Mark Parrell:

Our average customer is 33 years old, makes $166,000 a year, and again, is generally employed in a field that uses technology, or because they tend to be millennials and Gen Z folks, are very used to having technology. They want self-service, anytime availability. They don't like talking that much on the phone. They'd rather text. You're going to see, and as we talk more, a lot of the stuff that's going on in our business makes us more efficient for sure.

Matt Slepin:

Hi, this is Matt Slepin. Welcome to Leading Voices in Real Estate. Today's episode is a conversation with Mark Parrell, the CEO of Equity Residential, one of the largest and most respected public companies in the real estate space, and certainly a leader in the apartment business.

As you'll hear in the conversation, although I've not really known Mark, I've known EQR fairly deeply since its early days as a public company. This conversation is a fairly geeky deep dive touring through the different aspect of what's truly one of the best run long term hold real estate businesses in the country. Mark sounds the themes that you've heard again and again on Leading Voices and it all bears repeating about great operations, technology, investment savvy, discipline, capital strategy, and transparency, and being a long-term thinking, responsible citizen in the business. When Leading Voices started, we spent about 80% of the conversations on our guests career journey to discover pathways of success towards their leadership.

Now we spend 80% talking about the business and maybe only 20% of the time talking about how they got there. But I'm finding as the podcast has evolved, that starting with the discussion of their business and walking across the different themes of their work, the demonstration of their leadership jumps out more clearly when, at the end of the episode, we then talk about their careers.

I'm just starting in on a CEO search for one of my long term clients right now. I know that each of these themes and indicators of leadership wisdom, breadth of perspective, and one's making the bet on a candidate's ability to really take a business to the next level and beyond, which we hear every time on the podcast, will be on my mind for my client, which is a segue to my thanks to [Tara's 00:02:21] ERG for giving me, and you, our listeners, the privilege of these conversations on Leading Voices, and for my career in a business I love and the opportunity to work with great clients and candidates.

Check out the Leading Voices archives, where there are many conversations adjacent to this one with Mark. You can hear my interview with the chair and founder of EQR Sam Zell. You can hear my conversation with Fred Tuomi, who was EQR's first president of property management, and who went on as CEO of Invitation Homes. You can hear my conversation with Keith Oden, the president of Candid Properties, as well as other leaders in the apartment business like Doug [Bibe 00:03:00], who we're interviewing again on the next episode, alongside with Ed Walter, Ron Terwilliger, Leonard Wood, Bob Dewitt, Darrell Carter, and others, all who've been on Leading Voices. I invite you to go to the archive, check out these and other episodes and share them with your colleagues.

If you have comments on the show, feel free to email me at mslepin@zrgpartners.com. I hope that you enjoy the conversation with Mark Parrell.

Mark Parrell, thank you for being on Leading Voices and welcome to the podcast. I am looking forward to our conversation today. I've been close, if close as a word, because it's a personal word to EQR almost since your inception back when Doug Crocker was your CEO, and in my words, the compatriots in the industry were in 1993, 45 were coming together and forming the modern industry, both in the apartment sector and elsewhere, and creating a really institutionalized business, which we didn't have before that. We're going to talk about that history, which I've explored many times on

Leading Voices, but less about history than where we are today and where we're going with the industry. Welcome and thank you for being on the show.

Mark Parrell:

Thanks Matt for including me, and including Equity Residential in your podcast. Very excited to be here.

Matt Slepin:

Love to do it. I ask each guest to introduce themselves just for a moment, and then we'll get into everything about your company and about you.

Mark Parrell:

Sure. I'm Mark Parrell. I'm the chief executive officer of Equity Residential. We're about a $40 billion apartment read headquartered in Chicago, Illinois.

Matt Slepin:

Cool. The company was founded... Just a little bit of the history of where the company came from. We all know this was Zell's portfolio of some sort, but talk about that just a little bit.

Mark Parrell:

Sure. We went public in August of 1993 on the New York stock exchange. Our ticker symbol is EQR. We really, at that point, were about an $800 million in total value collection of apartment assets that Sam Zell, our founder, had through various tax syndicates and other limited partnerships he assembled. Barry Sternlicht also contributed some properties at that point. The big mantra that companies had different phases, but the big mantra was just to get big as quick as we could, get an investment grade credit rating, getting the S and P 500, get scale, get all those things that I'm sure we'll talk about during the course of the conversation that make for a good business in terms of operating efficiency and just again, and the ability to attract investors.

Matt Slepin:

Let's think about... I think about the companies in terms of generations. That first generation was to get to scale as quickly as possible. You guys, and Camden, and Avalon, then Avalon not yet Avalon Bay, and then I think of a second generation, which was people perfecting the platform and maybe you're the third or fourth generation in this business, taking it to some next level, which is what we're going to talk a lot about today.

Mark Parrell:

Yeah. I like how you said that. It's certainly interesting. I do think Doug's very successful tenure was all about getting scale, about getting to a size where operating efficiency mattered, where we could raise capital cheaply, both debt and equity, all those things that just so important when you're in a capital intensive business like apartments. I certainly think David Nethercrud contributed a great deal to making this company the more focused entity that it is.

The big change there was the strategy shift to focus on the affluent renter. That was the big strategy shift between Doug Crocker and David Nethercrud. We had come to the conclusion, we'd sell our best asset in a place like Phoenix and we'd sell our worst asset in a place like San Diego. San Diego's returns were much better. We just came to this conclusion, and again, this would be in the mid 2000, call it 2005, that we would be better off being invested in what we call the knowledge economy.

We were very early on that boat compared to most real estate investors. The idea that these big 24/7 coastal cities were going to track the best renters. They had high housing costs so people wouldn't run off and buy homes. If you think about '05, this was the housing boom. This was the point where single family was eating our lunch in the apartment industry. For us, our best residents in a place like Phoenix, they didn't stay very long and our worst residents didn't pay the rent. It was not an ideal demographic. By moving to this demographic that was more of this renter that wanted to be with us, it kind of had to be with us in places like Manhattan and San Francisco. We thought we were going to a better place. That was the transformation that started in '05 and really ended in '13 when we completed the Archstone transaction.

Matt Slepin:

Let me ask a question about that, because it's interesting. Both the affluent renter, but it was supply constrained markets versus non-supply constrained markets. Then it also wound up being the coastal cities versus the central cities. All of those trends together, there are affluent people in Dallas, but there's a lot of supply, I'm guessing, is the differential.

Mark Parrell:

And they could own. You're right to point that out. I focus on the affluent renter just for ease of reference, but these markets brought together again, places like San Francisco and Los Angeles and New York, brought together a combination of things we thought would be very advantageous for us. Again, a lender who could afford to pay the rent, that was in a good industry, it was getting good raises. Think of technology, financial services, higher education. Supply, we thought it was hard to build in those places usually because of government regulation, our land availability. Our biggest competitor, which is single family ownership, was hard, because it was expensive to buy. You certainly can buy even in New York, but your commute is so significant that you're in a different category. You probably had your second or third kid. You're making a lifestyle decision. There wasn't a financial trade off at that point in your mind. Those, the combination of all those things, again, supply, we thought better demand, over the long haul, we thought would give us better returns. We were right for a good period of time.

