



# Mobilizing Talent in Today's Real Estate Market

*A Webinar Series from  
Crown Relocations*

*October 15, 2008*

# Meet Crown's Webinar Hosts



**Carmella Elletson, CRP, GMS**

Regional Director, Global Mobility Services, Americas

*With over 20 years of relocation practice and expertise, and completion of multiple domestic and international assignments, Carmella offers practical and direct experience to provide corporate relocation program solutions. Carmella leads the Crown Relocations Global Mobility Services Group for the Americas region to provide outstanding account management and operations support.*



**Maureen McMenamin, CRP, GMS**

Director, Business Development, USA

*Maureen leverages her 20 years of diverse mobility experience to support and direct the U.S. National Sales Group in the areas of coaching, training and technical expertise. Maureen leads a team of business development Managers uniquely versed in creating customized and cost effective relocation support programs that result in an exceptional customer service experience.*



**Tricia Stewart, BA, CRP**

Director, Consulting Services

*Tricia features 20 years of corporate mobility experience. As the Director of HR for a Fortune 500 company she implemented domestic and international relocation policy and managed supplier sourcing, payroll and immigration compliance. Tricia features extensive experience in developing, implementing and managing compensation, benefits and relocation programs.*

# An Introduction to Crown Relocations

<b>Ownership Structure:</b>	Privately held corporation
<b>Americas Headquarters:</b>	Los Angeles, CA
<b>Founded:</b>	1965
<b>Relocation Service Centers in North America:</b>	<u>US:</u> Houston, Los Angeles, New York <u>Canada:</u> Calgary, Montreal, Toronto
<b>Crown's Worldwide Offices:</b>	150 Crown owned offices in 51 countries
<b>Associates:</b>	2,750 employees, 51 nationalities, 40 languages
<b>Services:</b>	Domestic & International Program Management & Policy Counseling, Real Estate Services, Expense Management, Transportation Solutions, Destination Services, Spouse/Career Support, Learning & Development Programs, Consulting Services

For more information visit [crownrelo.com](http://crownrelo.com)



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# Agenda – So, let's get to it!

- US Real Estate Market Trends
- Recruitment and Retention Challenges
- Relocation Policy Strategies
- Your Toolbox - Weighing the Options
- Questions & Answers



# US Real Estate Market Trends

- Sub-prime Mortgage Market Collapse
- Homeowner Equity below 50%
- Home Value Decline of 11% since Jan. '08
- Foreclosures up 47% since '06; a 35% increase over last year's rate is expected
- California, Florida, Texas, Michigan and Ohio represent 50% of foreclosures



# US Real Estate Market Trends

- Instability in Financial Markets
- Lack of Lending Quality - Tighter Credit Coming
- Psychology Factor of the Markets
- Recovery 2010? Recession here but not to stay...
- 1.5 Million homes per year are sold due to corporate transfers, these home sales impact 30% of markets





**“As an alternative to the traditional 30-year mortgage, we also offer an interest-only mortgage, balloon mortgage, reverse mortgage, upside down mortgage, inside out mortgage, loop-de-loop mortgage, and the spinning double axel mortgage with a triple lutz.”**

