Keith Oden:

Bad behavior is a virus. It either multiplies or it gets rejected. That's who we are as a company. Everybody understands that. Everybody gets it, that it's not acceptable and it's not tolerated. On the flip side of it is you got to set up an environment that supports people, that encourages them to never stop learning, that encourages them to always do their best work that is centered around the idea that our mission and our purpose is to improve the lives of our employees, our residents, and our shareholders one experience at a time.

Matt Slepin:

Hi, this is Matt Slepin. Welcome to Leading Voices in Real Estate. Today's interview is a rebroadcast of a conversation that I had back in February of 2018 with Keith Oden, the Co-founder and President of Camden Property Trust. I have a dozen or so interviews from the Leading Voices archive that I tend to forward to people when I'm referring to wisdom from the show. In this conversation with Keith, and the Camden story actually really encapsulates and mashes up some of my favorite themes. Here's my thesis which you've heard me say it before in Leading Voices, and this conversation with Keith really crystallizes this. First, the modern REIT structure enabled the real estate company to move from a collection of assets to a single balance sheet approach to the business.

That single balance sheet versus a collection of assets approach enabled long term business platform thinking that let companies like Camden make investments both in technology and in people and culture that did not happen previously in the real estate business. Keith talks about two results from this. His example on the technology side was early adoption of rent optimization software. And on the people and really corporate ethos side of this was Camden's decision to go all in to become one of Fortune Magazine's America's best places to work. When we did our interview, they'd placed for the 11th consecutive year an organizing principle, if you will, that defines that company its success.

And in my mind, it's lifted the bar for the overall industry. That's why I wanted to share this episode with our listeners again and get the conversation to the top of your inbox. This interview was back in the second season of Leading Voices and was in our original style, which really started with storytelling around our guest's career. Starting with COVID two years ago, I've moved past that rhythm in the series to starting with the business topics, then moving into a shorter version career story. Because then, talking first about careers seemed tone deaf when I really wanted to hear how their company was dealing with the pandemic. I've kept that more topical rhythm on the show while still telling career stories, which has felt both more exciting and more authentic to my own curiosity in these conversations.

As always, thanks to my teammates at Terra Search Partners who allow me the time and resources to produce Leading Voices. It's interesting, somewhat like Camden, at Terra Search, we also have organizing principles around how we approach our business that might seem pretty standard out in the world. And it will echo the conversation with Keith. We approach executive search, what is essentially a transactional business less from a deal by deal perspective, but with a long term perspective of serving our clients and our candidates. As with Camden, ours is still the business of search and theirs is still the business of rental housing ownership. But mission and purpose and where you're coming from really changes the game.

Keith, again, thanks for putting reality metrics in a great story around these perspectives. I hope that you're enjoying Leading Voices. Please share your favorite episode, maybe this one, with your colleagues and friends in the business. If you're not already subscribing, please follow us on your favorite podcast app. Feel free to write me with comments, questions and guest ideas at matt@terrasearchpartners.com. I hope that you enjoy this rebroadcast of my conversation with Keith Oden. What I really want to talk about in the podcast today with you is about Camden and culture at Camden and what makes Camden special. But before we get to that, I want to hear the Keith story and I want to hear the Camden story and then understand Camden better. Before how did you get in the business, where did you grow up in?

Keith Oden:

I was born in McComb, Mississippi. I've never been back to McComb, Mississippi. We were just driving through. Just curiosity, have you read Hillbilly Elegy?

Matt Slepin:

Yes.

Keith Oden:

Okay. I'm going to give you the short version. If you replace the Appalachian Mountains with rural deep East Texas and you replace the city in Ohio, where the author's parents moved to, with Pasadena, Texas, that's my life story.

Matt Slepin:

Same story.

Keith Oden:

I could have written that book.

Matt Slepin:

Unbelievable. And your parents, who were not part of your growing up, were passing through McComb?

Keith Oden:

McComb, Mississippi. My father who worked on pipeline crew. Literally, they were building a pipeline across the South. Every three or four weeks, you're moving. They were working their way across Mississippi at the time and that's when I was born in McComb, Mississippi. Then shortly thereafter, we ended up with my grandmother and parents got divorced. Mother, she was not in the picture. Father died at a fairly early age. Then my grandmother raised us from small children.

Matt Slepin:

Wow.

Keith Oden:

That was all in Pasadena, Texas, which is a suburb here of Houston on the industrial side of the city. I grew up in Pasadena. Went to high school at Sam Rayburn High School.

Matt Slepin:

Sam Rayburn High School?

Keith Oden:

Sam Rayburn, of course.

Matt Slepin:

I worked in his office building in D.C.

Keith Oden:

Oh really?

Matt Slepin:

Yeah.

Keith Oden:

When I got out as I was thinking of where I was going to try to go to college, it was a tricky thing because my grandparents didn't have the resources to really assist in any meaningful way. But I ended up getting a couple scholarships. Then the most cost effective way I could accomplish this was I had a great-aunt and uncle, my grandmother's brother, they had moved their family to Austin. They had a daughter that was exactly my age, same school year. She was born blind. They moved to Austin so that they could enroll her in the Texas School for the Blind, which there's only one campus in Austin. She graduates the same year I graduate. She applies to University of Texas and gets in.

I wasn't even thinking about applying to University of Texas, but I decided to do that. Put in my application, got accepted. Couldn't figure out a way that I was going to be able to make that work from money standpoint. About that time, my grand-uncle called and said he had heard that I've been accepted to University of Texas. He said, "I'll make you a deal." I said, "I'm not sure I can do it. I'm sorry. This isn't going to work. I might have to go to UAH or whatever." He said, "I'll make you a deal. Nancy's going to go to the University of Texas. She needs someone to transport her to and from school. If you'll do that, you can live with us rent free and we'll buy the groceries and you mow the lawn and take Nancy to school." I said, "Deal."

