

## It's A Hotel, It's An Apartment, It's Corporate Housing

MOBILITY Magazine, August 2007

*Although "corporate" may be in its name, corporate housing is a flexible industry—its services are used for various purposes, such as entertainment accommodations and insurance needs. However, in relocation, corporate housing primarily is procured for temporary living during a relocation or a short-term assignment, domestic or international. In the first segment of a comprehensive, three-part examination of the industry, Dunaway reviews the need for corporate housing, industry statistics, the perceived advantages of corporate housing over other temporary-living options, and the differences between building-based and third-party corporate housing.*

By Gavin Dunaway

Flaring with all the wrath Mother Nature can unleash, Hurricane Katrina emerged from the Gulf of Mexico on August 29, 2005, to wreak havoc on southern coastal Mississippi and Louisiana—in particular, the city of New Orleans. But just when it seemed the mighty storm had passed, the levees that held back the great Mississippi River gave way and flooded large swaths of New Orleans. In addition, the coast of Mississippi was battered and left severely damaged. Nearly 2,000 died during the hurricane and in its aftermath, and hundreds of thousands were left homeless.

Many corporate clients of Oakwood Worldwide, Los Angeles, CA, called up their chief corporate housing provider desperately in need of temporary living for thousands of displaced employees. A majority were to be relocated to the relatively close metropolitan areas of Houston and Dallas, TX, but some were required to be moved as far away as Northern Virginia. Oakwood was up to the task and was able to establish 1,500 apartments in various locales within three weeks.

"Frankly, the only thing we were limited by was our furniture rental companies couldn't take it on any faster than that," said Gavan James, senior vice president and general manager of Oakwood Corporate Housing.

Oakwood was one of many corporate housing providers that lent its support to companies affected by Katrina. Corporate housing providers have a fair deal of experience finding housing for those ravaged by natural disasters—securing temporary living for victims of Florida hurricane seasons, for example, was good practice for the monumental disaster that was Katrina. In addition, insurance business, such as providing housing after fires and other catastrophes, is a growing revenue stream for corporate housing companies.

But these are only a few examples of the many uses of corporate housing. Traveling theater groups may use corporate housing when performances roll into town for 90-day stretches. Television and film actors and crews will take advantage of corporate housing when shooting on location. In the Southwest United States, the U.S. Army is using corporate housing for the additional reservists brought to monitor the southern border. In New York, NY, the United Nations procures corporate housing for various diplomatic purposes.

While not yet significant, a growing market segment for corporate housing providers is the leisure market—many corporate housing locations are in desirable parts of large metropolises and offer easy access to public transportation and a city's tourist traps. For less money than a hotel, vacationers can feel home away from home. James noted that in places such as Long Island, NY, some retirees who live in warm climates such as Florida will stay in corporate housing for the summer while visiting family.

"That's a beautiful concept about this industry," James said. "We're able to respond to these types of housing needs as they come up."

In the relocation industry, however, corporate housing is used for two major functions: temporary living when a transferring employee is between homes, and temporary assignments, whether it is for training, consulting, or an international foray.

“If someone is moving, no matter where they’re moving—whether it’s New York, London, Hong Kong, or Shanghai—we try to get them into a fully furnished apartment,” said Stephen C. McGarry, CRP, director of global mobility for WPP, New York, NY. “Only thing that the employee needs to do is basically bring their personal items, clothes, and go out and get food.”

## **The Demand**

Corporate housing is defined as fully furnished and equipped apartments with housewares, linens, utilities, and other available optional services. Unlike extended-stay housing, typical corporate housing stays are a minimum of 30 days—according to a survey conducted by the Highland Group and funded by the Corporate Housing Providers Association (CHPA), the average national stay length in 2005, was 82 days, up from 76 days in 2002 (though the survey suggested that stay length may have been skewed by additional housing needs after Hurricane Katrina).

The survey estimated that in 2005, 838 companies provided corporate housing, up from an estimated 583 providers in 2000. Corporate housing is a \$1.99 billion industry, up from \$1.53 billion in 2002. Providers projected a \$2.46 billion expansion in 2006.