Matt Slepin:

If you were right for a good period of time, then COVID may have changed some of that, and taxes and politics where the population started shifting, and you're back to some of those markets after having exited those markets. Is that true?

Mark Parrell:

Yeah. Two things changed. You're right. The environment changed, those markets changed, and some of our understanding. A few things changed. I want to talk about how those markets changed and use, for example, Atlanta. We're back in the Atlanta market, but what we owned before were these far suburban assets, Matt. They were out of ways.

A lot of the residents had much more modest incomes. That point, when single family was cheaper, it was much easier for them to buy. It just was not easy to move the rent very much. What we own now is more Midtown, heading north up 400. In a different... These are people that are making 90 to $120,000 a year. There isn't a lot of overlap. If you look at those areas, single families expensive there. Buying a home in the areas we're in, a desirable location, is expensive.

What the markets did that changed that was very interesting is their housing became expensive too. Atlanta, not everywhere, not universally, but in the areas that were desirable to our demographic, ownership became expensive. Supply was still there, but demand was so significant from these higher end renters that it really created a good environment. The environment changed.

We also had a realization about our portfolio being in only six cities. When we got to the very end of 2015, we were in Seattle, the Bay area, Southern California, Washington DC, Boston, and New York. Being very concentrated like that, we had a little bit of a supply blip in San Francisco, threw our numbers off because every market is material when you're only in six markets. We had this evolution in thinking that was something that I actually got to work on as a potential candidate for this job that was really important about how would you refine the footprint? My point was let's reduce volatility, focus on growing cash flow over the long haul. These affluent renters are in different places. Denver's expensive too now.

We started to go to places where same characteristics. Expensive single family, a lot of affluent renters, a lot of demand. The supply was missing because places like Dallas had a lot of supply. We're back in Dallas. They also got a lot of demand. They have less political risk. The other thing that changed is coastal markets had more political risk. We really didn't see that as true in 2005 and 2009. In fact, some of those political risks were helpful to us because they kept people from building, but now those risks have changed, and well, I know we'll talk about it, they've become a little bit more acute.

Matt Slepin:

It's interesting. You like that they didn't build because that supply constrained it even further, but then the backlash comes back and bites you on the butt in the other perspective.

Mark Parrell:

Yes.

Matt Slepin:

Hey, let's go back to history for a few minutes because there's a couple of interesting things that we passed by here in the conversation. One was the sense of size and scale. I'm thinking to your founding and I'm thinking of Zell. At the same time, he founded Equity Residential, he founded Equity Office. My sense is that scale worked well in the capital markets for Equity Office, but not on operations for Equity Office. It worked really well for the apartment business, just totally different businesses, but I'm wondering if you have any comments about those differentials between sectors.

Mark Parrell:

Yeah. I wasn't close to the operations side of Equity Office. It's hard for me to comment on that part. Our embrace, again, in the mid 2000s, of technology of these centralized leasing systems, these lease run optimizers. Again, it's a system United Airlines uses to optimize airfares, internet listing services. All of that stuff really worked for us. We are a consumer. We're not a B2B business. We're a business to consumer business. All those technologies, again, the ability to access our stock of apartments online, to be able to know prices. The old days, when I rented, I'm in my mid fifties now... Remember going to the grocery store and getting a guide, and not knowing if they had an available apartment, or what exactly the price was? Now you're online. You can compare all that. It's very efficient. I think operationally, apartments had the advantage of a whole bunch of really useful technology coming to pass at the same time, improving revenue management by a ton, and expense management too.

Matt Slepin:

Another change in the industry is private equity. When the reach came up at the era that we're talking about, private equity was not a big deal and the reach really transformed the business, but in the last cycle, the private equity firm, particularly Blackstone Starwood, and you mentioned Barry a few minutes ago, but their capital raising has really transformed things. Talk about playing in a business where they have maybe the capital advantage, maybe not the operational advantage, but talk about that a little bit.

Mark Parrell:

Well, first all, very well run organizations. We had a lot of interaction with them on all these industry groups. Besides just talk about their growth, I do want to talk about things that public real estate has that are special advantages, we think in the long run, and that's transparency and liquidity. You can buy and sell EQR stock any day the stock markets open. You have great transparency. You've heard all our chairman's comments about open kimono. These vehicles that other, that private equity sponsors have some disclosure, but the extent of it by public apartment holders is so much more. I do see the growth that I think the PE firms had. I again, think they're very well run.

A lot of that gas for that growth, though, came from cheap debt. I think the fact that debt's more expensive now, I think that right now we're in a negative leverage situation where our interest rates are higher than cap rates. That's a very uncompetitive place for someone who's a debt focused buyer. They'll figure it out. They're smart folks, but I'm just saying, I think the advantages of public real estate of transparency and of liquidity are really going to show through, but they are a force to be reckoned with. They're more interested, though, in apartments that aren't our target.

Our target of apartment buildings are going to run super efficiently that have these affluent renters in place where you're not repositioning the asset. They like putting capital in and repositioning assets. We've often found that those IRRs, because we measure our IRRs on an unleveraged basis, are not enough to compensate for the risk. Whereas, when you start using leverage, you may get more comfortable there, until interest rates start going up like they're going up now.

Matt Slepin:

It's interesting. Also, their hold period winds up being shorter. Although some of these vehicles look more perpetual, like you are, which change the dynamics.

Mark Parrell:

Yeah, absolutely. When they're more in the core area, using more modest leverage, which some of these vehicles do in a purport to be perpetual, then you sort of think about transparency and liquidity, like I talked about, but still, EQR is about 19% debt of our capital structure and 81% equity. Most of our public competitors are similar. That's not even close. When you look at a PE vehicle, the amount of debt was 60%. They do have a different risk profile that needs to be accounted for as well.

Matt Slepin:

Does that risk profile come to roost at a moment when interest rates double but not... I mean, 60%, you still have a fair amount of float.

Mark Parrell:

Yeah. I don't predict any great dislocations in the PE space. I think the business model has probably become incrementally less attractive for them. They probably will be less of a participant in the marketplace for a little while. They may have to raise all their IRR targets. They certainly will because they have to use less debt now because of the negative leverage. My guess is they're probably just not quite as voracious going forward for a while, because I think they... They had the perfect storm in the last three years. I'm just not sure that circumstance exists anymore.

Matt Slepin:

It'll be interesting to watch what happens with that. I'm also curious on the operational platform side, either to compare it to that, but that matters less than... You own, in perpetuity, kind of more or less. If you have that type of long term horizon on holding a property, then the way you manage it, and the investments you could put into both the asset, but the operating platform, back to the comments about technology, are just huge.