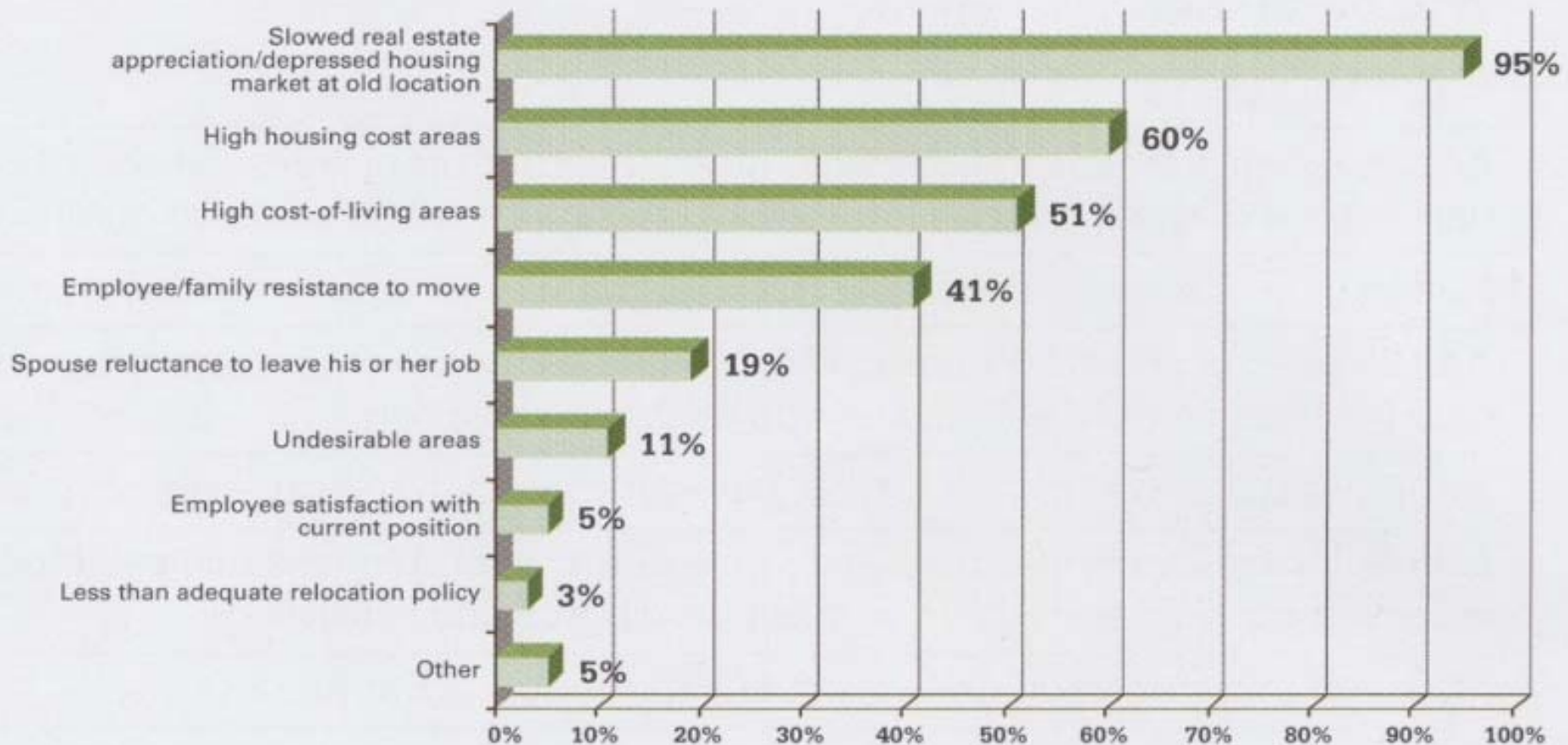
# Recruitment and Retention Challenges

- Reluctance to relocate rising (95% cite housing market #1 reason move declined)
- Succession planning “de-railed”
- Employee development “stunted”
- Dual income issues more critical
- Pressure to reduce costs, compete globally
- Mobility policy--how to maintain integrity and equity



## Chart 4. Reluctance to Relocate

*Percent of organizations\**



*\*Based on 88 organizations (70 percent of respondents) that reported experiencing employee reluctance.*

# Relocation Policy Strategies

## Tool Box...

### ➤ Home Sale Program

- ❑ Broker Registration Requirement
- ❑ Marketing Assistance Program participation
- ❑ Mandatory Pre-List periods
- ❑ Staging and conditioning allowances
- ❑ Marketing List Price Caps (105% - 110% of BMA sales price)
- ❑ Home Sale Incentives (use sliding scale greater % paid in first 30 days, ex. 3% in first 30 days, 2% days 31-60, etc.)
- ❑ Concessions



# Relocation Policy Strategies

## Tool Box...

### ➤ Home Sale Program, continued

- ❑ Guaranteed Offer Plan – Add, Eliminate
- ❑ Permit “below market” offers – Ex. 97% of Appraised Value
- ❑ Buyer Value Option - Add, Eliminate
- ❑ Loss on Sale – (EE cost share 80% of loss up to \$10k, \$25k or more)
- ❑ Foreclosures – Understand risk with short sales
- ❑ Negative Equity – Employer Loan with interest (you may want to exclude officers/executives due to Sarbanes Oxley - SOX)