Matt Slepin:

That makes it work.

Keith Oden:

For three years I did that. Then Sandy and I got married and we went on, then a different life started. But that's how I ended up the University of Texas. I graduated from University of Texas. I went straight through and got my master's degree there.

Matt Slepin:

Master's in what?

Keith Oden:

Master's in MBA with a concentration in real estate. Took every real estate course they had at the time.

Matt Slepin:

How come real estate?

Keith Oden:

Just intrigued always with the idea of creating and building things. Wasn't really sure what property type at the time. Probably multifamily would've probably been fourth or fifth on my list.

Matt Slepin:

It wasn't a hot property type back-

Keith Oden:

No, it wasn't. Because the industry was in such infancy. In the real estate business, we all used to joke that in innovation you have early adopters and late adopters. Well, in the real estate industry, you had non adopters, which was the multifamily business. Part of that, the big part of that was just structural impediments. You just didn't have companies with the scale and geographic diversification to be able to invest in technology. I mean, merchant builders, that's not their thing. They build buildings, they sell them to somebody and they move on. You didn't have large entities that were just financially capable of making investments in real estate. That didn't change, by the way, that didn't change until 1993.

When we went public in 1993, we were the second or third apartment company. But the wave that came beyond that, there were 34 companies that came public. That changed the ability to access capital on Wall Street and grow, get scale and size. We went from 195 million dollar total market cap in 1993 to 11 billion today. But the ability to have large aggregations of ownership and not just management, third party management, but ownership, it makes sense to invest in technology. You can make a financially good decision around investing in technology. That didn't happen until the advent of the modern rate era in 1993. Companies then grew and scale through mergers. They got bigger. Then they got to the point where they could invest in technology. That's how the game changer, from my perspective in this industry was the aggregations of units.

Matt Slepin:

It's interesting. Two comments. One is in the '80s, I worked for a company called The National Housing Partnership, which was the first large scale company. It was large scale in terms of what it managed, and it created a very hierarchical army out in the field for its properties, but it was the old limited partnership days. One of the differences between limited partnership days and the REIT days I think is you had one balance sheet versus 60 balance sheets. When you had one balance sheet with the properties inside of it, that changed the dynamics and approach to then managing holistically.

Keith Oden:

That's true. That is an important distinction as one balance sheet. The other side of that is you had one ownership entity making decisions for the entire portfolio, as opposed to, I have a hundred joint venture partners, each of which has a different tolerance for how much money they are willing to invest in something called technology. You just have everybody has their own view of what their strategy is with their apartments, and the LP ultimately has the money and calls the shots. Whereas in a REIT, just like a

C-corp, there's only one group of management setting the strategy for all the assets at any given time. It's much easier to say, we're going to take this enterprise there, wherever there is, and then start and set about doing that. In an LP environment, about the time you take one step forward, somebody says, let's take three steps back. All the LPs are geniuses, you know.

Matt Slepin:

That's true.

Keith Oden:

They all have a plan.

Matt Slepin:

That world was limiting in the ability of the multifamily industry to move forward and participate in a lot of these technological things. So all is a way of saying that you were interested in real estate in college, and during your MBA, multifamily could have been on the list but not on the radar screen.

Keith Oden:

Probably not.

Matt Slepin:

What got you from MBA into starting Camden?

Keith Oden:

I spent a couple of years out of school as a consultant with Deloitte, and at the time Deloitte & Touche, in a management consulting role. The most significant engagement that I worked on in that two year period was with a Houston-based company called Weingarten Realty, which was they are REIT. They actually have been a REIT since 1985. They were a REIT at the time that I was engaged to as a management consultant. I honestly had never heard the term REIT, never heard it used because it was just there were four in the country. It happened to be one of them was here. That was my first introduction too. This is an interesting business model. The Stanford and Drew Alexander are wonderful people. They would ultimately play an important role in our ability to get our company public in 1993.

But that intrigued me. I had a college roommate for one year in my junior year prior to Sandy and I marrying who had gotten out of school, went to work at Century Development here in town. He was in their development group. A fellow named Mark Ellert. He and I had stayed in contact. I was at Deloitte. I always told him my interest in real estate. There was a position that came available at Century Development in their financial planning group. Ric happened to be the director of financial planning. Mark Ellert made the introduction. I came over and interviewed with Ric. He hired me. It was actually a strange thing. I was intrigued, had a great interview. But the question I asked Ric at the end of the interview was, he still reminds me of this is, "This all sounds good, but-"

Matt Slepin:

This is Ric Campo, your partner?

Keith Oden:

Ric Campo, my partner. Yes, business partner. I said, "This is interesting, but how do you get past the fact that you are in a family business," because it was owned and run by Kenneth Schnitzer and his two sons. "How do you get past the fact that you're in a family business and your last name is not Schnitzer? How do you ever expect to make any really serious money in this business?" He gave me an answer and I ended up going to work for him. Years and years later, I still maintained that I was right. Because ultimately, we left Century Development, not because of money at the time, but I don't see a path that ever could have happened within that entity because ultimately Century Development broke up and broke apart in the downturn in the 1980s. I still don't see a path that would've put Ric where he thought he was going to be from the standpoint of the company that he wanted to own and operate.

Matt Slepin:

Makes sense.