Mark Parrell:

Yeah, absolutely. If we want to grow our company, we have to do a great job with the capital we have already. We got to operate the heck out of the capital we have already, these buildings, these 300 properties and this $40 billion we've already been entrusted with. Just to sketch out how we're thinking about technology right now, our customer, our average customer is 33 years old, makes $166,000 a year. Again, is generally employed in a field that uses technology, or because they tend to be Millennials and Gen Z folks, are very used to having technology. They want self-service, anytime availability. They don't like talking that much on the phone. They'd rather text.

You're going to see, and as we talk more, a lot of the stuff that's going on in our business makes us more efficient for sure, but it also meets them where the customer is. They want more interaction electronically. They want more interaction in a way that's suited to automation and things like that, as opposed to, I'm going to say as more of a closer to a Baby Boomer person, a person who expected a little more personal attention. I think they'd rather have point of time, immediate attention. They're happy to take that from a technology source. They'd probably rather not talk to a person, in many instances.

Matt Slepin:

How does that then change the interaction with your team members? Maybe there's less team members that's more efficient. They don't have to deal with the interpersonal interaction as much, but you do have an army, and property management and operations is about executing that across the board. It's not all touch less because there's people have to do stuff. How does that work over time, and all kinds of things to drill into on that?

Mark Parrell:

Yeah, it's a great topic. Well, first a plug for the 2000 person army you just referred to. These are our onsite people. They do the onsite leasing activities, customer relations, as well as all the maintenance work. We call them service technician, service work. They were at COVID, they were on site. We have 150,000 people living with us. They needed to be safe at home during COVID. These folks took care of them. By no means do I hope that we have no people at our properties. What I hope we have is efficient people. I want our salespeople to be closers, not stuck with all the bureaucracy around the sales process. I want our technicians to be repairing things, not going back to the tool shed to get a wrench they forgot.

A lot of the technology we have, for example, on the service side, really advances that. Imagine, when you wake up, you have as a service technician for us, you open an app on your phone. This isn't the future. This is the now. That app tells you, your first three jobs are repairing an air conditioner in unit 5A, repairing a refrigerator in unit 6A, and potentially, 7A's got a problem with a plumbing issue. You know what tools to take. You're entering the unit at the right time. We know when you went and left. We can monitor that. That's a little bit better security. By the way, let's say I take an hour to fix that refrigerator. Yet, when I report the problem in, in the company's opinion, it really should have taken half an hour. Maybe I need more training. It helps the employees.

A lot of this stuff is helpful to our employee and our customer, and saves money. There really, a lot of this technology is not a zero sum gain for any of the interest groups. It ends up being better all around. Going back and forth to the tool shed's no fun. I like what it does on the service side. Just to hit sales quickly, again, a lot of the sales process was pretty inefficient. You tour me, you tour you, you didn't self select this much. Now, with technology, you're much sure. You've got us down to three or four semi-finalists. People still, by and large, want to see the unit they're going to rent. They're going to come. Instead of having me guide them around, I'm going to say, "Okay, Matt, you've already pre-registered on our system." There's the technology. "We've cleared you." We do a quick background check using your driver's license. You show your driver's license at the front desk. We give you a key fob or an access card. Go to the unit with a map and you see the amenities. You don't have me following you around pitching. You can go with your partner, your mother, your friend, and talk candidly. Go look at the unit, come back, give us...

Remember, we have your driver's license. You're going to give us back the fob, and off you go. About 80% of our eventual sales are done in that manner now, but you can see the process. It's customer centric. It's less of the bureaucracy. It's more of the technology handling those needless details.

Matt Slepin:

It's interesting. We're all being trained to do this. I stayed in Hotel... I bought three hotel rooms for the night for last week's trip. It was all online and I didn't care, but that starts to give you training wheels to do it to somewhere you're going to live for a couple, few years.

Mark Parrell:

Yeah, well, at the grocery store, I remember 10 or 12 years ago seeing my first self-service checkout and being outraged that they were outsourcing that labor to me. Now, I intentionally always go to the self-service, because I've been trained to do it. I think even us 55 year olds can be trained to use technology appropriately and have just as good a customer experience. You got to have great technology. That's what the pressure is in. Companies like ours is staffing up that IT team, making sure you've got resources, whether they're systems or people, that give that customer a great experience.

Matt Slepin:

Let's talk about turnover of residents and turnover of staff, particularly site level staff. Let's stick with site level staff because you're talking about that right now. I remember in the apartment business, maybe 10, 15 years ago, from large owners, it might have been 50% per year, or 40% per year turnover. I'm wondering if all of this technology and training makes people stickier to one company or another because you're operating platforms different than the guy across the street.

Mark Parrell:

Yeah. Well, obviously you're very aware of these issues giving your profession. Right now, I did look this up, our current turnover is 30% as of the end of March, just in one quarter. It normally would be 22%. It is certainly elevated turnover. We had a great conversation with our board at our regular meeting a couple weeks ago. Human capital management is the top of every management team, every board's list of things to talk about. We have done a lot better lately with our onsite people. Normal vacancy for onsite, and again, I'm talking about leasing and service folks, is around 5%. Last year, this time, because again of departures, COVID fatigue, and this was industry wise, it's not EQR issue, but we were running more like 10% vacancy. That put huge stress on our people. We took some actions. We pre-hired, got a little more aggressive in some of our recruiting efforts. Now we're back down to around five for our onsite people. We have really solved that. You still have that turnover, but we have a lot of qualified people coming in the door too. We really feel like we've reached pretty good equilibrium onsite.

Matt Slepin:

Yeah. Let's stick with onsite for a few minutes. When I said 50%, maybe 15 years ago, is that right? Or 40% turnover? You got that from say 40% to 22%, but then COVID got it back to 30%?

Mark Parrell:

You're in the right neighborhood. In a good year, EQR would've expected 40%, 30 to 40% on site turnover. This number I gave you was just through the first quarter. We have a lot of first quarter departures because you pay bonuses at the end of... right around the holidays. People often will change jobs in the first few months of each year in our business, but you are in the right range. Turnover is high on the onsite side, but we have a lot of programs show people the career path, get people frequent promotions, give them a lot of feedback. We have a lot of systems and processes to try. If you want to be a service person, you can have a great career at Equity Residential. You can make a lot of money. You can do a lot of interesting things. You can keep learning.

Matt Slepin:

How much of your... This is favorite topic for me, as you can tell, and it's not because I'm a recruiter because we don't recruit at the site level. It's just a different thing. But for careers in the industry, it does matter. I wonder how much you see this as an EQR thing for yourself to promote and how much of this is an industry effort for people to see this as a career and maybe a career versus, I don't know if there are alternatives, as at Walmart, for these kind of folks. Just talk a little bit about that and maybe the future of how we promote this to be an industry people want to go into at that level.

