

A Benchmarking Research Study by



Mobility and the Current Real Estate Market **2011**



A definitive analysis of the housing market's impact on workforce mobility, revealing new relocation trends and best practices



Although recovery has been slower to take hold than many had predicted or hoped, results from our 2011 *Mobility and the Current Real Estate Market* survey indicate that a sense of stability is returning to workforce mobility.



During the peak of the recession, from late 2007 through mid-2009, corporate relocation took a hard and fast hit. Economic instability forced companies to rethink—and in some cases retrench—their workforce mobility strategies, while softened real estate markets and questionable job security made employees hesitant to accept moves. In response to these challenges, and to keep critical talent deployable, an unprecedented number of policy changes were made.

Although recovery has been slower to take hold than many had predicted or hoped, results from our 2011 *Mobility and the Current Real Estate Market* survey indicate that a sense of stability is returning to workforce mobility. Thirty-nine percent of respondents made no changes to their policies last year, compared to 8% in 2009 and 10% in 2010. Instead, companies put more focus on fine-tuning existing provisions and processes to better manage their highly-valued mobile talent, advance corporate growth strategies, and control the most critical program cost drivers—the buying and selling of real estate.

Among other key findings of our survey:

- More companies are offering alternatives to employees who want to relocate but also want to avoid a loss-on-sale.
- The role of the corporate relocation professional continues to evolve, moving from “transactional” thinking to more strategic thinking. This is evidenced in the increased use of pre-decision programs to better manage risk and ROI and tiered programs to attract and retain high-potential talent.
- Companies are increasingly concerned with ROI, with 82% requiring payback agreements from employees who leave the company within a specified period after their moves.

Now in its fifth year, our survey of HR and relocation managers is widely considered the definitive indicator of the housing market’s effect on workforce mobility and a bellwether of corporate relocation trends and best practices. The results of our 2011 survey reflect the responses of approximately 200 companies managing over 43,000 annual moves.

This survey was conducted by Weichert Relocation Resources’ Consulting Services group between February 15 and April 11, 2011.

Policy Changes

If there was anything positive to glean from the recent recession, it would be a renewed corporate focus on the importance of managing the employee home marketing and home selling processes. It's not surprising that one of the most turbulent economic periods in recent memory was marked by an unprecedented number of policy changes, as companies enforced stricter guidelines and shared responsibility in such areas as listing price, broker selection and home marketing time.

In light of this, the decrease in policy changes reflected in our 2011 survey results could be viewed positively, indicating some much-needed stability returning to corporate relocation. Signs of recovery, steadier housing markets and an improved employment picture have allowed companies to spend less time reacting to market conditions and more time fine-tuning their policies for long-term success.

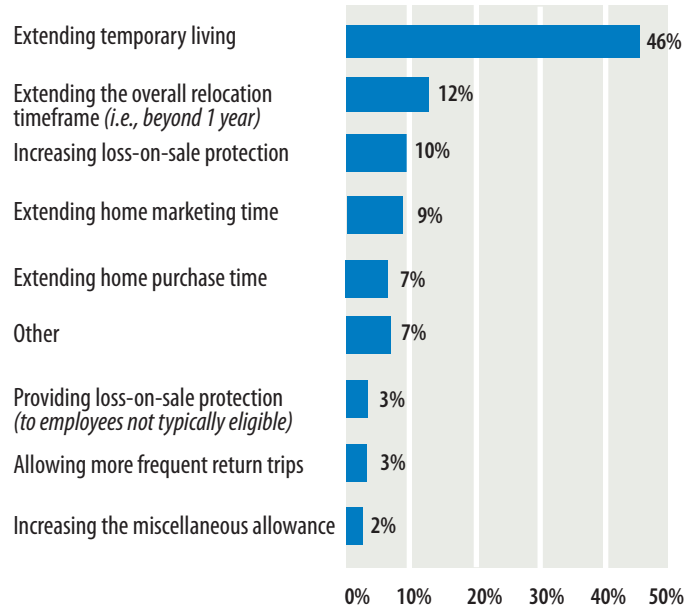
A comparison of survey results from the past three years, illustrated in the graph below, shows steep drops in the rate of policy change. But companies were far from dormant, actively pursuing policy improvements by adding or increasing loss-on-sale benefits (14%), adding pre-decision assistance (13%), adding or tightening required list price guidelines (11%) and increasing the time or amount of temporary living coverage due to extended home marketing times (10%).

