases, which were approximately 10 percent.
- The use of a purely discretionary/subjective cash bonus program declined from 42 percent in 2010 to just 22 percent in 2013.
- Approvals of REIT SOP proposals remained relatively consistent from 2013 (for 2012 compensation) (89.9 percent of shareholders) to 2014 (for 2013 compensation) (90.5 percent of shareholders).
- However, 2014 demonstrated the growing influence that a negative voting recommendation from ISS and, to a lesser extent, Glass Lewis, has on actually failing a SOP proposal. For example, REITs that received an "against" voting recommendation from ISS had an average support level of 40 percent less than those companies that received a "for" voting recommendation.
- Most REITS utilized two or more equity compensation vehicles in their long-term incentive compensation plans; only one of the top 125 REITS granted no equity for 2013 performance.
- While total compensation for the REIT industry generally increased in 2013, there were significant differences in year-over-year compensation adjustments among the various industry sectors. For example, median total compensation for healthcare REIT Chief Financial Officer's ("CFOs") decreased by four percent from 2012 to 2013. Contrarily, retail REIT CFO's saw their total compensation grow by 10 percent on the median.
- For REITS that increased board compensation in 2013, the median increase was 16 percent, indicating that companies generally increase board compensation periodically by large amounts.
- As in 2012, REITS continued to allocate a higher percentage of board compensation toward equity awards, with approximately a 40/60 allocation between cash and equity.

"In 2013, we saw REITs continue to modify executive compensation programs to better align with the preference of proxy advisory firms, as well as investors. This resulted in a decrease in the utilization of discretionary incentive awards and an increase in formulaic bonuses and at-risk performance-based equity. The largest proxy advisory firms have yielded substantial influence and a sense of urgency among REITs to adjust compensation plans, within reason, to fit within their guidelines and models. That being said, more REITs have started to proactively engage with their largest shareholders so that a more customized compensation program can be adopted, while still being able to achieve a positive SOP voting outcome regardless of whether their compensation program fits within the one-size-fits-all proxy advisory model," Saitta said.

About the 2014 *REIT Executive Compensation* Study
FTI Consulting reviewed and analyzed compensation-related disclosure in the 2014 proxy statements for the top 125 REITs as determined based on year-end 2013 enterprise values.

They include externally-managed companies that do not directly pay cash compensation to their Named Executive Officers and excludes any IPOs or REIT conversions that were completed after June 30, 2013. FTI Consulting generally uses the median, (as opposed to the average) as the preferred statistical measure for evaluating compensation data trends.

About FTI Consulting
FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 4,200 employees located in 26 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The Company generated $1.65 billion in revenues during fiscal year 2013. For more information, visit www.fticonsulting.com and connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn.

FTI Consulting, Inc.
1101 K Street NW
Washington, DC 20005
+1.202.312.9100

Investor Contact:
Mollie Hawkes
+1.617.747.1791
mollie.hawkes@fticonsulting.com

Media Contact:
Nina Dietrich
+1.201.493.8944
nina@ninadietrich.com

SOURCE FTI Consulting, Inc.