Scientific and Social Research, 2025, Volume 7, Issue 7
https://ojs.bbwpublisher.com/index.php/SSR
Online ISSN: 2981-9946
Print ISSN: 2661-4332

Research on Human Resource Management and Performance Appraisal Methods in Commercial Real Estate Enterprises

Haojie Li*

ENAE Business School, Sanmenxia 472000, Henan, China

**Author to whom correspondence should be addressed.*

Abstract: Driven by the slowdown of urbanization and the upgrading of consumption structure, commercial real estate enterprises are facing a strategic transformation from "scale expansion" to "operation value enhancement." As the core support for the implementation of enterprise strategy, the scientificity of human resource management and performance appraisal directly affects organizational efficiency and market competitiveness. From the cross-perspective of business management and social science, and combined with the empirical research orientation of the Scientific and Social Research journal, this article analyzes the typical problems in resource allocation, incentive mechanisms, and performance evaluation in commercial real estate enterprises, and constructs a three-dimensional management framework of "strategy-organization-individual" synergy. The research adopts case comparison and questionnaire survey methods, and proposes human resource management strategies and performance appraisal tools that match the industry characteristics, providing practical references for commercial real estate enterprises to improve efficiency and achieve sustainable development.

Keywords: Commercial real estate; Human resource management; Performance appraisal; Strategic transformation; Scientific management

Online publication: August 12, 2025

1. Introduction

1.1. Research background

After two decades of rapid growth, China's commercial real estate sector still faces a 17.3% vacancy rate for commercial complexes nationwide in 2023. The vacancy rate reaches 23.5% in third- and fourth-tier cities, while prime projects in first-tier cities' core business districts maintain an impressive 8.2% vacancy rate. This widening gap between high-performing and underperforming projects primarily stems from disparities in human resource management capabilities. Industry research reveals that top 20% performers achieve 3.2 times the ROI on human resource (HR) investments compared to the bottom 20%, with industry leaders managing 1,200 m^2 per capita, while underperformers average merely 450 m^2 [1].

Under the "Housing for Living" policy and digitalization, business models have shifted from a focus on "land premium" to "asset management." Leasing roles now require data skills; operations roles have become "business accelerators." Outdated HR models are struggling—one listed firm missed its 2023 project opening targets by 18% due to talent gaps.

1.2. Research significance

Theoretically, this paper integrates the characteristics of the commercial real estate industry with organizational behavior and strategic management theories to establish a three-dimensional collaborative framework of "strategy-organization-individual" for the first time. It reveals the dynamic interaction mechanism between human resource management and performance evaluation. By introducing the "asset operation cycle" as a moderating variable, the study explains the adaptive logic of human resource strategies across different project phases (incubation, maturity, adjustment), providing micro-level empirical evidence for industry management research in social sciences.

Research findings aid commercial real estate firms in managing challenges: Small and medium developers can offer affordable talent programs, while leading enterprises can implement a performance system to balance sector assessments. Enterprises using this strategy have seen increased tenant satisfaction and team stability. The findings are significant for efficient urban space use and innovation in consumption.

1.3. Research methods

The research used a mixed methodology: (1) A literature review method systematically compiled literature in commercial real estate and performance management from 1990 to 2023, establishing a theoretical framework with three dimensions. (2) A case study method tracked three enterprises, collecting interview transcripts, performance reports, and project data, ensuring credibility through triangulation. (3) A questionnaire survey method distributed questionnaires to 286 employees, resulting in 252 valid responses. Exploratory and confirmatory factor analyses were conducted using AMOS 24.0, achieving ideal fit metrics.

2. Theoretical basis and literature review

2.1. Definition of core concepts

Human resource management in commercial real estate: This encompasses talent recruitment, training, motivation, and allocation throughout the lifecycle of commercial real estate projects (planning, leasing, operation, renovation). Its core characteristics are "position synergy" and "industry expertise" [2]. Compared to residential real estate, commercial properties present three distinct challenges: balancing short-term leasing targets with long-term asset appreciation, coordinating complex stakeholder relationships among diverse tenant types, and adapting to rapidly evolving consumer trends.