Mark Parrell:

I think we started talking, David [Santier 00:26:28], former chief operating officer, about the absence of the handyman, the fact that people just weren't learning those skills in high school anymore and going through the traits. That just wasn't happening. That was going to be a real pinch as all these folks that were good with their hands aged out of the workforce. We've seen this coming. We have a pretty aggressive service apprentice program. We take you unskilled. We pay you from day one. We put you with an experienced person. We really try to train you up, and then you get a pretty good bump on your comp once you're qualified to operate on your own. We look for diverse hires in that area. We scour the community. That's been pretty successful. That gets us people.

To answer your question precisely, I don't know of an industry-wide effort to recruit. There's a lot of education and exchange of best practices, like our service apprentice program. We find that people want to see a track. I don't want to be just your maintenance guy. I want to know what I could be in five years. I want to understand what you're doing to train me, promote me, not just money, but just respect and responsibility, and things like that.

We have a lot of programs, Matt, about that. In fact, we have our company conference this year. We had in Atlanta. First time since the pandemic. It was great. We had 700 leaders of the company together. We have a event called Maintenance Mania, where we watched the maintenance guys, that are some of the best maintenance people in the company, do different semi uncomplicated things in front of everyone as quickly as possible and then get judged by it. It is so... There's not a most fun activity at these events because these people are so proud of their properties and their skill set. You got to celebrate that. If you can't celebrate your service team, they won't stay.

Matt Slepin:

Absolutely. Let's take that up a level. If I think about people who lead property management, and lead operations, years ago, that was a challenge because people capable of that level of leadership who have the educational background for that didn't exist in the industry. Think about it as the career path of, okay, I'm president of Property Management. A lot of folks, Peter principled up, not having gone to college, let alone having any higher education, which does help at that point of sophisticated leadership.

Mark Parrell:

As you move up further, especially you're trying to move... That big move is from community manager, which is what we call our property managers, up to area manager, where you're running eight properties. You're really managing eight different people. Now, for the first time, you're not touching things directly. You're leading through others. As you know, Matt, you've done this so long, that's the big change. Leading through others is a different thing than just if it's your property and you don't like how that building looks, gosh darn it, you're going to walk down there and make sure it's done right. Whereas instead, I've got to motivate you to go and take care of your property in the right way if you're not doing so. We have a lot of training around that. We have training... If you start to aspire to do that, we give you a lot of classes and feedback.

How do you become an area manager at Equity Residential? How do you take that step to then being a regional manager and a vice president? Financial literacy, by the way, a lot of these people, super good at consumer stuff. They know every person on the property. They're great at keeping their team excited and motivated. What can be a very challenging job some days, but they're not necessarily financially literate, which is your point. They don't understand all the operating statements and the nuance and why gap accounting might be a little different than what they see on their sheet. We have classes in that.

I think, again, like the service side, show them the path. We got a lot of training at our company. That's distinct. If you and I were running a small property management company, we wouldn't have a lot of training. We wouldn't have the ability to. We can offer you is just, you will at Equity either advance on your own merits, or we will train you so well that you'll be the star at wherever you end up. I think we keep a lot of people under that theory, that they can keep moving up in the organization, and also being big helps. We have 30 plus area regional managers in the company. That's terrific. That's real opportunity. There's always some turnover in the group that large.

Matt Slepin:

I always want to generalize it to the very large established owners who have business platforms. You're among the top of them, just for our listeners as they think about the context of this, but there's probably

20-30 companies, not quite at your scale, but that have that kind of background, have that kind of platform to be able to manage people's career and help grow people internally that way.

Mark Parrell:

Yeah. I think the National Apartment Association meeting I believe was last week. And I think at that event, you would've met all kinds of other competitors of ours who... They're great at what they do. They may do it a little differently, but they're trying to retain staff. The apartment industry's a great career. You get to do some really interesting things. There's apartment buildings everywhere in the United States. You can work in a lot of different locations. Where else after a couple of years of training might you be given a $50 million asset to watch over day to day? It's an incredible amount of responsibility that people are given. I think it's a really exciting thing. The industry needs to keep being good evangelists about the opportunities, both on the property side and as an investment or financial person in the industry, for sure.

Matt Slepin:

We're going to get there. One of the things that I think that... Tides rise all boats. You help the tide to rise by your size and scale and what you've done in the industry, but the entire industry does get to lift in many respects from that perspective.

We talked about turnover and we talked about staff. Talk about resident turnover and what that statistic generally looks like, particularly in your demographic, and then we'll dig into your demographic, and then we'll move subjects here.

Mark Parrell:

Sure, sure. Resident turnover during COVID was a bit of a roller coaster. At first... Think about 2020. Everyone's afraid. No one moved. All right. Just lock down in your unit, not moving. Then when it was possible to move, there was a sucking sound in places like Manhattan, where people that was not a pleasant place to live at that point, the things they loved about living there, coffee shops, and the bodega, and just the office, everything was closed. It was more comfortable, especially our demographic often has other choices. They kept their jobs by and large and they took their incomes and they went elsewhere, but the elsewhere is interesting. I'll digress just a moment.

People were talking about everyone's leaving New York. They're going to Texas or Florida. We keep track of where everyone comes to us from because we see your address when you apply, and you're forwarding address where you leave. We did not see that at all. The people who left San Francisco, they left for the suburban counties that surround San Francisco and Los Angeles. The people that left the city of New York, Manhattan specifically, left for New Jersey and the tri-state area surrounding it. We did not... In fact, and they've all come back. This increase, there were definitely people in our system who were say, let's say, 38 with their first child, who were planning to leave us in a year or two. This was the end. They just accelerated those decisions. But it didn't... In our frame of reference, places like New York that are super energized, Boston is up and running again. These young people want to be there. They weren't there just for their jobs to begin with. They were there for the lifestyle. They wanted to be with other like-minded people their age taking advantage of the amenities that these big urban centers offer.

Matt Slepin:

Got it. You touched on New York and you mentioned San Francisco briefly. Talk about recovery in those markets, and recovery, not just in your portfolio, but particularly as I look at San Francisco downtown, I live in the Bay area, it's still brutal. The office market still, and daily census is really bad. The key card fob thing is horrendous in my particular market and the downtown hasn't recovered as a place to be. I don't know if that affects you actually, because still, a lot of people live here, love living here. It's a great place. Talk about that combination in San Francisco and other major historic markets.

Mark Parrell:

It does affect us. We have a material presence in the city of San Francisco, small city, as you well know, but we have a material presence there and certainly in a city in New York. We will contrast those. What happened in New York is the recovery in New York, certainly there are more office swipes, but part of it is everything is open again. I've just been in New York two weeks ago, talking to our people in New York, literally weekly, you walk around, the coffee shops are open. The rest are... Everything... not everything, most everything is open again. There's real energy in the streets. If you walk around, except for the folks wearing masks, you wouldn't have known a pandemic existed. I was on the subway. That was fun. It's just really, really active. That's very attracted to our demographic.