Keith Oden:

That's how we met. Ric and I started working together at Century in 1980. We formed an entity with them as our partner in 1984. In 1986, we bought them out. About that time, Houston was in the process of trying to recover from the great. I mean, people talk about the great recession. They don't understand. I mean, it's child's play compared to what Houston, Texas was like in the early to mid 1980s. But Houston was on the verge of recovery. The business that we had started with Century as our partner was basically buying bankrupt high-rise condominiums that were built for sale. Then we figured out a way to put them in a holding pattern. Instead of just empty buildings, we turned them into rental buildings. That's what we did.

Century had three buildings that were in Houston in that condition. We ended up expanding that business to include probably 11 or 12 high-rise condominiums in the state of Texas, Dallas, Austin, and Houston. Rented them as apartments and put them in a holding pattern. Then ultimately when the market recovered, went back to a sales mode and sold them out. We basically sold our original business out one at a time as individual condominiums.

Matt Slepin:

When you sold them out, did you sell them out as apartment buildings or back into condo?

Keith Oden:

We sold them as individual condos. We set up sales programs and then systematically over a period of time sold them out because the market had improved. Now there's actually a market for the sale of high-rise condominiums, which there wasn't in 1984 and '85 when we were starting our business.

Matt Slepin:

Understood. I want to hear how that got to Camden, but I also just, you meet Ric and Ric becomes your business partner for 30 years, more.

Keith Oden:

35, 37.

Matt Slepin:

35 years. That first moment, do you have any sense, you're interviewing him, was it a good interview? Is this like Simon meets Garfield?

Keith Oden:

You know, Ric and I are very different. In the business context, it really actually helps things as opposed to having similarities. If you're similar to your business partner, then ultimately you'll determine, both of you will determine that one of you is not needed. It's just a different same skillset. But as far as at the time that I look forward and say, this is a four year gig, no. But at every step along the way beyond that, there were critical moments where you get to decide, do we go this way or direction or that direction. But there were really never any moments where we were having the conversation about, you want to go this direction and that's fine and I want to go that direction. It was just collectively we need to determine this way or that way. There's probably five or six of those over the years that ultimately we always came to the decision, whichever way we chose, that we wanted to go that way together.

Matt Slepin:

Interesting. Let's come back to that because I'm curious what makes a marriage last from every perspective that that might suggest. The two of you were buying these buildings, selling them back office condos after your holding pattern. So then how did you then decide to start an apartment company?

Keith Oden:

It's 1987. Houston looks like it's going to recover. The one thing that we knew because of our experience in running the high-rise buildings as rental properties was multifamily, because we're running those apartments. They just happen to be high-rises. We had some expertise in that. We had an infrastructure of people built around that business. If you just think about in a recovery what property type is most likely to recover first, it's the property type with the shortest term leases. Because you had all these embedded long term leases in office and retail, and yet apartments at the time had six and nine month leases. If it really has turned and there's a recovery that's imminent, it just seemed to us that you'd want to own short term leases which meant apartments, which also dovetailed nicely with the fact that that's what we had been doing in a different format but doing that for the last four or five years.

We literally decided that we were going to start buying apartments in Houston. Got some high net worth individuals that shared our investment thesis of apartments are going to be good and this is a good time to buy by the pound in Houston. Then we went to a bank and guaranteed a bank note. Got some equity that we raised and bought our first apartment community here in Houston, Sunset Lodge in 1987. Then over the course of the next couple years, we did that formula work, which is, go find a deal, go find an equity partner, go put debt on it. Then along comes the RTC in 1989 and the game changed because all of those properties that were being held bankrupt S&Ls were going to be disgorged by the federal government and they were selling big portfolios.

The one off asset game really didn't make any sense anymore. We knew that we had to find, to continue playing the game, we needed to find a really large equity source. We happened to get introduced to Louis Ranieri, who was the ex-vice chairman of Salomon Brothers. Louis had bought an S&L here in Texas. He was real keen on getting a real estate operating company, what he called his arms and legs in real estate to take advantage of what he thought was going to be this great Renaissance. He turned out to be right. We made a deal with Louis and sold him the live share of our company at the time. Then for that, we got access to a huge equity stake that he had raised in a blind pool.

We were able to play the RTC game. That would've been 1990, we struck the deal with Louis. Then over the course of the next two years, we bought roughly 7,000 apartment. Our portfolio grew to 7,000 apartments. In 1992, Louis had a vision that interest rates were going to skyrocket again and that was going to crush real estate values. He approached us and said, "This has been great. We've made a ton of money," which we had, for him and for the company. He said, "Look, I want to sell everything. I want to sell all the assets and go a different direction." By that time, we now have 7,000 apartments. We have probably 250 employees here in Houston managing the apartments and running a couple of other asset management businesses.

Matt Slepin:

You were running other asset management businesses for him or others outside of apartments?

Keith Oden:

For others, primarily S&Ls or the remnants of the S&Ls, workouts basically. We're doing workouts for people.

Matt Slepin:

Just so you know, my first time in Houston, I worked for the RTC.

Keith Oden:

Oh really?

Matt Slepin:

I was doing a training in some office building here.

Keith Oden:

That's fascinating. Yeah. Those were crazy days.

Matt Slepin:

They were, sure.

Keith Oden:

Louis decides he wants to sell everything. We had no interest in doing that because we had built a company around this aggregation of assets. We hired tons of people and we had made lots of commitments. We didn't have any interest in selling. We asked him, I asked Louis, I said, "Would you give us six months to try to figure out a way to keep this portfolio together?" To his credit, he said, "Yeah, that's fair. But just know that I'm going to exit stage left." About this time, I think the first apartment company that came public was Wellsford. Wellsford in 1992. They did it in something called an R-E-I-T. I went ding, ding, ding. I've seen this before. Ric, literally, he bought a book. It was like, Stroock, Stroock & Lavan, the New York law firm. Some guy wrote a book on the handbook of the modern REIT. He read the book.

