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REIT Stock Dives Hammer CEOs' Equity

By Ian Ritter

NEW YORK CITY-The plunge in value of many REIT stocks over the last year has taken sharp cuts in chief executives' equity stakes, according to a recent study by Equinox Partners and Steven Hall & Partners. The equity value of CEOs' stakes in 159 public companies examined totaled \$12.1 billion at the beginning of the year and dropped by \$5.6 billion by the end of 2008.

As stock prices of the companies dropped a median of 46% over the course of the year, CEO's lost, at the median, 49% of their equity value in firms. When taking into account total equity holdings, which includes shares owned outright, exercisable and unexercisable options, their values fell from \$15.6 billion to just over \$8 billion.

Founders of companies were hurt worse than non-founding executives, losing 52% of their equity value compared with 48%. Companies with non-founders at the helm saw their stocks drop 43%, while those led by founders slid 50%.

But these losses could bring a bit of good news for companies looking to hire right now, says Tony LoPinto, chief executive officer of executive-search firm Equinox. "These dramatic declines in equity values provide companies with the opportunity to recruit top talent with the lure of attractively priced equity grants," he says. "Now is also the time to use fresh equity grants to defend key players in the organization from recruitment."

This could also be proof that chief executives are deservedly feeling the financial burden when their companies suffer. Says Steve Hall, managing director of his self-named compensation consulting firm, "Equity compensation plans are designed to align the interests of shareholders and executives, and this is working as intended."

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