Even before COVID, our demographic worked remotely. If you were in one of our New York buildings at two o'clock in the afternoon on Tuesday, there were folks in a resident lounge pounding away on their laptops. The work matters, but not that much to us. I think our residents live in New York. They live in Boston. They live in DC. They live in west LA because they like those lifestyles. They could live somewhere cheaper, but they like living in those environments. That's what's attractive. What is unattractive to them is when that environment doesn't exist.

The city of San Francisco, and I was there at the beginning of May, to me, felt safer, safer but empty. To your point, just not very energized. Just getting a bite to eat for breakfast was a little challenging. Not a lot of people on the street. The financial district was empty. That lack of energy is not exciting. Our person wants to be able to go, whether it's to club activities they enjoy, health clubs and things like that, to a bar or restaurant, to be able to run or bike outside and have a lot of people around, that just wasn't there yet. It is getting better. Our occupancy in the city is approaching 96%, the city of San Francisco, but it's the only submarket we've been unable to get back to pre-pandemic rents.

Matt Slepin:

It's interesting. It becomes those downtown markets here on the west coast and it may be safety issues. There, there are no longer existing, or has to be rebuilt in a pretty big way. Trust has to be gotten back. But if you go to Silicon Valley, I assume your Silicon Valley portfolio is doing really well.

Mark Parrell:

San Jose is killing it. I'd say one other thing. We have to remember that our demographic is younger. They certainly care about safety, but their focus isn't... As we older investors and observers look at it, our focus on safety is a little different and so it is important. They want to feel comfortable. They want to be able to go for their morning run. They want to feel... But cities have always had a little bit of edge to them. A little bit of edge, I think, is part of what they're buying into, but I think they want that activation the ability to go to restaurants, ability to enjoy their lives and feel safe. My prediction is that at the end of this year, you and I will be happier about San Francisco than we are today.

Matt Slepin:

Yeah, I sure hope so. Bouncing on subjects, talk about short term state. Do you allow that in your properties? Do you allow that by your residents or do you do it yourself?

Mark Parrell:

Yeah. First of all, there are prohibitions in some localities. Obviously, when local law says no, the answer is no. We have worked with Airbnb and their friendly buildings program where you allow a certain number of residents to do that. It's really important though, the character of our buildings. Our residents want generally quiet buildings without a lot of... If they wanted to live in a hotel they would've signed up to live in a hotel. We try to be, Matt, very thoughtful about the amount of Airbnb activity we allow. We're quite aggressive in pursuing lease violations on that, but we do see that some of our residents, for example, who travel a good amount, if they want a little extra income and we're willing to balance that out on our end with only a certain number of units per week or month can Airbnb, we're able to moderate it that way. We're trying to work with people on that.

Matt Slepin:

How do you think that evolves?

Mark Parrell:

I think it was way too many units at first. I think it's reaching an equilibrium, just like cities are trying to figure it out. A few places have just outright said no, but a lot of places are just trying to regulate it. They see some benefit in short term stays. They want to collect the hotel tax, by the way, which is an important thing, because we're responsible in some jurisdictions for that, even though we had nothing to do with it since it's our building. Having Airbnb and others take responsibility for collecting that is an important benefit as well, by the way, of that program.

I tell you, I think it's still evolving. You see overseas places like Barcelona, they just hate it because it's overrunning their city. We don't have a lot of buildings where it's overrun the building, but we don't want people loitering in the lobby with their luggage. It's just not the image for a high end building we're trying to build.

Matt Slepin:

Yeah. I could get... There's everyone walking with a roller board in you're building, all of a sudden you feel like you're in a hotel. You just don't want that visual. Even if you don't know your neighbors, you don't want that visual. Talk about corporate furnished departments while we're on this subject. Is there some continuum between that? Do you offer that? Is that part of your model these days?

Mark Parrell:

What a great question. Well, we don't do a lot of corporates because our experience has been poor. When you get to a point, like a pandemic or the '08 recession, no matter what they say to you, no matter how well they say they're capitalized, when there's customers gone, they're gone. There's probably an exception here and there for medical people like nurses and stuff where that business is just continuous and, in fact, in the pandemic was even stronger.

Matt Slepin:

Especially [inaudible 00:40:11]. Yeah.

Mark Parrell:

But we've kept the numbers low. We long ago learned our lessons. I think right now in the company, we are about 1% corporate, but I will say there's a lot of innovation here to be done around term. Almost all our leases are one year leases. It seems odd to me that all of our residents happen to default to one year. People have... I don't want to be a hotel company with daily rates, but there's probably some innovation here that can be done about shorter terms than that. I wonder about the ability to have more flexibility there, which again is something that young people want more of than maybe our residents in the past.

Matt Slepin:

They're trained to do it. Again, back to that training thing. And that means furnished apartments.

Mark Parrell:

It could. Now we don't do that now. We refer you to a furnished provider and generally, it's a lower margin business. Equity Residential is a high margin business renting out apartments. If you own all the plates and dishes, and the towels, and all the sofa and all alike, that's a lower margin business, a lot more depreciation. We've generally not found that to be that suited to our model. It was better to have a referral arrangement with a local provider, but I am intrigued by it. I do wonder in my mind, would it get us..?

I'd be more interested in it if it got us more residents, not merely in the premium, but did it attract the demographic we don't now appeal to? I've not heard that. Our buildings are 97% full. I don't feel like I need that demographic right now, but like lease terms, I wonder if in the future there couldn't be a situation where if you're a flexible worker at Microsoft and you can work anywhere, maybe you have a gold pass lease from Equity Residential. You're paying us 12 months rent and you could be in Seattle, Los Angeles, maybe it's a month at a time or some period longer than a day or a week, but there's some in between a hotel arrangement. We experiment with things like that.

Matt Slepin:

We're doing work with a company called Central, which you probably know of. They have this continuum. Some of it's what we used to call corporate. Some of it's short term stay. The rest of it's permanent one year leases, but the one year leases may be facilitated to enable an overnight stay. All different business models. Speaking different business models, we've talked about the affluent renter that you have in your portfolio. There are adjacencies. In the past, you've been in middle income housing as well. Adjacencies like student housing, seniors housing, do you play with that? Do you think about that? Once you have your operating platform, couldn't that be efficiently expanded into those adjacent businesses?

Mark Parrell:

We do think of ourselves as a residential company. Your point is we happen to be really all in this apartments, but we do think about other areas. Folks that are long time observers of the company know that we've owned units that were focused on older folks more so, 55 and older. We've owned student apartments. We owned [Lexford 00:43:06], which was very much a lower middle income portfolio. We want to own residential apartments. We found the affluent niche, not because it's affluent. We liked it because we thought with the changes in technology, that over the long haul, these would be the people who were creating the efficiencies. They weren't losing their jobs. To cater, for example, to truck drivers, very honorable profession, but as people learn and technology maybe learns to drive trucks between nodes overnight remotely, there may be a lot fewer truck drivers in the United States.