In the meantime, I had one of our employees who was a very close personal friend of Drew Alexander of Weingarten Realty and his contemporary. I said, "I need to go. I need to reengage with

Drew and figure this out." Mark, our employee, set up a meeting with Drew Alexander. I went and met with Drew. They were very nice and accommodating. Drew and his dad, Stanford. They spent almost an afternoon walking me through, "Here's chapter and verse of how we did it, what you need to do. Here's the path. Here's who you need to use. Here's what the structure needs to look like. Here are the pitfalls." Between Ric reading the book and me talking to, re-engaging with Weingarten Realty from my Deloitte consulting days, we said, this is the way. From start to finish, in six months, in a dead sprint, we put together an offering memorandum. Then the old, I guess, the old predecessor of Kidder, Peabody was our investment banker. In July of 1993, we took the company public.

Matt Slepin:

July of 1993, so you were the fourth or fifth [inaudible 00:23:51] REIT. UDR had been there.

Keith Oden:

They were one of the four. Weingarten Realty came some time after 1985. Prior to the current wave, the wave of 1993, 1994 class. I think we were the third or fourth multifamily REIT to come public.

Matt Slepin:

Let's go back to then a couple of subjects at once, intentionality and your partnership with Ric. I'm curious about both. In intentionality, you said the words, "Gosh, we'd created a company, not just a collection of assets and we didn't want to break it up." When you start the REIT, what are the goals? Then also, how did you navigate relationship with Ric at that point?

Keith Oden:

Ric and I, our relationship prior to being public company, we were partners. We were always 50/50 partners. We always took the same money out of the business. We always had the same liability. Everything we did, everything we have ever done in our lives has been 50/50. When we were sitting down and trying to figure out structure in a REIT, well, somebody needs to be the chairman. Somebody needs to be the president. We didn't even spend any time talking about that, because the conversation never addressed anything other than we're founding partners of this company and it's going to be 50/50. The reality is that Ric and I have been paid exactly the same from day one of our relationship, which goes back almost 37 years.

Matt Slepin:

Someone said he gets a penny more or something because he's chairman. A dollar more. I didn't know what the number is. I don't want to hurt your ego about that.

Keith Oden:

He may, and that's okay. He's got $37 more than me after 37 years. But no, that was really never a discussion. Well, we did have to talk about, we had to shoehorn our relationship, which worked fine and we understood exactly how it worked. But explaining that to Wall Street bankers and potential investors, they always were very curious about it, but it didn't seem odd or curious to us ever, and it never has.

Matt Slepin:

Then we're going to talk about the company, but just in playing that out, you said you're different. That means you probably like to do different things, and naturally, one of you has strengths in some areas and love to do certain things and the other, the other way. How did you split that up?

Keith Oden:

A good way to think about it would be there's two, maybe two dimensions. One would be inside-facing and outside-facing. Ric is gifted. In another life he could be a politician, I suspect, except that I don't know if he could put up with all the baggage that comes with that.

Matt Slepin:

That's too tough right now.

Keith Oden:

That's his natural inclination. My natural inclination is make sure the trains run on time. That's not to say, I mean, we cross over, we do. I can do and have done and do public speaking and do investor tours and analyst tours and do all the stuff that he does. He probably gets net energy from that. It probably takes net energy from me. On the other hand, sitting in strategic planning meetings or sitting in budget meetings or development proforma meetings, I find that fascinating and it probably brings energy to me. He probably finds it give him a headache. Internally, there's a set of things that for a long time and it's evolved over the years, but for a long time early in our relationship, people in our company knew whether that's a Ric question or a Keith question and so we didn't have to deal with this.

You know, I got to go to Keith, and then he's got to ask Ric because that's the way the chain of command works. It just never worked that way. We just know people understood. Plus, we've had good fortune of having incredible tenure in our organization. People have been around a long time. They get it, they understand. It's more a division of the types of questions. For a long time in our organization, Ric would've been much more involved in external growth, whether it was acquisitions, developments, transactions versus process. That would be a good way to think of it. Now, again, that's evolved over the years. But for a long time, thinking of it as transactions process inside outside would've been a useful construct.

Matt Slepin:

Fair deal. I'm trying to think of another place in REIT land where that partnership exists. I'm not getting there.

Keith Oden:

Well, I don't think there are any examples of two founding partners.

Matt Slepin:

Maybe Google, maybe the closest.

Keith Oden:

Yeah. I suspect. I don't think in REIT land there's a model that still exist with the two founding partners still around.

Matt Slepin:

Maybe the next question, just for our listeners to have context on the history of the company, this may be a Ric question for half of the history, which are what are the headlines in terms of you went through three or four mergers? You went through two big floods. Maybe walk us through that. But then the [fun 00:29:05] part of this conversation, and maybe the reason we're talking becomes the internal stuff and processes and culture, and really what distinguishes your company in so many ways. But first, what are the headlines of history?

Keith Oden:

Headlines of history and my thinking would be, we operated as a private company for almost 10 years before going public. The IPO is a big, it's a watershed event because it opened up avenues for growth and capital raising that we had just never been able to avail. If you think about the amount of time that we would've spent raising capital as a private company versus what we spend today. I mean, it was probably 30 or 40% of our time. One of the beauties of a public company model like our REIT is that I would be surprised if you added it all up, conference calls, investor meetings, analysts conversations. It's less than 5% of my time over the course of a year. That's a game changer just in terms of the intellectual capital of your company, what you spend your time on. The IPO was a big deal.