Corporate housing inventory was estimated to have increased by 12 percent in 2005 over 2004, the Highland Group reported—the net gain of inventory between 2002 and 2005 was 10 percent. This was quite a turnaround after inventory decreased between 2000 and 2002. A 15 percent gain in inventory was expected in 2006.

The overall occupancy in 2005 was 91 percent, up from 90 percent in 2004, but still impressive considering the growth in inventory. The range of occupancy was between 89 and 93 percent in most markets—the lowest market was Nashville, TN, with 65 percent, and the highest San Antonio, TX, with 97 percent. The largest domestic market in terms of inventory is the Washington, DC/Baltimore, MD, region, with 6,596 estimated units. The second largest market was Los Angeles (5,757), followed by New York (4,791).

One-bedroom units make up 48 percent of domestic apartments; 37 percent are two-bedroom; 6 percent are three-bedroom; and 7 percent are studios. The average daily rate for a one-bedroom apartment in 2005 was \$100, up 5 percent from \$95 in 2004. However, the Big Apple does not come so cheap—New York heralded the highest average daily rate, which was 70 percent higher than the national average, followed by the Washington/Baltimore region, which was 27 percent higher.

In a relocation, the goal of the corporate housing provider is to provide temporary accommodations that will ease the transition between the old location and the new. In this situation, a corporate apartment is designed to assist a transferring employee, and possibly his or her family, in adjusting to the new area so that he or she can be productive in the new office—all while finding a new permanent abode.

“You can’t get off the plane and close on a house the same day,” said Dave Caple, president and CEO of ABODA, Redmond, WA. “There’s a period of time it takes to find a house or the home you want, so our services are a necessary transition during that process.”

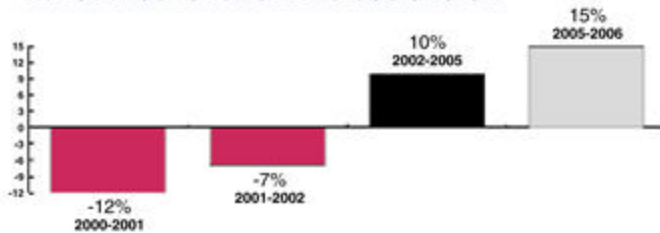
Employees will stay in corporate housing for an average of 30 to 90 days while seeking a home in a new location. Recent sluggish real estate markets have led to an increased demand for temporary housing for many corporations. Most families cannot afford to buy a new house if they cannot sell their old house, and if houses are not selling, then chances are the family will be spending more time in corporate housing.

WPP has had an increase in its use of corporate housing for relocation, McGarry said, because the company is moving more people internationally. Because of the length of time household goods shipments can take overseas, transferees spend more time in temporary housing before they can move to their new permanent homes.

In addition, corporate housing is used for short-term domestic or international assignments. James said the procurement of corporate accommodations for consultants and training also is on the rise. After the terrorist attacks of September 11, 2001, the corporate housing industry saw a dip in demand, but in the last few years there has been a large resurgence.

Domestic short-term assignments can comprise anything ranging from internships, training, consulting, or information technology maintenance. In addition to providing a level of comfort for these interim employees when they are not onsite, corporate apartments tend to be far more cost effective than renting a hotel room for several weeks or even months.

**PERCENT CHANGE IN CORPORATE HOUSING INVENTORY**



Source: The Highland Group, "Corporate Housing Industry Report—2006."

Corporations transporting foreign nationals into the United States for training and consulting is a trend most housing providers are seeing on the rise. Al Blumenberg, CRP, manager, global relocation for Anheuser-Busch, St. Louis, MO, said his company recently brought several international partners from China to St. Louis for an extended learning tour. The company used corporate housing for their three-month stay. Because this practice has become common in the organization, Anheuser-Busch has set up special contracts with its housing providers for similar three-month blocks.

**MSAs WITH HIGHEST ESTIMATED CORPORATE HOUSING INVENTORY**

Washington, DC/Baltimore, MD	=	6,965 units
Los Angeles, CA	=	5,757 units
New York, NY	=	4,971 units
Houston, TX	=	3,313 units
San Francisco, CA	=	3,267 units
Chicago, IL	=	3,171 units

Source: The Highland Group, "Corporate Housing Industry Report—2006."

