

# OVERCOMING THE NATIONAL HOUSING CRISIS

## HOW GRAEBEL HELPS CLIENTS AVOID CORPORATE-OWNED HOUSING INVENTORY – GRAEBEL UNIVERSITY



For companies to achieve growth and remain successful, they must have a mobile and productive workforce. Graebel keeps clients moving ahead and their employees mobile during the national housing crisis.

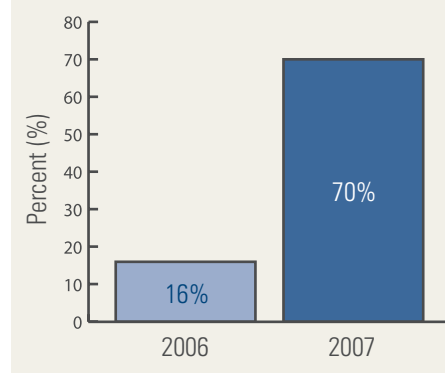
As baby boomers enter the age of retirement, companies are facing a shortage of skilled workers. To attract and retain key talent, companies will need to evaluate the benefits of offering relocation packages to both new and existing employees, while balancing the need to contain costs and maintain productivity. Unfortunately, the declining U.S. housing market has increased the stress and costs associated with employee relocations.

### HOUSING CRISIS SPREADS TO RELOCATION

Over the past five years, Worldwide ERC<sup>®</sup> has reported a steady increase in companies transferring employees.<sup>1</sup> This trend is expected to continue in the coming years, though at a slower rate.<sup>2</sup> One potential reason for the slowdown is the increasing unwillingness of employees to accept transfer opportunities.

Accepting a transfer involves careful consideration. In years past, the employee's family has served as the top reason for reluctance. That concern has since been replaced with one directly related to the current housing market. Figure 1 indicates that since 2006, the number of employees concerned about selling their existing homes has quadrupled from 16-percent to 70-percent, thus replacing family concerns as the top reason for reluctance to accept transfer offers.<sup>3</sup>

**FIGURE 1. EMPLOYEES WITH HOME SALE CONCERNS**



### INDUSTRY EXPECTS DOWNSLOPE TO CONTINUE

According to the National Association of Realtors<sup>®</sup> (NAR), a recovery in home sales is unlikely until 2009. With 4.4 million existing homes on the market now, the U.S. has nearly a year's worth of inventory.<sup>4</sup> Plus, decreasing home sale prices, increased foreclosures, selective buyers, and fluctuating interest rates are slowing demand.

The convergence of these conditions creates a perfect storm for relocating employees. Some employees may be forced to sell their homes at a loss because they over extended their equity, overpaid for their property, or secured certain types of loans. Additionally, purchasing a new home in their new city may be unaffordable or securing a mortgage may prove difficult.

### RELOCATION COSTS INCREASE

The housing crisis is pressuring employers to offset housing-related losses or increase relocation benefits to transferring employees. As houses on average take much longer to sell today than in years past, employees are spending more time in corporate-paid housing, becoming long-distance landlords, or managing two house payments and associated upkeep expenses. Companies that have bought-out their employees' homes are burdened with costs (i.e., mortgage, maintenance, property management, etc.) equal to about 1.5-percent of each home's purchase price for every month the home remains in inventory.<sup>5</sup>

<sup>1</sup> Worldwide ERC 2007 Transfer Volume & Cost Survey

<sup>2</sup> Worldwide ERC 2007 Transfer Volume & Cost Survey

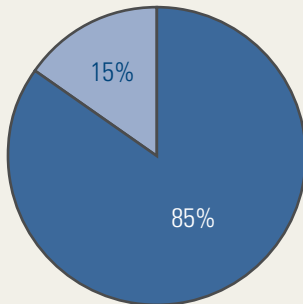
<sup>3</sup> Worldwide ERC 2007 Transfer Volume & Cost Survey

<sup>4</sup> October 24, 2007 Release: "Mortgage Availability Improving But Hampered September Existing-Home Sales," National Association of Realtors

<sup>5</sup> "Guide to Managing the Mobile Workforce," Worldwide ERC

Already, the cost to relocate an employee is high. In 2006, domestic relocation of a homeowner cost employers an average of \$62,185.<sup>6</sup> Of this figure, nearly 15-percent was attributed to loss-on-sale assistance (see Figure 2).<sup>7</sup> As the housing crisis continues, companies can expect this component and others that directly relate to employee housing costs to increase.