We went through three public to public mergers. Each of which was very significant because it shaped the geography that we have today. We were basically a Texas-based company when we went public. We were in Houston, Austin, and Dallas. We did the Paragon merger, which took us into Southeast, Southeast to Florida into the Carolinas. Then we did the Oasis merger, which took us into Las Vegas, Denver, and California. Then finally we did the Summit merger, which filled in some spots in the Southeast and gave us South Florida exposure plus Atlanta. That's basically how we cobble together the geography of where we are today. Those three would be significant events in our company because they're just big undertakings.

They have a lot of cultural implications of integration, not only processes, but style and culture. I would say another big one milestone event for us was when we figured out a way to bring revenue management to the multifamily business. Revenue management has been around for a long time. Airlines, hotels, rental cars. The fact that we were still pricing our apartments individually with 160 community managers flying blind on any given day what the pricing should be 10 years ago is crazy. The industry had never been perceived as being big enough and forward thinking enough, so nobody had ever made the investment to put together a revenue management product for multifamily. We actually had the intellectual capital and the idea around revenue management.

We partnered with a software firm, RealPage out of Dallas. They took our thought process, intellectual capital, and turned it into a working model for revenue management, which we were the first company to roll it out through our entire portfolio. Today, every top tier apartment company has a revenue management system. RealPage has two or three competitors, but I would think in terms of unit count, they're still the largest. So that was a big deal because it not only solved one of the most nettlesome problems for all multifamily, which is how do you price real time your apartments? For the first time now, we can provide our customers the ability to go online at 11 o'clock at night, get a quote, sign up for a lease. You couldn't possibly do that unless you had revenue management model that was real time pricing those assets.

Matt Slepin:

It's interesting. I didn't go there because when you're talking about this, I'm thinking of what it does at the site level for the employee and changes the dynamic there, which we'll get to. At the time, you also probably couldn't imagine that someone would be running an apartment from their kitchen table at 11 at night using that revenue management model.

Keith Oden:

Well, 10 years ago, the internet was a thing. Everybody had already moved a lot of their platform to the internet. Our customers clearly had moved on to the internet. It probably frustrated them to know and to not be able to have visibility. You know, why can't I? I can buy car online [crosstalk 00:33:33]. I can do anything and I can't rent an apartment online. You couldn't because if you didn't have a real time pricing tool, you can't do inquiry and you can't generate quotes. That was a big deal because it was a watershed moment for solving a nettlesome problem with intellectual capital that was industry-driven. Not someone out from the outside saying, we can help you do this.

Then that became the model for a whole lot of other technological innovations that we've been part of over the years. But that to me was a game changer. Then the other one that I would say just from our company standpoint was the first year that we appeared on Fortune Magazine's list of hundred best companies to work for was 2007. we've been on that list for 11 straight years. Big deal because no real estate investment trust has ever been on Fortune's list. We're the only company that's ever been on the list. We've been there 11 consecutive years. But it tells you, to me, it's the benchmark of how far this industry has come. From 1993 when we were as an industry, we were largely aggregations of apartment buildings with some loose affiliation management, to an organization that is 11 years straight one of the best hundred companies to work for in the country. That's an astonishing transformation of the industry.

Matt Slepin:

A couple of comments and questions on that. One is I read through the list before I came to the meeting. There are other real estate companies on there and they maybe REIT but they're all hotel.

Keith Oden:

None of them are REIT but there are hospitality companies for sure.

Matt Slepin:

Maybe one was, maybe it was Hilton. This is technical stuffs. It's interesting, in the hospitality industry, they better. I'm staying in a hotel near here today that's from a company not on the list, and I'm not surprised it isn't. But when you go to hotel, you want to get that feeling. Same in the apartment business, it's not a surprise that you would want to go there. Comment one. Comment two is you say, well, in 2007, we appeared on the list. That's a passive word, appeared, but you didn't appear. You went to go get that. What was the intention to do that and why?

Keith Oden:

The intention to do that started in 2005, we had a leadership meeting. We had all of our senior officers there. It was a very interesting meeting. The two facilitators, and we barely, have rarely used outside facilitators. This reminds me of why. But the two outside facilitators were awful and it involved a lot of screaming and yelling. It was very antithetical to our culture. We did a very poor job of screening what was going to go on in the meeting. But the one thing that came out of it at the end of the meeting as we were all trying to figure out how do we make this, how do we get out of this room without killing somebody or each other or the meetings organizers. The one thing that came out of it was the facilitator talked about the importance of taking a stand.

And not making a promise and not saying hope or wish or I think I can, I'm going to, but taking a stand. Which means that from that point forward, you have to act as if it has already occurred. He asked every one of our executives to go up and you had to write your stand down and then you had to go up in front of the group and present it. We'd been having some conversations internally about Houston's best places to work list that we were on, et cetera. I walked up there with it. I wrote it down without a lot of great thought and I said, my stand was in five years, Camden Properly Trust will be recognized as one of the best companies to work for in this country. Now, when I made that statement, I was blissfully ignorant about the rarefied air that exist just to be on the list. I mean, this is an astonishing-

Matt Slepin:

Anywhere in the hundred [crosstalk 00:37:47].