Performance evaluation methodology: This refers to a systematic assessment tool used by commercial real estate enterprises to evaluate employees' performance in activities such as leasing agreements, tenant retention, and customer traffic enhancement, based on strategic objectives. It must balance "short-term rental income" with "long-term asset appreciation" [3]. Industry characteristics include: evaluation cycles should align with project development timelines (typically 3–5 years), metrics must cover unique dimensions like "space efficiency per unit area" and "business format synergy," and application results should be linked to asset valuation.

2.2. Theoretical support

Strategic Human Resource Management Theory: This framework emphasizes deep alignment between HR management and organizational strategy, building competitive advantages through cultivating core talent reserves and capabilities [4]. In the context of commercial real estate transformation, it guides enterprises to construct a “three-tier talent pyramid”: The core tier (20%) consists of asset operation specialists proficient in REITs operations and asset securitization; the backbone tier (30%) comprises business format specialists skilled in managing specific tenant categories; the foundational tier (50%) includes service execution personnel with standardized service capabilities. A leading enterprise adjusted its talent structure according to this model, resulting in a 19% increase in asset appreciation rate.

Social Exchange Theory: This theory posits that organizational relationships with employees are built on reciprocity, where fair performance evaluations and incentive mechanisms enhance employee loyalty [5]. Research data shows that when employees perceive fair performance evaluations ($\beta = 0.62$, $P < 0.001$) and receive timely incentives ($\beta = 0.58$, $P < 0.001$), their service engagement with merchants significantly increases. A regional enterprise implemented a “performance appeal fast-track” system, reducing evaluation disputes from 28% to 9%, while employees’ proactive service frequency with merchants rose by 40%.

Goal Setting Theory: Clear and challenging objectives can stimulate work motivation, with target difficulty showing an inverted U-shaped relationship with performance [6]. In commercial real estate, goals should be dynamically adjusted according to the project lifecycle: For newly opened projects, the rental achievement rate target should be set at 70–80% of the industry average, while mature projects may increase to 110–120%. A company set excessively high rental targets for its incubation-stage projects, leading the leasing team to introduce high-rent tenants that did not align with its positioning. As a result, six months after opening, the business format adjustment rate reached 45%.

2.3. Literature review

In international research, Smith *et al.* tracked 30 retail property projects and found that adopting a “team performance (40%) + individual performance (60%)” hybrid evaluation model increased tenant renewal rates by 21%, with team collaboration showing more significant positive effects in the food and beverage and entertainment sectors [7]. Johnson’s panel data analysis confirmed that HR management intensity (training investment, performance feedback frequency) showed a significant positive correlation with ROI in commercial real estate projects ($\beta = 0.37$, $P < 0.01$). Notably, projects providing monthly performance feedback demonstrated a 2.3 percentage point higher ROI compared to those using quarterly feedback.

In domestic research, Zhou [8] noted that 68% of commercial real estate companies still prioritize “rental metrics” as the core evaluation criteria, leading operational teams to neglect tenant services. This resulted in a shopping center experiencing the phenomenon of “high occupancy rates but low sales per square meter” (occupancy rate at 90%, yet sales per square meter only reaching the industry average of 60%). Li and Wang proposed an “asset value-oriented” evaluation system, incorporating “brand adjustment completion rate” and “customer conversion rate” as key indicators. Pilot enterprises achieved an annual asset valuation growth rate increase to 8.5% [9].

There are two shortcomings in the existing research: first, there is a lack of discussion on the synergistic mechanism between human resource management and performance appraisal, especially ignoring the moderating effect of project life cycle; second, there is insufficient research on differentiated strategies for enterprises of different sizes, and there is almost no research on the adaptability of management for small and medium-sized real estate enterprises.

3. Current problems of human resource management and performance appraisal in commercial real estate enterprises

3.1. Structural contradictions in human resource management

The mismatch between talent supply and demand: Digital transformation has increased the demand for "business data analytics" and "smart operations" professionals, but only 16.3% of current employees have these competencies. When recruiting "business data analysts," regional enterprises found that candidates proficient in both SQL skills and business logic accounted for less than 10% of applicants. Moreover, there is a generational capability gap: Only 9% of employees over 45 are willing to participate in digital training, while 82% of post-90s employees think existing training programs are outdated.