**FIGURE 2. 2006 DOMESTIC RELOCATION COSTS**



■ Loss-on-sale assistance, \$9,327.75  
 ■ Other relocation costs, \$52,857.25

Hard costs are not the only expense attributed to relocating employees. Decreased productivity can negatively affect a company's bottom line. Employees who are worried about personal matters and their home life situation are not focused on work and are less productive. If their personal situation does not improve, they can become increasingly dissatisfied with the company or even leave, thus causing the vicious cycle of additional recruiting expenses, more lost productivity, and possible relocation costs for new hires.

### EXPERT RELOCATION ASSISTANCE EASES THE BURDEN

In good economic times, handling a company's relocation efforts is not an easy task and the difficulty compounds when the economy is challenged. Outsourcing to a company with relocation expertise, the proven ability to be flexible and proactive while holding down costs,

and accurate reporting of results via real-time technology can save stress and money in the long-run for both the employee and the employer.

Graebel removes the stress of relocations. With proactive solutions that help clients curb costs, Graebel enables employees to quickly settle into their new positions and homes, thereby reducing the likelihood of lost productivity.

To help navigate the complex waters of relocation, Graebel assigns a team of experts to each client. For instance, the Graebel Client Relation Manager (CRM) is a licensed broker with extensive real estate expertise and a complete understanding of property valuations and real estate marketing strategies. Additionally, CRMs must hold the Worldwide ERC Certified Relocation Professional (CRP) designation and are strongly encouraged to become a Global Mobility Specialist (GMS).

Graebel's leadership and the CRMs' extensive knowledge of all aspects of employee relocation help clients define policies, implement programs, and make adjustments when necessary. To overcome the challenges presented by today's housing crisis, Graebel clients have taken advantage and found ongoing success via various approaches recommended by the Company.

### UP-TO-THE-MINUTE RELOCATION POLICIES

Establishing a consistent relocation package and clearly identifying the client's policy with relocating employees protects employers from added complexities, legal and tax issues, and potential employee dissatisfaction.

Policy consistency and flexibility are equally and extremely important. Companies must have the option to adjust their programs based on the economy, changing employee requirements, and cost containment. Reviewing programs and benchmarking results on a continuous basis allow the programs to maximize effectiveness, control costs, and maintain employee productivity.



Graebel reviews relocation policies with clients during the comprehensive transition and implementation stages, and then on an ongoing basis. During these business reviews, Graebel will provide recommendations for adjustments to relocation policies based on national, client and other clients' trends.

### EVALUATE RELOCATION DECISIONS

Selecting the right candidate for the position should also include an analysis of the decision to relocate. For a move to be successful, timing and circumstances need to be right for both the employee and employer. Employers should ask themselves if there is anyone else capable of doing the job and if they could relocate someone else for less cost. For example, transferring employees who live in areas with higher than average national real estate taxes may significantly increase the employer's tax liability if the home enters inventory.

Graebel can assist clients by reviewing their needs for each position prior to recruiting and by helping to evaluate their selections. Using proprietary software, Graebel can weigh the employee or candidate's area housing situation and provide information so the client can decide if the individual should be relocated at this time.

<sup>6</sup> Worldwide ERC 2007 Transfer Volume & Cost Survey

<sup>7</sup> Worldwide ERC 2007 Transfer Volume & Cost Survey

## COMPREHENSIVE HOME MARKETING PROGRAMS

The depressed real estate market causes homes to remain unsold for a longer timeframe. Homes that are poorly marketed or listed with an unrealistic price could eventually end up on the employer's books. Creative marketing strategies and comprehensive programs are necessary to achieve effective results by decreasing or keeping relocation costs in line, holding employees more accountable, and counteracting an employee's unrealistic perception of the home's value.

- *Use only approved real estate brokers*  
Graebel helps identify real estate brokers with proven track records of selling properties in a down market. This unbiased process includes uncovering credentialed brokers with best local experience, clear and creative marketing strategies, and goals that match those of the employee and client. Brokers are required to develop specific marketing plans that forecast the "most probable sales price" and outline a no more than 90-day strategy to beat or achieve the listing price.



- *Limit broker listing agreement to 60-90 days*  
Establishing a short-term agreement with brokers force them to aggressively market the home. Graebel clients have found this approach also keeps the listing fresh in MLS, if an alternative broker is selected when the first does not uphold the proposed marketing plan that is tracked and monitored continuously by Graebel CRMs.

- *Stage the home*  
Staging is a technique used to unclutter the home, highlight key features, and de-personalize rooms. Effective home staging appeals to prospective buyers and helps them picture themselves living in the home. On average, staged homes spend 80-percent less time on the market than non-staged homes and sell in approximately 30 days.<sup>8</sup>

The cost of staging a home ranges from \$400 to \$3,800 depending on the work involved and the home's location and size.<sup>9</sup> With volume-buying power and nationwide sources, Graebel provides clients value-added pricing and no middleman mark-up for this specialized service.