**The Advantages**

For many companies looking at the overall picture for travel spend, whether it be for special projects or relocations or just business travel, corporate housing tends to be a cost savings over high-end comparable hotels.

**CORPORATE HOUSING UNITS BY TYPE**



Source: The Highland Group, "Corporate Housing Industry Report—2006."

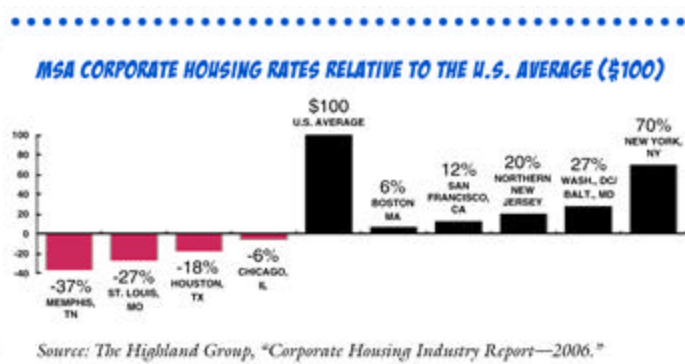
"A great example is New York," James said. "We can set somebody up with a stunning, full-size one-bedroom apartment in a high-rise in mid-town Manhattan for as low as \$215 to \$250 a night, yet a lot of mid-line to upscale hotels in the mid-town Manhattan area are \$400 a night for a 260-square-foot room. The value between the two is just incredibly different. So not only do you get three times the room, it's often 50 percent or more less money."

**MSAs WITH HIGHEST PERCENTAGE OF CORPORATE HOUSING OCCUPANCY**

San Antonio, TX	=	97%
Tampa, FL	=	94%
Atlanta, GA	=	93%
Cleveland, OH	=	93%
Dallas/Ft. Worth, TX	=	93%
Denver, CO	=	93%
St. Louis, MO	=	93%
Average U.S. Occupancy	=	91%

James does see more competition with hotel chains in the future. Hotels are offering more extended-stay features, but the prices often cannot compare to corporate housing. Cutting out daily housekeeping services erases a great deal of cost, as well as foregoing other hotel services such as concierge (although some corporate housing providers do offer concierge services in certain locations). Instead, corporate housing providers will provide maid service at an extra cost, usually weekly, and many will provide their occupants with information on local highlights.

Also, corporate housing historically has benefited from the low-tax structures that property management companies are subject to, but that is quickly changing in certain metropolitan areas. The ratio of employees per guest also is lower than a hotel because of the differences in the service model, Caple said.



Another key distinguishing feature from a hotel is the availability of a kitchen with cooking utensils. Interestingly, this is a cost saver for corporations. Instead of eating out or calling room service and billing it back to the company, transferees purchase food and make their own meals in corporate apartments. For a relocating employee, this can be beneficial in acclimating to the neighborhood—finding local places to shop for household necessities. For an employee on short-term assignment, making one's own meals can bring comfort and remind him or her of being in his or her own home.

"Because someone is in a fully furnished apartment, we expect him or her to live as though he or she is in an apartment," McGarry said. "So, we've done away with the per diems that we would give people for food, as well."

In general, the additional space of a corporate apartment is quite welcoming compared to the confines of a hotel room—many transferees highly value having more than one room, especially when they are in temporary living for more than a month. Corporate housing providers usually also are able to customize apartments for each guest.

"Hotels are great, but after a week or two, people want to have more of a home environment," said Beth Searls, director of sales and marketing for Furnished Quarters, New York. "I think it makes for more productive employees.... You're living among the residents of the city, versus in a hotel, where everybody is a visitor."

Many corporate apartments also provide access to fitness centers, laundry facilities, and business centers. In addition, an employee and family that stay in a corporate apartment near the area where they are attempting to find living arrangements can assimilate themselves to the area before that homesale goes through—the children will be close to their school choice and various registration needs will be easier to obtain.

Corporate housing providers play superintendent to the housing they provide, even with third-party housing providers. For example, any complaints about the service level not being met in a BridgeStreet Worldwide, Arlington, VA, apartment are sent directly to the local corporate housing management office, not the apartment building. Management then works with the apartment community to correct problems. BridgeStreet also uses an electronic tool to manage guest services—a guest service team checks to make sure corrections are made to occupants' satisfaction.