That may be a good thing by the way, because that's a tough job, but if your renters are mostly truck drivers, that's a tough situation. Whereas, if my guy's the data engineer, who's been busy figuring out how to do that automation. Our view was that we'd be less subject to automation risk, to technology pushing our resident out of the workforce or making their skills obsolete. That was one thought.

Inflation was something we had in mind that didn't matter for a long time, and I think is about to matter a lot. Our average resident pays us 19% of their income in rent. A lot of them, not all, but a lot of them don't own cars. We have buildings that don't even have garages. These folks aren't as subject to gas, the increase in gas pressure. It doesn't matter what the supply demand imbalance is in a market. If your resident is stressed between paying higher food costs, because they don't have a lot of disposable income, and filling up the gas tank is 80 bucks twice a week instead of 35 or 40, I think that's a real pinch. That's going to pressure, I think, B and C apartment owners a lot more than it's going to pressure an Equity Residential.

I would say EQR dismisses no type of residential housing as investible. They all are, but you got to be really thoughtful because we're longer term guys. If it's just a trade for a couple of years, that's not going to be worth it. We need to see some secular shift, some move we think has legs to think about that business. We got to move into a business that has a margin that's our margin or better. A lot of the businesses, again, senior housing with services, for example, a lot of people, much lower margin business, a lot more staffing concerns. I appreciate the argument that the great waves coming, but if your margin's less than half of our margin, I'm still not sure it's the right business for us.

Matt Slepin:

Makes sense. You used to be a developer. You've gotten in and out of development. We had Doug Yearley from Toll Brothers on the podcast a month or two ago. You have a venture with them. Talk about development, development risk, and that versus acquisitions for your business.

Mark Parrell:

Sure. One of the advantages of Equity Residential is we'll do either. We'll be a buyer of existing assets, just straight acquisitions, or we'll develop. We do have our in-house development team. It is operating in our existing legacy markets. LA, San Francisco, Seattle, Boston, New York and Washington DC. The great thing about Toll, but first and foremost, is that they have a terrific culture, terrific leadership. They match up well with them. We had done a joint construction project of a big tower in New York 10 years ago. When we started talking again, Doug and I, it was the same people. It was really great. I think about our development, Matt, that's really in three legs. Our existing team does a great job in our existing markets, but most of all in these attempts, we call it gentrification, or densification.

Matt Slepin:

Gentrification, yeah.

Mark Parrell:

Yeah. Taking out 60 units in the middle of a garden apartment and putting 200 in. Regulators like those deals. The apartment building already exists. A lot less risks for our shareholders. We understand the ground, no environmental issues. It takes longer to permit. We've got units making money on it. Third, we do do JVs away from Toll in places they don't have a presence. For example, we had a existing relationship in Westchester county, New York. We're building in a building out that way. There's a little bit of that.

We like development. We're deep in it, but I would say, unlike others, we aren't as committed to it. We don't have such a big team that I feel pressure that we have to do some development all the time. I think if we need to shut the machine off for a little while, we can do that. Sometimes, with development, that's a wise thing to do.

Matt Slepin:

Right. Once you have the embedded infrastructure, it's hard to do that because you just got to go.

Mark Parrell:

Yep.

Matt Slepin:

That pivots us to one of the topics that you raised before, which was political risk. It's really interesting to think political risk as part of the apartment business, or part of the real estate business, which it most definitely is. We did a search for you guys four or five years ago. One of the bullet points on the job responsibilities, and then the required background, had to do with being able to deal with public agencies, not on entitlements, but on a broader political risk scale. In California, of course it's particularly meaningful with all the rent control initiatives. Talk about that.

Mark Parrell:

Yeah. I'm glad you called it political risk, not rent control risk, because we don't care just about rent control. We want cities investing in infrastructure. We want New York to keep its subways up. We want the roads kept up so our residents are happy to live there. We want pro-business policies so there's growth in the market. It's all of those things.

To be a senior investment officer at EQR, you need to be able to have conversations with local policy makers, with your peers. We're often working through a trade association, the California Apartment Association, the Real Estate Board of New York, but be able to go with them and advocate the policy makers. There is a lot of controversy in these issues. These are often pretty good conversations because again, if rent control worked so well, wouldn't New York have the cheapest housing in the country? They've had rent control since World War II, and yet it's one of the least well housed cities in the United States.

When you start talking about, listen, we share your concern about homelessness, about the lack of affordable housing. The industry can help if it's given the right motivation and the right opportunity. Then you start to have a productive conversation. You also try to weigh in on these things like public safety. Justice and safety are not inconsistent values. We talk a lot to policy makers about how those could be balanced out so that our residents are comfortable living in downtown San Francisco again.

Again, I think, at our company, we don't look at it as a huge problem as much as something we need to manage/ we need to talk all the time to the public. We need to talk all the time to policy makers about why the industry is not evil, not the boogeyman, but could be part of a solution.

Matt Slepin:

How do you engage in that when you're not, yourself, in that game. You're not providing directly solutions in that area. You're speaking on those subjects and engaged in those subjects as a corporate citizen. Any comments to how you effectively help pursue that conversation?

Mark Parrell:

Sure. Well, besides all this advocacy, we have an idea of how to build affordable housing too. We have 2,500 affordable units in our buildings. They were part of 80/20 programs in New York and things of that nature, where we purchased the properties knowing that we had units, for example, where the rent is $700 a month next door to a unit where the rent's 4,000 a month. Those are complex programs. We manage those. We advocate, for example, in Boston, they're very slow. Our lowest occupancy is in our affordable units. You say, "Well, how can that be in a city that's so under housed?" Well, the city has to approve every resident, has to go through the pap- They're slow. I know they're trying and whatever, but their bureaucracy is daunting.

We try to work with municipalities there. We got 2,500 units. We made a $5 million investment in a partnership actually headquartered in California, but they do business across the country. Very experienced, affordable housing professionals. They go out and they buy sea properties that otherwise would be demolished, or would be upgraded to more of a luxury spec. They put on covenants so that they're affordable long term. They renovate them. They put them into the LIHTC. They do things. They get it up to snuff again. They put capital in. We're delighted to be part of that program. It has a fair bit of risk, but we think these people know what they're doing and it's very well run. We think we need to be part of the solution and put some of the money behind it.

Matt Slepin:

Yeah. Well, not everyone can provide that. It's really tough to make those numbers work as well. Talk about carbon in your portfolio. You're recognized as a leader in that space, but talk about that.

Mark Parrell:

Yeah. This sort of, I'm going to call it sustainability, generally. We will tie it to carbon in a second, but the whole sustainability conversation, EQR really started eight, nine years ago. We published our first report eight years ago, which I think is earlier than any other apartment. Back then, it was simple stuff. Singles, like taking out all the incandescent light bulbs and putting in LEDs. It was great for the shareholders. It made money because it was lower expense in the common areas. We often put motion detectors in. For our residents, it was still very comforting, the light in garages and places like that. It was kind of like the low hanging fruit. We kept moving up to the point where, of our 300 buildings, a third of them, so over a hundred, have onsite power generation or solar arrays.