# Relocation Policy Strategies

## Tool Box...

- **Supplemental Provisions in lieu of home sale, or in addition to:**
  - ❑ Loss on Sale (offer by exception if not part of core plan)
  - ❑ Duplicate Carrying Cost Reimbursement
  - ❑ Temporary Housing Extensions
  - ❑ Increased Return Trips
  - ❑ Commuter Assignments
  - ❑ Virtual Officing
  - ❑ Conditioning / Home Staging Allowances
  - ❑ Reimbursement of Seller Concessions



# Relocation Policy Strategies

## Tool Box...

### ➤ Supplemental Provisions\*

- ❑ 12 month rule – extensions
- ❑ Exchange rate impact for cross-border moves (COLA)
- ❑ Home Purchase Assistance – credit is less available, align with reputable lenders, consider financial counseling services
- ❑ Renters Assistance – Ability to buy

*\*Don't forget in most instances, extra benefits are taxable*



# Your Tool Box

## Action Plan...

- Identify Talent Profile - Review Homeowner / Renter Status, Geographies, Lines of Business, Employee Grade Levels
- Evaluate company support philosophy – Policy intent
- Develop the “Solutions Menu” – Run scenarios
- Establish Spend Thresholds – Contain costs
- Engage Business Teams - Promote the Plan
- Survey employees – Is it working?



# What our Clients have told us...

## ➤ Client Interviews

- Most not considering policy changes, exceptions instead
- Cut back on number of moves and assignments

## ➤ Transferee Trends

- Forgoing or delay appraisal process anticipating low value and increased marketing time
- Renting v selling
- Requesting extension of Home sale benefit
- Pricing below market – difficult in some markets where buyers don't exist
- Homeowners renting in destination



WESLEYAN



"IT'S THE LATEST TREND IN REAL ESTATE... A LITTLE INCENTIVE TO SWEETEN THE DEAL."

# Questions & Answers



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# You have mentioned many practices. Are there some that are most prevalent?

- 🌐 In terms of the most prevalent “no-cost” adds to policy, we have observed the increased use of Broker Registration programs, mandatory pre-list periods and list price caps as the most common practices.
- 🌐 For financial assistance, the most common offering, whether or not a home sale program is in place, is to feature a loss on sale payment. And for structural changes to policy, the most prevalent change has been to link entitlement of benefits to some of the “no-cost” adds to policy, as well as to implement caps on benefits, and/or to shift the payout of benefits to incent realistic marketing behaviors.
  - For example: cost sharing a loss on sale with the employee instead of covering the entire first \$10,000 - \$25,000 or paying out a home sale bonus at a higher percentage amount for sales procured early on in the marketing period.

# Should I rewrite my policy?

- ⦿ We generally recommend that companies should revisit their policies every 2-3 years to ensure they are employing competitive and cost effective practices. However given specific circumstances, such as a group move, a merger or acquisition or like what we face today--critical financial and real estate markets, it is essential to ensure that your policy is in alignment with current market factors and the hiring climate you are in at the moment.
- ⦿ For any “temporary” conditions, like these mentioned, we recommend developing a Supplemental Provisions menu so that unique needs can be met within a structured framework for support. This enables you to grant exceptions to the company’s core provision offerings, understand the defined costs associated with that additional support, and then administer it in an equitable way. Adopting this approach helps you to avoid creating an ongoing entitlement that might occur if you elected to rewrite your whole policy.

# What is the impact of extending the home sale beyond 12 months on taxability?

- ④ The home sale benefit is not linked to the 12 month guideline. The 12 month rule states that household goods move and the en route trip, if reimbursed within 12 months from the move date is considered non taxable.
- ④ However, many corporations apply the 12 month rule to their entire policy for ease of administration. As such there is no problem, tax wise in extending the home sale benefit. But, if extending the home sale benefit delays the household goods move and en route trip beyond the 12 month period, the corporation must document a defensible reason for this delay in order to continue to treat the household goods and en route trip as non taxable.