According to the Highland Group, 69 percent of units had high-speed Internet access; 46 percent charged an extra fee. In some markets, more than 90 percent of units had high-speed Internet access. However, 61 percent of corporate housing providers had one-time fees (up from 23 percent in 2002), and most of these charges were for high-speed Internet access. The other typical fee was for pets—commonly in the \$200 to \$250 range.

Blumenberg noted that only special cases tend to bring up problems with corporate housing—such as when a transferee had a large dog. Blumenberg has noticed that service recovery is impressive in corporate housing. “In those instances when you have some kind of a service delivery failure, the companies that we deal with, at least, are overly quick to respond—to fix whatever the issue is,” he said.

Terry Mandle, CRP, senior manager—employee relocation, Sara Lee Corporation, Downers Grove, IL, said the service her company receives is superb. “Occasionally we’ll get a complaint, but it’s usually silly,” she said. “Like, ‘I don’t have a pancake turner!’ That’s when I have to have a conversation with the employee—‘It’s a dollar fifty, go buy one!’ It’s usually piddly stuff.”

Consistency is a large advantage of a corporate housing provider, Blumenberg said. “It’s consistency in what’s delivered, it’s consistency in how it’s billed—the arrangements through a direct billing feature and fees you’ve been able to negotiate. But even more important, it’s having a place where you know your transferees are going to be comfortable. Things are provided for them, whether it’s the cooking package, maid service.... It helps facilitate that smooth transition from one location to the next.”

The centrality of operations facilitates a smoother business relationship. Establishing a larger contract rather than individual agreements eases administration. “We’re a relocation department of two, so having to sign individual rental agreements and direct billing agreements for different properties would be an administrative nightmare for us,” Mandle said.

That ease of administration can be quite advantageous in the global market. “Instead of trying to find out what would be the best option in Shanghai, you just go to your person at your corporate housing provider and say, ‘Okay, I need someplace in Shanghai for two months,’” McGarry said. “A day later, I’ll have a couple of options on my desk—these are the apartments, this is the link to see what they’re like, this is how much it’s going to cost.”

Temporary living is a competitive industry, which makes it important for corporate housing providers to form understanding and responsive relationships with their clients. Based on the volume in the markets in which Sara Lee has facilities and offices, the company has been able to negotiate reasonable rates for different sizes of properties. “We constantly benchmark those rates against other providers to ensure that we are getting the best service and the best pricing, and so far our provider has been able to meet all those needs,” Mandle said. “They’ve been aggressive in their pricing.”

When it comes to how many providers to use, two is the magic number for Blumenberg. “With two providers, you have a fairly good chance of hitting a majority of your transferee needs,” Blumenberg said. “If company A doesn’t have a facility in a certain location, the probability is that company B does.”

But the most important feature of corporate housing to Blumenberg is the comfort level it provides a transferee. “During the whole disruption cycle of the relocation, putting somebody into more of a home environment... really helps to acclimate and settle into that whole relocation issue, as opposed to going through the lobby of a hotel every morning,” he said.

When used for temporary living, corporate housing can relieve employee stress a great deal, Mandle said. “[Transferees] like the idea that temporary living is one part of the relocation process that’s taken care of for them, that they don’t have to worry about finding a place to stay, paying for it, and waiting on reimbursements,” she said.

Caple said that although cost effectiveness usually is considered by corporations the top advantage for utilizing corporate housing, reducing the soft costs of employee inefficiency and stress are probably the most important.

## Building-based Versus Third-party

Korman Communities, Blue Bell, PA, has two distinct offerings. The “AKA” brand is available in metropolitan areas such as New York, Philadelphia, PA, and Washington, and offers high-end service along the lines of an intimate hotel. “Korman Communities” are situated in suburban locations; they are often garden-style apartments and more family-oriented, with amenities such as pools and children’s play areas. The similarity between both products is that Korman owns and operates all the buildings in its portfolio. Korman employees are onsite 24/7 to attend to the needs of guests.