Keith Oden:

I mean, 99 would be great. Cindy Scharringhausen, our HR Director would throw something at me if she heard me say that. But it's an incredible thing. We made that stand and then the next year we applied for Fortune's list and we didn't make the list. We went back to the drawing board and put our application in the second year. The second year would've been 2007 and we made the list at number 50. It was one of the most joyous and celebrated days of this company's history. I say that is a defining moment for us, but it was intentional in the sense that we felt like we had a great company and a great culture. We just had to figure out a way to go through the process. Because if you don't have, there's no amount of spend, no amount of marketing, no amount of glossy presentations that will ever get you within a hundred miles of being on that list if in fact you're not a great culture and a great company.

Most people don't realize that two thirds of the score, so it's two thirds, one thirds. Two thirds comes from surveys, randomly selected employee. Third party administered surveys of your employees. We never get to see anything other than the top level results, nor does any other company. That's two thirds of your score. If your people are not jump out of their seat crazy about the company that they work for and are willing to say so on a survey, you got no chance. On our survey results last year, it was about 60 questions. The survey is pretty, pretty comprehensive cultural survey. This is 1,300 of our employees out of 1,800. This is not 50 people, 1,300 filled this out. The last question that's asked on the survey is, "In light of everything else we've asked you, all these other 58 subpart questions, do you consider this company to be a great place to work?" 94% of our employees answered that question yes, agree or strongly agree.

Matt Slepin:

That's unbelievable.

Keith Oden:

There's a lot of places you can't get 94% of the people to agree that today is Tuesday.

Matt Slepin:

Yeah, of course.

Keith Oden:

That's how narrow the path is, but it starts with just be a great company. And if you are, and if your people are crazy about working with you, you might have a chance.

Matt Slepin:

This doesn't come from, in two years, you're going to get there because the wanting to be a great company had been there from the beginning in some way, I think.

Keith Oden:

Yeah, and being a great company. I mean, we were a great company and had a great culture. It's something we'd been working on for, at that time in '07, 25 years.

Matt Slepin:

Also, that comes from the crucible of the Schnitzer company that you were with that the culture was just transactional and doggie dog.

Keith Oden:

Correct.

Matt Slepin:

Talk about that balance between transactional doggie dog and have a great culture. Words come to me because I'm an idealist about these things that nice guys finish last. Here, you're finishing, it looks pretty good. But how do you take that stance and where do you go with that in contrast those two? Both of which can have great outcomes financially.

Keith Oden:

Yep. They can, but I think one's more durable than the other. If you build a company that's based on respect, credibility and trust, and you are just unyielding about that is who we are as a company. It's why we came up with our nine company values that are not just something that hangs on the wall but they're a way. They're basically behaviors. We did this 25, 20 years ago. But it's basically the rules of the road and everybody understands them. They're expected to live by them. They're expected to hold one another in our company accountable for if you're not acting in concert with one of our values. It's just setting up an environment where people can do their best work, where they're rewarded for it both financially and emotionally, they're rewarded for doing their best work. And then just being unyielding in terms of good and bad behavior.

Our company, it's like the organism that rejects the virus. Bad behavior is a virus. It either multiplies or it gets rejected. That's who we are as a company. Everybody understands that. Everybody gets it, that it's not acceptable and it's not tolerated. On the flip side of it is you got to set up an environment that supports people, that encourages them to never stop learning, that encourages them to always do their best work that is centered around the idea that our mission and our purpose is to improve the lives of our employees, our residents, and our shareholders one experience at a time. That is literally captured as that's Camden's why. You may be probably familiar with Simon Sinek's book because you're a reader, which is Start With Why. That's what we do as a company.

People are held accountable for it. Once you get a critical mass of people who understand the vision and are completely bought into it, it's just self-perpetuating. People who encounter this culture want to be a part of it, which explains why the average tenure of our officers in this company, VPs and up is 19 years. That's the average.

Matt Slepin:

It's interesting. I was with a different company some couple years ago. They said how great the tenure is. That cuts both ways sometimes because it makes some resistance to change. And in their case, it was all White guys over 55 virtually.

Keith Oden:

Fortunately we have in that group in our senior executives, it's 40% female. We just have a great representation of everybody who's in our movie, in the Camden movie. You also have to parse that a little bit, 19 years, that doesn't mean that they're in their current role. They just started.

Matt Slepin:

You said the Camden movies, do you call this a movie? There is a movie?

Keith Oden:

No.

Matt Slepin:

We're going to put some links on our website in the show notes of this into some videos I got to watch, which were wild. I mean, people are just excited and thrilled. I watched Hug Me Maybe.

Keith Oden:

Oh, sure.

Matt Slepin:

That was like really fun. There was another dance video, got a feeling.

Keith Oden:

Yeah. It's funny you mentioned that because actually both of those, we're celebrating our 25th anniversary as a public company. We have our leadership meeting later this week, Thursday and Friday. Then we have our ACE Awards program, which is basically our recognition of onsite awards for performance. We have 15 cities and we do the same presentation at 15 cities. Ric and I split the map up and do half and half. Then we have a management conference and that's upcoming. That kicks off here in two weeks. There's going to be a piece of that. That's a celebration of our 25th anniversary. We've been doing skits for 25 years. We have video of a skit in 1994 that we're going to include in this presentation. But I literally spent the last two weekends going through 150 different skits presentations to try to call it down to the best of. Both of those made the list.

Matt Slepin:

You're fishing in the right pond. How do you do that? It's funny because I think you get dressed up. I'm such a stick in the mud. If I had to get dressed up and do fun dancing in front of 3,000 people, I couldn't do it. It's not in me. I can tell it's in you.

Keith Oden:

You'd be surprised. Trust me, doing some of the stuff we do does not come naturally to me. It comes more naturally to Ric.

Matt Slepin:

I can see that.

