



The Importance of Succession Planning in Commercial Real Estate

By Matt Jagodrinski

Executive Summary

Succession planning is a critical, yet often overlooked, component of long-term strategic management in the commercial real estate (CRE) sector. With an aging leadership cohort, increasingly complex regulatory environments, and fast-evolving technologies, the need to ensure continuity of leadership and operations is more urgent than ever. This white paper explores why succession planning is essential in CRE, outlines the risks of not planning ahead, and offers a framework for implementing effective succession strategies.

1. Introduction

In an industry where decisions influence millions of dollars in capital, employment, and community development, the continuity of leadership is not merely a human resources concern—it is a business imperative. Succession planning ensures that commercial real estate organizations are prepared for inevitable leadership transitions, whether through retirement, resignation, or unforeseen circumstances.

2. Industry Overview: An Aging Leadership Crisis

According to data from the National Association of Realtors and other industry sources:

- The average age of a commercial real estate executive is over 55.
- Nearly 40% of CRE executives are expected to retire within the next 10 years.
- 60% of CRE firms do not have a formal succession plan.

This aging demographic signals a looming leadership gap that could destabilize portfolios, disrupt client relationships, and hinder growth strategies if not addressed through proactive planning.

3. The Risks of Not Planning for Succession

Failure to implement a robust succession strategy can expose a CRE firm to several risks:

3.1 Operational Disruption

A sudden leadership vacuum can disrupt business continuity, delay decision-making, and stall deal flow, especially in lean firms with few redundancies.

3.2 Loss of Institutional Knowledge

Experienced professionals carry decades of market insight, client relationships, and operational know-how that are difficult to replicate quickly. Their departure without a transition plan can set firms back years.

3.3 Talent Drain

In the absence of a clear succession path, mid-level managers and high-potential employees may seek opportunities elsewhere, perceiving a lack of advancement potential.

3.4 Investor and Client Confidence

Stakeholders may question the stability and longevity of the firm, potentially affecting investor confidence, client retention, and access to capital.

4. Benefits of Proactive Succession Planning

A sound succession plan strengthens the foundation of a CRE firm in several key ways:

4.1 Leadership Continuity

Identifying and preparing future leaders ensures seamless transitions during planned and unplanned exits.

4.2 Increased Firm Value

A firm with a stable, future-ready leadership team often commands higher valuations during mergers, acquisitions, or capital raises.

4.3 Improved Talent Development

Succession planning promotes internal development, training, and mentorship, fostering a culture of growth and loyalty.

4.4 Risk Management

Preparedness for key personnel changes minimizes disruptions and protects the firm's reputation, operations, and financial performance.

5. Building an Effective Succession Plan

Developing a succession plan is not a one-time event but an ongoing process that evolves with the business. Key components include:

5.1 Assess Key Roles

Identify mission-critical leadership and operational roles that would most impact the firm if vacated.

5.2 Identify High-Potential Talent

Evaluate internal candidates for readiness, leadership qualities, and alignment with the firm's culture and long-term vision.

5.3 Develop Training and Mentorship Programs

Invest in leadership development initiatives to close competency gaps and prepare successors for future responsibilities.

5.4 Create a Transition Timeline

Where possible, establish timelines for leadership changes, including mentorship overlap, knowledge transfer, and role shadowing.

5.5 Formalize the Plan

Document the succession plan and update it annually. It should be reviewed by legal, HR, and executive teams, and approved by the board or ownership group.

6. Case Studies: Lessons from the Field

6.1 Successful Transition – Regional CRE Firm

A mid-sized firm in the Midwest began grooming internal talent five years before the planned retirement of its managing partner. By establishing clear benchmarks and mentorship roles, the firm transitioned leadership smoothly, retained key clients, and saw a 20% increase in deal volume post-transition.

6.2 Failed Transition – National Brokerage



A national brokerage firm lost two senior partners unexpectedly without a succession plan in place. It took over a year to stabilize operations, during which they lost three major clients and missed key development opportunities.

7. Succession Planning in Family-Owned CRE Firms

Family-run CRE firms face unique challenges, including:

- Navigating family dynamics
- Balancing meritocracy with legacy
- Transitioning ownership and control

In these firms, early dialogue, third-party mediation, and clear governance structures are crucial to avoiding internal conflict and ensuring longevity.

8. Integrating Succession with Strategic Planning

Succession planning should be embedded into the firm's overall strategic plan. This integration ensures leadership transitions are aligned with broader business goals, such as geographic expansion, diversification, or digital transformation.

9. The Role of Boards, Investors, and Advisors

Boards and stakeholders play a pivotal role in ensuring accountability around succession planning. They should:

- Require annual reviews of succession strategy
 - Participate in leadership evaluations
 - Ensure alignment between CEO/partner transitions and firm strategy
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10. Conclusion: Planning Today for Tomorrow's Success

Succession planning is no longer optional in the fast-paced, high-stakes world of commercial real estate. It is a strategic imperative that ensures business continuity, protects stakeholder value, and secures the future of the firm.

The firms that plan today are those that will lead tomorrow.



Appendix A: Succession Planning Checklist

- Identify key roles and individuals
- Conduct leadership assessments
- Establish development plans
- Create transition timelines
- Communicate with stakeholders
- Review and update annually

Appendix B: Sample Succession Policy Template

(Available upon request – customizable for firm size and structure.)

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