# Have lenders changed their qualifying guidelines for employees?

- 🌐 Lenders in general have and will continue to tighten their qualifying guidelines due to the sub prime mortgage market collapse and current real estate and economic conditions. However, lenders who have direct relationships with corporations or relocation companies are continuing to provide the relocation programs for corporate sponsored moves, that they have in the past.
- 🌐 These programs benefit the employee by providing below market interest rates, less restrictive qualification requirements and often a direct bill option for closing costs which are reimbursable by the corporation. Although we might see some tighter controls related to these programs, they will still remain more favorable to corporate sponsored relocating employees.

# Do you know of any companies that are allowing employees to have their homes appraised prior to making the decision to relocate?

- Recently, we have started to see the use of pre-acceptance appraisals in the recruiting process. Ordering a relocation appraisal as a condition of the candidate's acceptance is a viable option and one that could likely be conducted before the candidate's pre-view trip (if applicable) to help the candidate truly assess all aspects of the job offer.
- The general cost of a relocation appraisal is approximately \$500 and takes less than two weeks to complete. This might then be a relatively cost effective approach to assisting the employee in evaluating the viability of a move, before he or she is six months into the marketing process and exception requests start "flowing" to the company. It can also help the company to understand what kind of "supplemental" support may need to be engaged to attract the candidate (i.e. loss on sale, extended temporary living, more return trips, home sale incentive, etc.) Cost exposure is then understood up front.
- And further, if the company offers a home sale program, and if the candidate does accept the position and goes through an appraisal process, then the initial appraisal order can be updated at a reduced cost to serve as one of the appraisals. So, yes this is something to consider.

# If the lender agrees to a short sale, is the forgiveness amount taxable?

- ⊕ A short sale is a situation where the sale price of a property has fallen below the loan balance and an agreement is made between the owner and lender that the lender will forgive the difference between the sale price and the loan balance.
- ⊕ Prior to 2007 the forgiveness amount was taxable to the owner. However, in late 2007, Congress changed the law so that the forgiveness amount up to \$2M during 2007 through 2009 is not taxable.
- ⊕ It is important to note that Section 402 of the Sarbanes-Oxley Act prohibits this type of arrangement for executives of publicly traded companies who are covered under Sarbanes-Oxley.

# Do you see companies offering property management in lieu of home sale benefits?

- ⦿ Although we have not seen this yet, it is another item that can be added to the tool box or considered as a supplemental provision to your policy. Additionally, it is important to be definitive with any property management offerings. First, it should be determined if the support is in lieu of home sale so that the employee clearly understands the support plan. Then, the company needs to decide if it will cover occupied as well as unoccupied properties.
- ⦿ Regardless of sustained market conditions, it would be advisable to limit this benefit to a 12-18 month period. For occupied properties, we observe some companies reimbursing up to \$500 per month in property management fees or up to a flat percentage of annual rent such as 10%-15% maximum; some other companies also reimburse a loss on rent period for up to 60 days for unoccupied periods. For unoccupied properties, we have observed that companies reimburse for vacant home property management services, as well as the cost of vacant home insurance and utilities for the entire eligibility period if the property is simply monitored as vacant and not leased. The critical factor in utilizing this approach is to clearly define the support parameters.

# Are there any strategies I can employ that will not have a cost associated with it?

- ⦿ While there is no magic bullet, often there are opportunities within a companies' existing policy that could produce cost savings or represent a no-cost add option. For instance, linking mandatory use of a broker registration program to receipt of certain benefits is one option; implementing a mandatory pre-listing period prior to beginning the appraisal process is another.
- ⦿ Using list price caps is another requirement that has no outright cost but helps to incent "realistic" selling behaviors. And as we have discussed, there may be an opportunity in your existing plan to simply restructure the benefits you already offer. Link entitlement of benefits to some of the no cost "adds" we have mentioned. Or, for companies that feature a home sale incentive, consider a higher payout for sales procured earlier in the listing process.
- ⦿ For instance, if the benefit is at 3% the company may offer 3% in the first 45 days and then only 2% thereafter. Do be careful to integrate your policy components to make sure they "work" with each other. For example, don't pay temporary living for the same period that you cover duplicate carrying costs as then you may be thwarting the very "realistic" selling behaviors you are trying to encourage.

# For more information, contact:

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