Keith Oden:

Which explains why he's been Dolly Parton, he's been Miley Cyrus over the years. He was Lady Gaga last year. Good friend, doing the Super Bowl skits in our world. It's not a spectator sport.

Matt Slepin:

Right.

Keith Oden:

You got to be in the game. If it's part of the culture that you want to endure, then you need to model the message.

Matt Slepin:

Let's translate that culture thought to performance side of the equation. Does that pay off in performances? Does it pay off and you get to feel good?

Keith Oden:

If you take the companies that are on Fortune's 100 list, and the list has been around for 20 years. They do this calculation every year. If you took the companies, publicly traded companies that are on the list, and the only decision rule that you had for investing was every year I'm going to rebalance my portfolio to be who's on the list. I'm going to own the companies as a basket of stocks, the publicly traded companies. Some come and go off the list, get new people. But for that year, if you just said, I'm buying these three and selling those seven, and you did that for 20 years. You're total shareholder return would be about 13%. If you bought the S&P 500 the first year that Fortune came out with the list, your annualized return would be about 9.1%, 400 basis points better by knowing nothing other than-

Matt Slepin:

Buying those company who's on the list. I want to be in that company, but how's that done for you? And how's that done for you compared to your peer group in a known sector?

Keith Oden:

Yeah. Our total shareholder return, Camden's total shareholder return since the IPO, annual shareholder return is 13% for 25 years.

Matt Slepin:

That's pretty good. How about the rest of the apartment sector? Do you know?

Keith Oden:

Well, of the companies that are left?

Matt Slepin:

Yeah.

Keith Oden:

You know, our 20 year return is on par with equity residential. It's on par with AvalonBay. Essex has been the clear out performer in the multifamily space for the last 15 years. But of the other 34 companies, I'm not really sure. My guess is that they would've had much less, a much less return because they ended up being part of the merger that reshaped the industry. But for the last two years, Camden's been the number one shareholder return in the multifamily space, 13% this year, about seven or 8% last year. But we were number one both years. It's not just about, does it make you feel good to work at a great place? It does. It's better.

Matt Slepin:

You may not be willing to do it otherwise given who you are.

Keith Oden:

Yeah. I don't really have any interest in, so this is the kind of company that I would want to work for. They're hard to find, they just are.

Matt Slepin:

Really hard to find. It's interesting because I highly respect to work with your competitors as well. I love these other companies. They're not on this list. They're on different lists. They run wonderful businesses.

Keith Oden:

They do.

Matt Slepin:

You have this benchmark that's a true north benchmark though. I think it's more consistent, a message. Also, you differentiate with the other large companies in your markets because they're more heavily weighted to the coast.

Keith Oden:

They are, they are. We have a very different footprint. By the way, when we talk about, when I talk about being on the list, and I've done this numerous times publicly. That's an honor that we claim on behalf of all of the other real estate investment trust. Because they've all, I mean, whether they're on the list or not. Where they worked 20 years today versus where they are today, it's unrecognizable, in technology, in customer service. It's been great for the entire industry.

Matt Slepin:

Yeah. Talk about the industry a little bit and talk about some of the challenges in the industry. We've talked a bunch about technology. I read a report from the industry's trade group, NMHC two weeks ago. They said, "Hey, headline, we're so far behind the curve technology-wise." What does that mean? What are the challenges and what's coming?

Keith Oden:

If you think about, we talked a little bit earlier about early adopters and late adopters. The game, I don't think that we engaged as an industry the technology game until probably, so we public in '93. Maybe sometime around the turn of the century, man, where companies had been around long enough, grown enough to where they had the resources to even think about how do we start driving technology down to our customers and the benefits of technology. I think we've been at this in earnest for 15 years. We had so much ground to make up because we were so far behind. I mean, something as mundane or as pedestrian as revenue management, we didn't even have that. We've made amazing progress. But I think they're right, I think NMHC is correct when you think about where we are relative to where some other industries are, relative to where our customers are.

I tell people all the time that our mission is not to be the best multifamily company in our little submarket, because the reality is the lowest common denominator among non public companies, and then maybe there's a handful of private companies that you would put in that category. Bozzuto and a handful of others. But other than that, we compete with third party managed, not technologically driven companies. If that's your bar and you think that's who your competition is, you're crazy. Our competition is companies that are providing a customer experience to our residents, that's their expectation. If you're one of our competitors, they're just going to be disappointed. Well, yeah, they're going to be disappointed and they're going to leave, if they can find a place where they can live that also provides them an experience that is what they encounter day in and day out with other customer experience providers.

Whether it's housing, whether it's Uber, whether it's Amazon, that's where we're after now. We're never going to be Amazon. We're never going to be Uber. That's not the thing. But what we have to be able to do is where we can, we have to put technology play in a way that people can say, you've made my living experience better because of this. I mean, things like mobile maintenance. I mean, again, these are just low hanging fruit.

Matt Slepin:

That's pretty easy. I don't want to call someone to tell them the light bulbs are out in my hallway. I just want to push a button.

Keith Oden:

Push a button. And now we have the ability. Every one of our maintenance staff, all system wide smartphone. Work order comes in, goes straight to their phone. If they happen to be out on property and the person three doors down just sending a work order, you knock on the door and you fix it. But the ability to do that is so foreign to our customers in their living experience in apartments that they literally are... I mean, they are taken aback because they've lived in apartments for years. I mean, the game is you send it, email, somebody in the office gets it. They hand it to somebody. They put it on the list. Then three days later somebody says, "I'm here to fix your garbage disposal." But that's what they've been trained, that this is the only experience that's available. If you can change that and you can reset the bar on what the customer can experience, it's a game changer. We just have to keep pushing. We're not where we need to be on technology, but we're so much better than we were five, 10 years ago.