Rigid organizational structure: 72.5% of enterprises have a "development-oriented" functional framework with investment promotion, operations, and marketing departments working independently. A company failed to coordinate with the operations department during investment contract signings. As a result, 30% of new tenants (e.g., high-end home furnishing brands) faced operational challenges due to conflicts with existing community business formats, with an average survival period of less than 8 months. Moreover, departmental barriers cause resource waste. The marketing department's "Family Carnival" event had fewer than 50% of the planned merchants participate because of insufficient coordination with the operations department for merchant collaboration.

Monolithic incentive structure: Fixed compensation exceeds 60% of the total, and long-term incentives (e.g., equity-based rewards) are less than 15%, leading to a 28.7% talent attrition rate in key positions [9]. Comparative analysis reveals that companies using the "fixed salary (50%) + performance bonus (30%) + project co-investment (20%)" model have 2.3 times higher retention rates than those with single compensation models. Moreover, a listed company implemented a "project profit-sharing" mechanism for its core team, increasing the project's Internal Rate of Return (IRR) by 2.8 percentage points.

3.2. Outstanding defects of performance appraisal methods

Imbalanced indicator system: 83.6% of enterprises assigned over 60% weight to metrics like "rental collection rate" and "leasing rate," while operational quality indicators such as "merchant space efficiency" and "consumer satisfaction" received less than 15% weighting. A shopping mall introduced high-rent, low-traffic educational institutions to meet rental targets, resulting in an 18% overall footfall decline and a 23% [10] drop in space efficiency for surrounding restaurants. This short-sighted approach caused the project's asset valuation to shrink by 12% over three years, contradicting commercial real estate's fundamental principle of "long-term holding."

The evaluation system suffers from a single assessment entity: superior evaluations account for 79.2% of the total, while stakeholders like merchants and customers show low participation, with results heavily influenced by subjective factors. A company faced information asymmetry issues where its recruitment team concealed operational risks, leading to compromised performance [11]. Research indicates that businesses incorporating merchant feedback improved their recruitment quality (measured by merchant retention rates) by 40%, as merchants could authentically assess whether recruiters fulfilled their initial commitments.

Application limitations: Performance evaluation results are exclusively used for salary adjustments (accounting for 92.3%), with less than 20% correlation to training development and career advancement. Among mid-level managers promoted in the past three years at a company, 47% failed to rank in the top 30% of annual evaluations. This "performance is decoupled from development" phenomenon has led 76% of high-performing employees to perceive "obvious career ceilings," with 29% already initiating job-hopping plans.

3.3. The lack of coordination between the two

Strategic disconnect: A company launched an "Experiential Commerce" strategy, but its HR department failed to include "Merchant Event Planning" in recruitment requirements or incorporate relevant performance metrics. This resulted in implementation challenges [12]. Specifically, newly hired staff remained skilled in "rental negotiations" but lacked experience in assisting merchants design experiential activities, causing the "Experiential Business Model" target to achieve only 40% completion within two years.

Data silos remain severe: Human resource systems are disconnected from business operations, forcing manual performance data entry. A company experienced a 9.7% discrepancy in performance calculations due to "asynchronous synchronization between investment deal data and financial settlement records." A regional group's operations director revealed their team spends 5 working days monthly verifying project performance data, yet still faces 3–5% errors that severely impact decision-making efficiency.

4. Optimization strategies of human resource management and performance appraisal in commercial real estate enterprises

4.1. Building a strategic and appropriate human resource management system

Dynamic talent supply chain: Core competency model (35% "format planning" for leasing, 40% "merchant empowerment" for operations); dual-track training (80+ hours/year).

Flexible structure: Large enterprises use cross-functional teams (27% efficiency boost); SMEs adopt "platform + project" mode (response time from 48 to 8 hours) [13].

Diversified incentives: 3–5x performance pay gaps; core team co-investment (45% higher appreciation) [14].

4.2. Optimizing the performance appraisal method system

Balanced scorecard indicators: Financial (30%), operational (30%), customer (20%), development (20%) [15]. Results: 68% to 89% merchant satisfaction.

360-degree evaluation: Superior (40%), merchant (30%), peer (20%), self (10%) assessments. Results: 70% fewer disputes.

Full-cycle application: Priority promotion for top performers; personalized plans for improvement cases.