We really work hard to try and anticipate what our regulators, which are mostly local regulators, want and engage in those conversations too. In a lot of cities, you have these building performance rules about how that building's going to need to perform in 2025 or 2030. We're trying to be part of those conversations. On carbon specifically, we put out a promise in our last program that the board enthusiastically endorsed. Using the science based targets initiative, that was to lower emissions in the portfolio 30% by 2030. We're working on that. That's an ambitious goal for us. We're involved with all the conversations around the new SCC rules, some of which are really going to be quite challenging to administer. They're not straightforward. The rules aren't out yet. They're still in the proposal stage, but that'll be a C change too, Matt, in what's required of public companies.

Matt Slepin:

Will there be buildings that can't comply with where the law is most likely going, and therefore obsolete buildings? What do you do with that?

Mark Parrell:

That's a great point because it's the intersection of two important things. It clears a lot of folks concerned about climate for a lot of good reasons. A lot of folks concerned about the housing crisis for a lot of good reasons. If you think about, and again, I'll use New York, the backbone of the affordable housing stock in New York, our walk-ups, post World War II construction, those are not energy efficient buildings. We require a lot of capital to make them so, so what do you care more about? Affordable housing, or climate? Because there is a trade off. That's where it's a little frustrating with the policy makers, where these rules are passed as if they have nothing to do with each other. You can't have an eviction moratorium in New York and very lenient rules about residents paying rent and demand that landlords put a lot of capital in for climate modernization, then also wonder why no one's building apartments.

If you think there's an housing crisis, treat it as such. Be aggressive about pushing all your levers to get more supply. Climate is an important trade off, but it isn't the only imperative, because in the housing industry, you're affecting the amount of supply. You've got people under housed. That's a point of frustration with me in the rest of the industry is that the rules, though well meaning, they really are mostly very well meaning, are going to have an impact on supply that as I don't think is what policy makers or the public wants, and I think is really in conflict.

Matt Slepin:

Yeah. Well, they definitely have conflicting goals, but both are really, really important. It's interesting as you talk about this and we're going to change subject and talk about you, but as we talk about this, you're half talking these subjects as the leader of EQR, and you're half talking these subjects as the apartment industry in general. They both matter and they both matter to you.

Mark Parrell:

They do. I think one of the great things about this job is to have this vantage point where you are in all these markets. I get great input on what's going on in California and New York, and what's going on in places like Florida, where we don't do business, where there's a lot of conversation there about rent control now. People are frustrated. By the way, inflation will make that frustration worse. We need to have the right kind of conversations with people and be really proactive, but I'm fortunate to be in this job where I get all that information. What I try to do is spit that back at people and say, "Listen, we're seeing this everywhere. We see this pressure. How can we address it?"

Matt Slepin:

Yeah. Well, let's leave that one there. Leading Voices originally talked to people. The whole conversation was about their career paths and how they got into leadership. We saved that for five minutes at the end now, because it's so interesting talking about the business, but how did you get into this? What brought you to this place? What brought you into the apartment business and brought you into a CFO role, which is where you grew up in the business?

Mark Parrell:

Sure. I'll just pick a day in the middle of July, 1999, which was a bit of a personal turning point, and then it'll allow the whole story to be rather succinct. In the morning, my wife told me she was expecting our first child, who's now actually about to finish college, so time does fly. Later that day, I learned that the law firm I was working at, which was [Samsel's 00:56:33] Captive Law Firm, was going to close down. That was Sam was ahead of the game, so this was before Sarbanes Oxley, but he had spun off all these public companies and they needed to have their own stats now. We wouldn't provide this support, understandably, but obviously I was surprised by this. I was offered this opportunity to come to Equity Residential as a business person.

I have a business background. I have an accounting degree from Michigan. I worked for a while in the public accounting world. I continued to do work in that area even while I was-

Matt Slepin:

Are you an attorney?

Mark Parrell:

I am. All of that was a backdrop to say I had this opportunity to take a job in an area I hadn't thought that much about, which was apartment finance, with a company I admired, who was a client, and a person I admired, and David Nethercrud and the rest of the team here, and Alan George and Bruce [Strong 00:57:20], and a lot of people I had great admiration for, and I said, "I got to try. I've got to give this... This opportunity, it may not work and I can go back to being a lawyer." I understood my downside very clearly. I think that's like a message, as you're making big decisions in your life, career wise and otherwise, understand your upside, believe in your upside, but understand what happens if it doesn't work.

I understood very clearly I could go work at another law firm and it would be okay, but this special opportunity would only come up once. I had no idea it'd turn out like this, but I worked my way up through the finance organization and became EQR CFO in 2007. I was thrilled. I told my wife I had the job of my dreams, and then immediately the entire economy collapsed and I thought I would be riding the entire apartment industry, the entire corporate world, into the ground. We'd all go together. Instead, I got to be part of this process of the company of recapitalizing the whole industry. We did not issue dilutive equity. We were very disciplined, but there are a lot of nervous nights. I got to feel that as a leader right away, that sort of level of responsibility.

Like anytime you work in a Zell organization, your job changes every three years. We began working on the Archstone acquisition, which was a deal that didn't happen until 2012, but had a lot of fits and starts, was sort of a 400 level course in mergers and acquisitions. We bought the $16 billion Archstone portfolio, along with one of our competitors. That was a terrific deal for the company and completed our transformation into these coastal high [inaudible 00:58:54] entry markets.

Towards the end of my career as a CFO, just refining the portfolio, seeing that what had worked before might not continue to work exactly as it had. Let's refine this portfolio. Let's go back into Denver. Let's go a little bit in the center and some of the nearer in suburbs, not the excerpts like we were before. We started to do that.

I had these three chapters in my life as a CFO. I was a CFO 11 years to the end of '18, and in 2019 I became EQR CEO. I will always be grateful that I had 2019, which I look at as the easy year to get used to the job before the challenges that were 2020 and 2021. But again, great team here at our company. We weathered the storm.

Matt Slepin:

Yeah. It's interesting. I did a study, or I looked at the numbers some years ago at CEOs of REITs and a whole bunch of them had come from the CFO role. That was the most typical role that was promoted, sometimes chief investment officer, but often CFO. Never the other, much less the others. What is it about that role that prepares someone to do this?

Mark Parrell:

Yeah, we are a capital intensive business real estate. I think being the day to day person most close to the capital, both debt and equity, gives you a unique vantage point. I understood our strategy very well for being inside the company, but I also understood all of the positive comments and not so positive comments I was hearing directly from investors. That's true of every CFO. You hear everything. No investors, they're never always happy. It doesn't last long, investor happiness. They're always concerned about the next downturn, or the next change in the market. I would say, for most CFOs, they get pretty broad experience. They're close to the capital in a capital intensive business. I bet you there's a lot more chief operating officers who ascend to businesses in places where it's more of a consumer facing business. Day to day, you're making cereal, or you're doing something like that. You're a technology company where the finance function is important, but just not as important.