Matt Slepin:

In a company like yours, if it's going to happen, it's going to happen here.

Keith Oden:

Well, among the public companies, there's a lot of good work being done around innovation.

Matt Slepin:

A couple of other questions. You can't talk about the apartment business today without talking about affordability.

Keith Oden:

Yep.

Matt Slepin:

Gosh, I've been in real estate for almost 40 years. I want to say that carefully. Most of it in housing, and housing has never been a front page story until now and it is. You're in the apartment business. What does that mean? How do you see us as an industry addressing this topic?

Keith Oden:

I think it's probably going to be the headline issue for our industry for years to come, because there is not a silver bullet. Not only is it not getting better, Matt, it's getting worse because costs are at levels that we've never seen before and going up. Labor costs are levels we haven't seen and availability of labor. The shortage of labor is a huge story in our industry. Whatever the physical cost to construction challenge was a year ago, two years ago, it's worse today and it'll be worse a year from now. It's just inevitable. Then you go back and you say, okay, well.

When you think about affordable housing, if you built the most cost effective building with the least expensive materials that you could honorably employ in the construction, you still are not going to have a housing unit, a workforce housing new construction that is affordable to the people who are in the greatest need of "affordable housing." The numbers just don't work. Now you're having all these conversations in states like California where the knee jerk response is if rents are too high, then we need rent control, which is exactly the opposite from the industry's perspective of what you need because that will only further limit the number of homes that are being built.

Matt Slepin:

We do have a supply demand problem essentially.

Keith Oden:

Yeah. That's not the answer. Ultimately, we have to get as a country and as an industry to a conversation about how do we do a private public partnership to do affordable housing. There has to be a component, call it what you want, tax credit subsidy. There has to be a component of that. The numbers and the math around building apartments in today's world, regardless of what land cost is just don't work as far as being affordable when you think about workforce housing. It just doesn't work.

Matt Slepin:

There's affordable with low income people and then there's affordable for workforce, which one would call teachers and first responders. Gosh, if you're a first responder and you have to live an hour and a half outside of town in order to get to work, that's not a lifestyle that we should support.

Keith Oden:

It's tough, so what ends up happening is two choices people have to make. In order to maintain their proximity, whether it's teacher or firemen, you have to move down in quality. If you're in a A apartment, you got to move to a B. If you're in a B, you got to move to a C. The other is, as you mentioned, is you got to move further away. That just further complicates the lifestyle and livability of a teacher or a police officer who now has to live in California. You're an hour and a half away, because that's where you have an affordable, a place that you can afford. The challenge is that is what it is. Building more housing at today's cost will not solve that problem.

Matt Slepin:

There's no word trickle down. You could build new housing, maybe not at the ultra luxury, not A plus. We build an A minus or B plus, and then have that make available the Bs and the Cs.

Keith Oden:

Yeah. Except that the starting point for the trickle down, the increase in construction costs has outstripped even the increase in the rents. In these real housing shortage areas, the Californians of the world and the coastal markets, it's going to be a huge challenge.

Matt Slepin:

All true, multifaceted problem, which we'll leave as a conundrum in this conversation unfortunately. Two last questions. If you had a few words of advice for an executive in the real estate business trying to make their company great and going to the next level, what would it be?

Keith Oden:

I would say focus on, if you just make it your mission to improve people's lives, that's your mission. You should measure success by that. How many people's lives and to what degree have you improved through their connection and contact with your company and start there. It's easy. What are your constituencies? If you put a smile on the faces of your employees, there's a chance that they may put a smile on your customer's faces. Without it, there's almost no chance. If you get happy, if you have happy employees and happy customers, it'll work out that your shareholders will be happy. We've certainly proven that to be true for 25 years.

Matt Slepin:

Fair deal. It's funny, in our business, and this gets back to our prior conversation of transactions versus culture. We do a search. We talk to 200 people in every search. One person gets the job. We rattle 200 people and one person wins, or the goal is right there. And if you think that's the goal, then that's the wrong outcome in large part because in my company, we try to think about we touched 200 people. How do we make them our friends? We're asking them a favor, which is their intellectual capital and their networking. How do we make them feel good about us? And maybe teach them something and help them along the way. It's what's the goal, but what's the other goal? I always find the other goal more interesting.

Keith Oden:

Yeah. I've never thought about it that way, but if I were in your shoes, on your side of the table, that's probably the only thing I would ever talk about is, how did the non winners feel after the process is complete?

Matt Slepin:

Totally true. We talk about it every day. It's really interesting. You got to the same place. Last question, if you had the same short conversation with a young person getting into the real estate business, and they're going, what, what, what, where the hell?

Keith Oden:

I'm going to give you a piece of advice that I actually got from my college roommate's father who was executive with Exxon. He happened to be a chemical engineer. His advice was whatever company you go to work for, make sure that whatever you do is what they do. In other words, if you're an accountant, don't go work for an oil and gas company, go to work for one of the big four CPA firms. My advice would be, if you want to be in the real estate business, go to work for a real estate company. Don't go to work in the real estate division of a oil and gas company.

Matt Slepin:

Fair too. Great advice. Hey Keith, thank you very much. It's been a delightful conversation.

Keith Oden:

I've enjoyed it.

Matt Slepin:

Our listeners will learn a lot. Thank you. Take care. I hope that you enjoyed today's episode of Leading Voices. If you like the episode, please rate us on iTunes or your favorite podcast app, and feel free to comment via our website, leadingvoicespodcast.com, or to me at matt@terrasearchpartners.com. Thank you very much.