



Editor Noel Hulsman
on the world of
Small Business



WEEKEND WORKOUT: RELOCATION

To sell, buy or rent: The relocation question

Kira Vermond dissects the latest workplace and career trends

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It's time to think about sending that mid-level corporate executive down to the United States to expand the business. Just one hitch: Goodbye Vancouver's hot real estate market. Hello Toledo's unsold houses.

At first glance this doesn't seem like a bad deal. Combine cheap U.S. housing with a strong Canadian dollar and it's easy to land more house for less cash.

But with the calamitous U.S. housing market putting real estate agents through their paces, some Canadian and global companies are thinking twice before relocating employees south of the border.

Here's the belief: Even if employees do sell their Toronto home for \$852,000 and buy a comparable place in Glendale Heights, Ill., for \$297,000 (which had been sitting on the market for five months) how easy will it be to sell the U.S. home when it's time to move on?



"The impact is not so much about on the way down. It's about the perception of what it's going to be when they return," says Linda Ward O'Farrell, managing consultant at Ward O'Farrell Consultants Inc. in Montreal, which helps companies develop relocation policies.

Cris Collie, chief executive officer of Worldwide ERC, a relocation organization in the Washington, D.C. area, says it's smart to think ahead.

"Everybody tends to focus on planning for this particular move, but you've got to be thinking about the next step," he says.

Don't make me go

According to a 2007 Worldwide ERC survey, at least 60 per cent of organizations report employee reluctance to relocate.

Of these respondents, 70 per cent of them reported "slowed real estate appreciation/depressed housing market at the old location" as the reason employees were hesitant.

It's a dramatic shift from 2006 when only 16 per cent of respondents mentioned this rationale.

Updated policies

To keep transferring employees happy, employers are trying to find ways to shoulder the burden at sale time. Companies are paying for more appraisals, giving employees bonuses if they sell quickly, giving the buyers incentives such as six months mortgage free, and others have added loss-on-sale financial support.

They have to - if they want to retain good employees as the talent pool shrinks.

"Employees don't join a corporation because of the relocation policy, but you might lose an employee if you're trying to relocate them and the policy is not sufficient to cover financial loss," says Ms. Ward O'Farrell.

How do you know if your policy is a dud? If employees are starting to balk at, say, your one-time house-hunting trip provision, maybe it's time to add more trips, says Lisa Hulet, vice-president of business development for Prudential Relocation Canada Ltd. in Toronto.

And don't forget to find a relocation company that will put your employee in touch with an experienced real estate agent down south, she says.

"It has to be somebody who understands the whole nature and urgency of relocation. Their clients don't have a lot of time. They're not tire kickers," Ms. Hulet says.

Will they buy the farm?

Some companies offer a guaranteed purchase plan. That is, they buy the employee's house at its appraised value if it doesn't sell after a set time, 60, 90 or 120 days, for example. At this point the house is called, "inventory."

It took Brett Noel, vice-president of pricing and yield management at Amex Bank of Canada in Markham, Ont., seven months to sell his home in Phoenix when he started working in Ontario in September, 2007.

Luckily, Amex helped his family find a home in Aurora, Ont., to rent while the other house stayed on the market until February, 2008.

Renting is common - and encouraged usually - when employees are on a shorter two- or three-year assignment. The company also helped him find professionals who could price his house and increase showings.

What they didn't do, however, was take his house into inventory.

"Policy wasn't saying, 'Sell your house.' Policy was saying, 'You're on temporary assignment so seek to lease your house for the four years you're gone,' " he says now. He decided to sell anyway since he doubts he'll move back to Phoenix next time.

Rehana Doobay, vice-president of human resources for Amex Bank of Canada, confirms that the company rarely buys an employee's house and sells it, but it does offer more financial support on occasion.

"It's not a usual practice, but we look at it on a case-by-case basis, especially if it's a key talent," she says.

Risky business

Corporations aggressively recruiting tend to have guaranteed purchase plans, but many more don't, says Mark Lowry, consultant for principal accounts, global mobility services, at Runzheimer International in Allendale, N.J. And for good reason. Chicago-based Sirva International Inc., which provides employee relocation services for companies in the U.S., had about 800 unsold homes in its inventory at the end of September, 2007, up 59 per cent from the year before.

The firm recently filed for Chapter 11 bankruptcy protection.

"I was in Boston talking to one of my big clients and they're staying out of inventory. They said, 'we're in the business of pharmaceuticals. We're not in the business of buying and selling homes,' " Mr. Lowry says.

The Upside

There are a lot of bargains down in the U.S. for companies that are sending people down.

Stephen Cryne, executive vice-president, Canadian Employee Relocation Council

The Downside

People don't know what the implications of this housing market are because things are still shaking out. Who knows what's going to happen tomorrow?

Mark Lowry, consultant for principal accounts, global mobility services, Runzheimer International

Did you know...

Taking advantage of business opportunities and expansion is the No. 1 reason for relocating employees. Transferring skills to local areas is the second.

Managerial and technical staff members are most likely to be relocated.

Men are most likely to relocate. They're typically married with children (most often with a career spouse), are less than 40 years old with an average salary of \$88,325.

The most common reason for rejecting a move is family or spousal career concerns.

The average cost for moving an employee and family between Canada and the U.S. is \$57,275.

Sixty-nine per cent of companies provide home disposal assistance. Just 54 per cent allow the employee to purchase in the host country and of those, only 45 per cent offer home equity protection.

Source: Canadian Employee Relocation Council