Which of the following policy changes did you implement? (choose all that apply)	2009	2010	2011
No changes made	8%	10%	39%
No changes to formal policy; however, considered more exceptions	N/A	N/A	27%
Added or increased loss-on-sale assistance	40%	33%	14%
Added or tightened required list price guidelines	37%	28%	11%
Increased time or amount of temporary living coverage	34%	27%	10%
Increased home marketing time	29%	22%	4%
Added or increased home sale incentives	28%	17%	7%
Increased time or amount of duplicate living coverage	22%	16%	6%
Provided rental assistance for homeowners that opt not to sell at this time	16%	18%	5%
Added or increased required minimum marketing time	15%	8%	5%
Added or increased eligibility for a guaranteed buy-out	13%	14%	2%
Added a formal pre-decision program	11%	10%	13%
Increased miscellaneous allowance	N/A	N/A	3%
Increased time or amount of cost-of-living or mortgage subsidy assistance	6%	19%	1%
Extended repayment/payback agreement terms	N/A	N/A	7%
Decreased home purchase assistance	N/A	N/A	5%
Adopted a flexible benefit program	N/A	N/A	3%

The Most Common Exceptions

Although most relocation managers shudder at the prospects of making exceptions, they can be an effective part of a recruitment and talent management strategy, sometimes essential to getting the most desired candidate to take a move. They can also be excellent indicators of areas where policy refinements may be needed. To gain a better understanding of the areas where mobile employees are most often seeking additional support, we asked participants to indicate which exceptions they are approving most frequently.

Please indicate which of the following exceptions you are approving most frequently:



It wasn't surprising to see temporary living top the list of frequently-granted exceptions (46%), but the fact that 12% of respondents are willing to extend the overall timeframe for the relocation was intriguing. A few years ago, such occurrences would be few and far between.

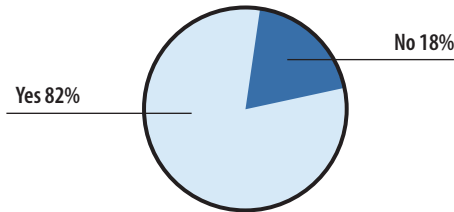
Relocation ROI

Considering the amount of time that companies invest in identifying the right mix of relocation benefits to attract the most desired candidates, and the increased use of such due diligence tools as pre-decision programs—not to mention the actual cost of each move—it's not surprising to see more companies adding payback agreements. Such agreements allow employers and employees to share responsibility for the success of a move, and ultimately hold employees accountable for renumeration their companies for the costs of their moves if they leave within a specific window of time after being relocated. The message here is, "we're making an investment in you, and we want to know that you're committed to us."



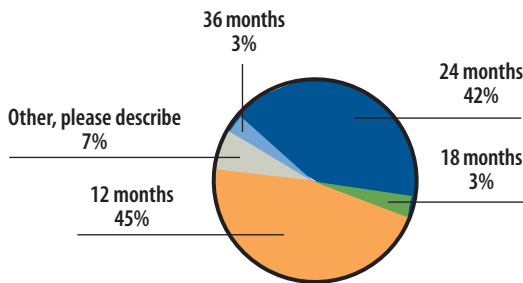
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Do you require payback agreements?

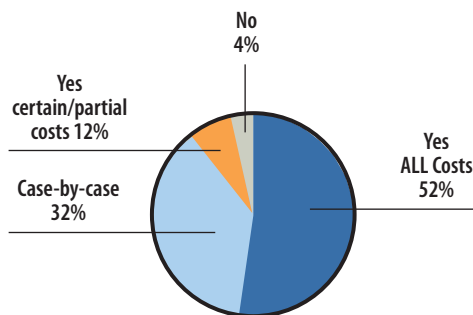


Responses show that the vast majority (82%) of companies require both current employees and new hires to sign a payback agreement, with roughly one-half using a 12 month repayment window and the other half using 24 months (45% and 43%, respectively). About half (52%) of companies enforce the agreement by recovering all relocation costs, while a smaller number will recover partial costs only. An additional 32% evaluate costs on a case-by-case basis.

What is the maximum timeframe of your repayment agreement(s)?



Do you enforce payback agreements by recovering relocation expenses after the employee leaves the company?



Home Sale Program Tiering

While in the past, companies strived for consistency throughout their relocation policies, there is increasing interest in tiered policies. In fact, the number of participating companies with tiered programs jumped from 25% in 2009 to 42% in 2010. Although that number dropped slightly to 39% in our 2011 results, it indicates that the tiered policy is likely here to stay, as it gives companies the flexibility to offer different benefits to specific employee demographics, such as senior executives and high-potential talent. It also allows them to differentiate among employees based on home ownership.