At a client's request, Graebel can pre-qualify a broker's local staging resources and evaluate their results and experience to ensure the client receives the best possible value for staging services.

Whenever staging requires short-term storage, clients turn to Graebel for company-owned and operated, coast-to-coast, secure, and modern warehousing. Clients benefit from attractively bundled flat-fee storage rates with warehousing and in-residence services performed by trained, certified crews. Flat-fee rates for stored goods can be as low as \$100 per month. Rates are competitive or lower than self-storage units. By offering a professional storage benefit, clients salvage employee satisfaction by saving untold time and frustrations resulting when an employee must locate an available self-storage

On average, staged homes spend 80-percent less time on the market than non-staged homes.

unit, pack the goods, rent a truck and unload goods into storage. When the physical move occurs, warehousing goods at Graebel also saves clients from extra-stop charges.

Other attributes of the staged home flat-fee storage program are perhaps less evident, but can contribute to employee's ongoing satisfaction with the relocation when loss or damage occur at self-storage units. For instance, self-storage units:

- Are not climate-controlled
- Are not protected from rodents and insects
- Offer universal access to all renters
- Provide limited security in the form of a padlock that can easily be breached with a bolt cutter
- Seldom feature 24-hour surveillance or closed circuit television (CCTV) or perimeter infrared beam (PIB) alarms for police protection
- Offer lease terms that vary with a minimum of usually 60 days to one year
- Charge an additional fee for limited protection against loss or damage of goods

After a home is staged, professional photographs should be taken to market the home in flyers, brochures, and the MLS listings. Graebel contacts the listing broker to ensure this process is followed.

<sup>8</sup> StagedHomes.com

<sup>9</sup> StagedHomes.com



### ENHANCED HOME SALE INCENTIVES

Adding incentives tied to the sale of an employee's home can potentially increase showings during the critical first 30 days a home is listed, and therefore, improve the likelihood of obtaining an offer(s) and preventing the home from entering the employer's inventory. Graebel tracks all costs associated with home sale incentives and continuously consults clients about potential tax consequences.

Innovative and cost-effective marketing strategies that Graebel clients have successfully used include:

- **\$495<sup>10</sup> capped buyer's lender fee**

The number one homebuyer requested incentive is paid closing costs.<sup>11</sup> This incentive eliminates the need for the buyer to bring extra money to the closing table. Companies can help make their employees' homes more attractive to today's selective buyers by covering the expense of closing-related fees and processing.

Graebel negotiated with three major financial institutions for an attractive capped buyer lender fee. Through this incentive, employers pay a flat \$495 fee to cover a buyer's closing costs. With a national average for closing costs at \$2,736, Graebel clients save approximately \$2,241 in employer-paid closing costs per home by using one of Graebel's three financial partners (see Figure 3).<sup>12</sup> Annual savings can quickly exceed 6-figures for clients.

Some of the fees covered under this program include underwriting, loan processing, document preparation, credit report, tax service, and flood certificate. Special terms and conditions apply.

- **Second month mortgage paid by employer<sup>13</sup>**  
Including payment of the second month's mortgage in the marketing of a home provides an immediately recognizable differentiator from other homes in the marketplace and helps attract buyers to the home. Through this incentive, an employer covers the second month's mortgage payment for the buyer of the employee's house.

This incentive has proved attractive to both the buyer and the employer. Homebuyers save the cost of one month's mortgage, estimated to be \$1,022.38 for a 30-year fixed at 6.31-percent on a \$165,000 loan,<sup>14</sup> and employers reduce the time homes spend in inventory, potentially saving thousands of dollars in mortgage payments alone. Ongoing utilities, maintenance, and covenant fees when applicable, can rapidly escalate this figure to tens of thousands of dollars.

- **Employee home sale bonus**

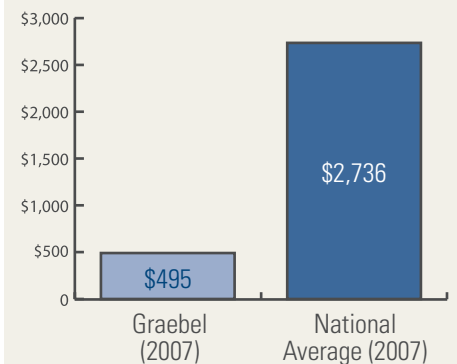
Offering a financial incentive to employees for the quick sale of their home provides a compelling reason to price homes competitively from day one. The first 30 days a home is on the market are critical, as new-to-the-market homes generate more showings and interest than homes that have been for sale longer. With the vast and growing number of homes for sale today, appealing to and experiencing the highest number of viewings during the first 30-days is critical.