Many corporate housing providers, however, lease their inventory from apartment communities. A few years ago, Oakwood actually sold all of its buildings and real estate, including the original line of Oakwood apartments built in the 1970s, to Archstone-Smith Trust, Englewood, CO, a real estate investment trust, then leased back the entire collection on a long-term hold. The sites still are managed and maintained by Oakwood staff—Oakwood has divested itself only of domestic real estate holdings.

The chief advantage of leasing real estate in a third-party corporate housing arrangement is that corporate housing providers can find and quickly set up apartments in areas where their clients are in need. However, instead of incurring losses by signing longer-term leases and holding vacant apartments once the client has vacated, in third-party corporate housing, the provider can “ramp up and ramp down,” James said. “If a certain customer suddenly has a spike in the need for two-bedroom apartments, we go get more two-bedroom apartments and give back one-bedroom apartments.”

Companies can offer a variety of locations, especially throughout larger metropolises, offering more convenience for clients. This method can be particularly advantageous when a company is relocating large groups to an area temporarily.

“We have major tech companies that relocate 100 to 250 employees overseas, for instance, into Portland, OR, for a six-month assignment,” James said. “If they were working with a building-based corporate housing program or a hotel, chances are the inn would be full for most of the group.”

In addition, shifting inventory has the advantage of skipping over costs associated with building wear. Along with furniture and housewares, buildings themselves must be updated and remodeled when starting to show their age physically. A third-party corporate housing provider can procure apartments in newer or recently renovated buildings and thus duck the costs associated with renovation—and not pass them on to the corporate client or third-party relocation company.

Some corporate housing providers even lease from each other. According to the Highland Group survey, 10 to 11 percent of corporate housing-owned units are leased by another corporate housing provider.

BridgeStreet has partnered with smaller and niche operations—such as Furnished Quarters, which maintains the largest market share in the Manhattan area—to offer clients a greater range of housing choices. This arrangement is helpful for the smaller providers as well—Furnished Quarters farms out international orders to the BridgeStreet global network.

“We can be a single point of contact for some of our large corporate clients,” said Steven Brown, of Furnished Quarters. “They have a need throughout the United States, throughout the world, we can go within our network and help them out.”

Fixed assets are limiting, said Jon C. Lanclos, president and CEO of Preferred Corporate Housing (PCH), Houston. Leasing allows the corporate housing provider to deliver fresh spaces for clients, rather than rooms that have seen wear and tear from occupants going in and out—like a hotel.

PCH has built database software that matches an online client request automatically with numerous furniture vendors, both nationwide and regional. Once the staff views the lead, the request has been categorized, assigned, and matched up with suggested properties and furniture providers. The speed of this process has allowed PCH to handle a larger volume of requests—all out of one Houston office.

However, managing a network of corporate apartments across the country and, for some companies, across the globe has its challenges.

“As a global provider, companies like BridgeStreet can’t have an office in every city, so the farther you are from what is your apartment inventory, you have an an increased likelihood of something going wrong—the service level might drop,” said Jon Wohlfert, managing director, Americas, for BridgeStreet.

Motivating and supporting employees is more difficult when they are located remotely, Caple said. “Keeping the momentum going from a sales perspective and keeping the customer service philosophy moving to a level that is consistently exceeding the customer expectations is always a challenge when you’re not physically with somebody all the time.”

But network difficulties can be managed through communication—conference calls are common, Caple said. Internet technology, including e-mail and web presentations, can alleviate some of the toughest challenges. Still, Caple said he is on a plane quite often—face-to-face time is highly important.

In next month’s issue, *MOBILITY* will examine the birth of the corporate housing industry, challenges presented by tighter domestic rental markets, how condominium conversions affect corporate housing providers, and the effect of lump-sum policies on the industry.

**Gavin Dunaway** is staff writer for *MOBILITY*. He can be reached at +1 703 842 3409 or e-mail [gdunaway@erc.org](mailto:gdunaway@erc.org).

*Worldwide ERC® networks and educates workforce mobility professionals and HR innovators.*

Copyright © 2007, Worldwide ERC®. All rights reserved.

Worldwide ERC® Headquarters  
4401 Wilson Blvd., Suite 510  
Arlington, VA 22203  
+1 703 842 3400  
Fax +1 703 527 1552