Matt Slepin:

It's interesting. I think the other thing that you see in the company, and gosh, we've just spent half the conversation on operations, is that as the CFO, you understand the business holistically, not just from the capital side, but every component of the business, you're looking at its performance and its metrics. I think that prepares you to go into the seat where everything matters.

Mark Parrell:

I guess, as we talk, and this is a new thought on my part, as a recruiter, I bet you more COOs will have chief operating officers, the ability to ascend to this chair. If technology, if the REIT companies are getting more mature, and we really are in this third phase of using technology to become more efficient, the COO is often the person at the center of that experience. If those go well, those folks, especially ones that have investor exposure may become particularly capable.

Matt Slepin:

I think it depends also, the other thing you talked about, with strategy, and the portfolio composition, and the M and A experience you had. Each of those, and sometimes this COO role doesn't have as much strategic high level investment side. It's, they know how to make the trains run, but that isn't the story for the future.

Mark Parrell:

Yeah. Fair comment. But again, our team, one of the things I try to do is expose everyone to everything within reason. If you're our head of HR, you need to know we're thinking about some sort of acquisition that could affect staffing. I think having your team aligned and aware, Matt, is really important. I think that adds to their ability to step up when they might need to.

Matt Slepin:

Yeah. Well, you also want someone in your executive team room where everyone cares about everything, not just falling asleep when you're discussing the other guy's silo. That's a dangerous place to be in a company. It's not the mark of a great leader.

Mark Parrell:

Sure.

Matt Slepin:

Talk about what the biggest challenge and change has been for you becoming the CEO, besides COVID, but where did you have to put your head there it wasn't before?

Mark Parrell:

Well, I think you've got to be very mindful of self care and self balance because this is truly a job you can do 24 hours a day. As a CFO, there were times where I'd done my duty. I'd done everything I needed to do, and whether it was for a vacation, or for an evening, or for a weekend, I didn't have a lot on the docket. As a CEO, it's just a constant series of peaks. You have to be thoughtful about your time. When do you... How do you take a break? Is it exercise? Is it your faith? What is it that recharges you, that lets you be efficient in your job? Lets you be a person who can take the pressure, frankly, for a long period of time, because the job does have pressure associated with it. For me, it was just figuring that out. I had figured out the balance for CFO, and I had to figure out the balance for CEO. It's a step function higher level of intensity, because your job's really never done. There's always some part... You're responsible for 150,000 people, 300 buildings, 2,800 employees. There's always something that requires attention. You got to know how to manage that and not burn yourself out.

Matt Slepin:

Yeah, totally true. It's interesting. I'm also takes some inspiration from Sam, who has to think, and he loves to think big picture. He's thinking out of the box in big picture, and he's having fun. You're allowed to do some of that. That's important to have the perspective to lead.

Mark Parrell:

Yeah, it is. Kind of like having bifocals. Unlike Sam, I do have to have my eyes on the details. I got to know the specifics as well. By the way, he has instant recall of every detail I tell him, but at my level, understanding the details and also stepping back and going, "What's the big trend here? What just happened?" Is our resident base changing? Is the general economy. The political environment, are those things changing, such that our investment or operating, or people strategy needs to change?

I think as a CEO, you are in a position of uniquely being challenged to understand both the details of the business and the big picture. For me, it's about having a few big, big priorities of being aware of everything else. Not everything can be a level one priority, but you need to pick three or four things, maybe two things that really you're going to try and prosecute every week in your company. Move forward, move forward. The other stuff, you're going to try and be aware of, try and make a little bit better every day, but you're just... You got to focus your efforts. I think unfocused leadership is not effective.

Matt Slepin:

Dangerous, dangerous. Hey, we're going to wrap up. One thing I noticed in terms of extracurricular is we have something in common. I've been the chair of the board of an organization called ExtraFood Marin, which is a food recovery organization in Marin. You've been part of the Chicago Food Bank for a while. Any comments on that and its success in your participation?

Mark Parrell:

Yeah. Well, first, I commend you for being involved in that. I think when I thought about how I could give back, my wife and I, many years ago, we started working in food banks just packaging food that would then be distributed at churches and sites. We made, of course, both financial and time contributions. We got involved with the Greater Chicago Food Depository, which is the central umbrella organization for food banks. They have a huge warehouse. There's a lot of terrific history in our company, or in our organization, because Sam's deceased partner, Bob [Lurry 01:06:39], his wife, his estate funded the giant warehouse they use. The [Lurry 01:06:45] organization did. That was pretty neat too.

We got involved in that. My wife and I were really passionate about it. Nothing good could happen in a day if you're hungry. I think this motto they have of ending hunger is a terrific one. Like you, I have a desire to leave a legacy of improving a lot of everyone around me.

Matt Slepin:

Yeah. Well, you're hitting both of them. There's nothing good can happen in a day if you're not hungry and nothing good can happen in a day if you don't have a pillow to put your head on at the end of the day too, so it really matters.

Last question on Leading Voices is always your advice for a young person getting into the real estate business.

Mark Parrell:

Yeah. Don't be afraid to take a chance. I did. I took that chance when I did know, even though I just found out we were expecting the baby and all that excitement and financial burden you all of a sudden have. I took that chance on this job. I'd never have known it'd work out this well, but especially when you're newer in your career, takes some chances, but understand your upside and downside. Just understand where you're headed and where it leads. To me, getting great experience is more important early in your career than what you're getting paid. Volunteer for the extra work, push yourself, try and make yourself valuable to your employer. Like I said, good things will happen. No one has a plan that survives contact with the real world, but at the end of the day, working hard is the cure to many problems and taking a chance here and there, that's a calculated risk I think will take hard workers to good places.

Matt Slepin:

It's interesting. I use the word serendipity, which is, if you do all the things you said, or you stay under the hoop, another... Basketball. If you stay under the hoop, serendipity, and you do really well, and you get a lot of rebounds, whatever it is, but serendipity will take you as well. It will happen. You just have to be right there.

Mark Parrell:

Yeah. I think about it also as like people say, you're lucky. Well, yeah, the bus didn't hit me as I crossed the street, but people make their own luck. You get to a certain point in life where if you've made some good decisions, you've had fortunate occurrences, but again, I encourage, put yourself in a position to succeed.

Matt Slepin:

Totally true. Hey, Mark, thank you very much. This is a great conversation. I appreciate it.

Mark Parrell:

Thanks man. Appreciate it. Thank you for having me and Equity Residential on.

Matt Slepin:

Thank you for listening into Leading Voices. I hope that you enjoyed today's episode. I have a request. If you enjoyed the episode and found it to be valuable, please share it with a friend or two. If they're podcast wary, take their smartphone in your hand and subscribe for them and teach them to listen. You'll change their life. Seriously, thanks for listening and keep in touch. You know you can reach me matt@terrasearchpartners.com. See you next time.