Graebel clients who offer quick-sale incentives have successfully motivated their employees, improved quick home sales, and ultimately, reduced the number of potential homes in

inventory. Many of these employees have realized a higher number of showings, often in the double-digits, and received offers more quickly than those employees not receiving the quick-sale incentive.

Graebel recommends clients lock-in the incentive timeframe to further motivate employees to price their home fairly and wisely. This timeframe will vary based on the local market, home condition, and the amount of financial incentive. Clients incentives have ranged between three to five-percent of the home's listing price.

**FIGURE 3. CLOSING COSTS**



### REAL ESTATE AUCTIONS

A growing trend in real estate marketing is the use of auctions as a means for selling homes. The National Auctioneers Association reported \$16 billion in residential real estate was sold by auction in 2006, an increase of 12.5-percent year over year.<sup>15</sup>

Auctions are ideal for homeowners who are looking to quickly sell an easy-to-market property with a significant amount of equity. Typically, buyers are high-quality, serious, and willing to pay a fair price as market conditions shift. Unlike traditional sales techniques, auctions encourage buyers to act fast, establish financing in advance, and commit to a contract without contingencies.

<sup>10</sup> Some restrictions may apply.

<sup>11</sup> HouseHunt, Inc.

<sup>12</sup> Bankrate.com 2007 Closing Costs Study

<sup>13</sup> Some restrictions may apply.

<sup>14</sup> Bankrate.com Weekly National Mortgage Survey, December 26, 2007

<sup>15</sup> Hoak, Amy. "Going once, going twice..." Market Watch, September 20, 2007

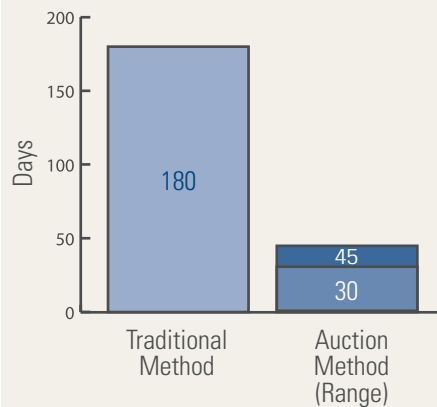
Auctions help properties stand out from a highly competitive marketplace by shifting the focus from many homes to only one. Through the use of an auction, marketing time can decrease from upwards of more than 180 days to 30-45 days<sup>16</sup> (See Figure 4). With a faster selling process and drastically reduced costs, industry experts predict 30-percent of all homes will be sold by auction by 2010.<sup>17</sup> Additionally, an auction helps realize the true market value of the property and can further reduce costs by eliminating multiple, or on-going appraisals to uncover changing market conditions and of course, eliminating the employee's perception about the list price.

As auctions are not a solution for every situation, Graebel consults with clients on when to consider an auction, how to do it, and what to expect. By hiring a national broker to analyze the property then identify how it would aggressively market it, Graebel determines if the home is ideal for auction. If an auction is the best case scenario for the selling process, Graebel, on its client's behalf, will work with a reputable source to conduct the home auction.

Graebel represents the client at the auction, coordinating the necessary paperwork after the property closes.

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**FIGURE 4. AVERAGE NUMBER OF HOME MARKETING DAYS**



#### KEEP MOVING AHEAD WITH GRAEBEL

The challenges facing companies today – a slow housing market, the shortage of skilled workers willing to relocate, and increasing costs of relocations – can take their toll both on employees and employers. However, companies that have turned to Graebel to manage their relocation programs have saved money and reduced stress for everyone involved. With proven, proactive, and trend-spotting solutions, Graebel has what it takes to help companies maintain a mobile, productive global workforce during and after the national housing crisis.



#### CONDUCT COST-EFFECTIVE EMPLOYEE RELOCATIONS

Contact Graebel to schedule an in-person, no obligation meeting about programs in this document, or to learn how Graebel consults with clients to best structure an employee relocation program covering:

- > Buyer Value Option (Amended Value)
- > Guaranteed Buy-out Option
- > Delayed Buy-out Option
- > Loss-on-sale Policy

<sup>16</sup> Bailie, Judy. "Selling Real Estate by Auction – Your First Choice or Your Last." *Mobility Magazine*. September 2006.

<sup>17</sup> National Association of Realtors, 2007.

#### FOR MORE INFORMATION ON GRAEBEL'S RELOCATION SERVICES:

Graebel World Headquarters | 16346 Airport Circle | Aurora, CO 80011 | 800.723.6683 | 303.214.2156 (fax) | marcom@graebel.com | www.graebel.com

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