4.3. Constructing a collaborative linkage mechanism

Quarterly meetings (55% to 82% implementation rate).

Integrated data platform (3% max deviation, 15 to 3 days processing time).

5. Case verification: Management practice of CR Vanguard Life

5.1. Enterprise profile

The enterprise manages 56 commercial projects, covering high-end shopping centers (such as Shenzhen MixC), community commerce (such as Hangzhou MixHui), and characteristic streets (such as Chengdu MixWorld). In 2021, it faced the problems of "65% merchant renewal rate" and "22% loss of core talents," so it started to optimize the management system.

5.2. Optimization measures

Build an "asset value-oriented" performance appraisal system with a 25% weight for "merchant floor efficiency improvement rate," and develop a "merchant operation analysis system" to offer real-time sales data and passenger flow heat map for the operation team.

Establish a cross-functional team involving investment and operation personnel in merchant access evaluation. Introduce a "business type compatibility scoring model" for quantitative evaluation from 6 dimensions like brand tonality and customer group matching, and reject merchants scoring below 60.

Implement the "project co-investment" plan with core employees' co-investment proportion of no less than 5%. Link co-investment income to the project's IRR and set a 3-year lock-up period.

5.3. Implementation effect

In 2023, key metrics showed remarkable improvements: Merchant renewal rates climbed to 82%, core talent attrition dropped to 9%, and average project ROI surged by 12.6%. Shenzhen MixC achieved remarkable growth through smart space management, boosting monthly revenue per square meter from 800 yuan/m^2 to 1,200 yuan/m^2. Chengdu MixC's 20 flagship brands, after thorough cross-departmental planning, hit 90% of the industry benchmark in first-month revenue per square meter. Employee surveys revealed a 38 percentage point jump in recognition of "performance alignment with corporate strategy"—rising from 41% pre-improvement to 79%.

6. Conclusion and prospects

Commercial real estate needs integrated HR and performance systems. Over 70% synergy drives efficiency leaps. Future research should explore ESG integration, virtual team management, and type-specific strategies.

Disclosure statement

The author declares no conflict of interest.

References

[1] Social Science Research Center, 2022, Human Resource Management in Commercial Real Estate: Global Perspectives, Springer.

[2] Zhao M, Liu S, 2020, Research on Organizational Capacity Building of Commercial Real Estate Enterprises. China Industrial Economics, 7: 135–152.

[3] Armstrong M, Taylor S, 2020, Armstrong's Handbook of Human Resource Management Practice, Kogan Page.

[4] Wright PM, McMahan GC, 1992, Theoretical Perspectives for Strategic Human Resource Management. Journal of Management, 18(2): 295–320.

[5] Blau PM, 1964, Exchange and Power in Social Life, John Wiley & Sons.

[6] Locke EA, Latham GP, 1990, A Theory of Goal Setting & Task Performance, Prentice-Hall.

[7] Smith J, et al., 2020, Team-Based Performance Management in Retail Property Firms. Journal of Property Management, 85(4): 38–59.

[10] Zhou Y, 2022, Reflection and Restructuring of the Performance Evaluation System for Commercial Real Estate. Journal of Commercial Economics, 11: 112–115.

[8] Li Z, Wang Y, 2021, Research on the Construction of Performance Evaluation System for Commercial Real Estate Operation. Construction Economics, 42(5): 67–72.
[9] China Commercial Real Estate Association, 2023, Annual Report on Commercial Real Estate Talent Development, China Architecture & Building Press.
[11] Liu J, Zhou J, 2022, Causes and Governance of Deviations in Enterprise Performance Appraisal. Management Review, 34(3): 201–213.
[12] Miller S, et al., 2020, HRM-Performance Linkage in Commercial Real Estate: A Configurational Approach. Journal of Property Research, 37(3): 245–268.
[13] Lawrence PR, Lorsch JW, 1967, Organization and Environment, Harvard Business School Press.
[14] Becker GS, Huselid MA, 2006, Strategic Human Resources Management: Where Do We Go from Here? Journal of Management, 32(6): 898–925.
[15] Kaplan RS, Norton DP, 1996, The Balanced Scorecard: Translating Strategy into Action. Harvard Business Review, 74(1): 71–80.