Extending Marketing Times

Factors to consider when deciding whether an employee receives a Guaranteed Buyout Option or a Buyer Value Option are the typical marketing timeframes and days-on-market for each option, as well as the risk of inventory vs. the ability to expedite the move. Our survey results indicated that the majority of BVO programs (53%) experienced more than 120 days on market. This no doubt contributes to the high level of exceptions granted to extend temporary living. In comparison, only 39% of companies with GBO programs reported days on inventory greater than 120 days.



In addition to the cost of a failed relocation, consider the cost of attrition, which can be as high as 35% above norm among recently relocated staff. This quickly could translate into a hidden but substantial cost to the organization.

Home Marketing Controls

In the wake of the recession, most companies are now acutely aware of how much the marketing and selling of employee homes can impact overall relocation costs. And our survey results indicate that they continue to pay attention to the critical cost drivers:

Policy Provision	2007	2008	2009	2010	2011
Mandatory Broker Selection	61%	65%	71%	71%	70%
Minimum Marketing Period	70%	85%	75%	75%	88%
List Price Guidelines	62%	68%	66%	71%	66%
Consider Offers Below AV	87%	87%	92%	96%	90%

Mandatory broker selection: Brokers play a critical part in securing a timely sale and arguably play one of the most important roles in the mobility process for homeowners. At a time when navigating real estate markets is more challenging than ever, requiring your mobile employees to work with pre-selected brokers with proven relocation expertise can make all the difference. Seventy percent of companies currently have such a requirement in their programs. Among these companies, 59% penalize employees for listing with “unapproved” brokers, while 41% evaluate penalties on a case-by-case basis. The most commonly-invoked penalties among respondents include:

Employee forfeits eligibility for home sale program	32%
Employee forfeits eligibility for the home sale bonus/incentive	5%
Employee forfeits eligibility for new home purchase benefits (i.e., closing costs)	5%
Employee forfeits both home sale and new home purchase benefits	4%
Employee forfeits some of their miscellaneous allowance	1%
Employee is assessed/charged a “non-compliance” fee (where permitted by law)	12%
Case-by-case	41%

Minimum marketing period: Competition for the buyer’s attention in most markets has never been more intense. Under such conditions, requiring that employees spend a minimum amount of time to market their homes before they can accept the guaranteed offer—as 88% of respondents do, up from 75% last year—just makes sense. Equally important is what happens during that marketing period. Do you provide your employees with incentives, counseling, repair and improvement allowances, or advice on tactics such as staging their homes? In today’s market, a home needs to have zero deficiencies to get sold quickly.

List price guidelines: The best thing a relocating employee can do to capitalize on the market upswing is to be realistic with both the asking and selling price of their home. This is the hard part, because sellers typically feel they have to get back whatever they originally paid for the house, plus recoup any investment made on improvements, plus a little more. As a result, some sellers want to reach for the sky on asking price, resulting in extended marketing time and a lower selling price. Even in a stable market, a home that is on the market longer likely will sell for less because the market is waiting for the price to come down.

Given the small window of three months (on average) to sell a home for a relocation, mandating guidelines under which employees must list their homes is valuable for both the employee and the bottom line. Interestingly, our results show fewer companies (66%) using list price guidelines than last year (71%), which we hypothesize is a reflection of new participants in this year’s survey with lower volume and less sophisticated policies.

Among those companies that do enforce list price guidelines, however, survey results indicate a more aggressive stance being taken:

List Price Guidelines During Employee’s Self-Marketing Period	2008	2009	2010	2011
No more than 103% of BMA/AV	2%	11%	12%	17%
No more than 105% of BMA/AV	73%	66%	65%	67%
No more than 107% of BMA/AV	6%	3%	8%	2%
No more than 110% of BMA/AV	12%	14%	6%	11%
Other/Depends on Location	7%	6%	9%	2%

Home Sale Incentives

As companies tighten marketing guidelines and criteria for home sale programs, incentives are gaining traction as a way to reward employees for “playing by the rules.” Our survey results showed that 61% of companies offer incentives.

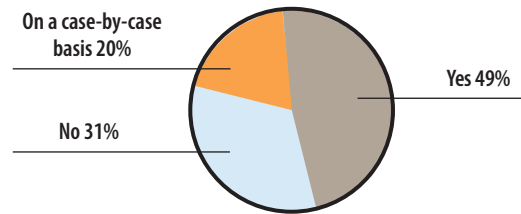
The most popular home sale incentive continues to be 2%, and among the companies that cap this incentive, \$10,000 is the most common amount. These numbers have not changed substantially through our last three surveys.

Loss-on-Sale

Losing significant investment—whether real or perceived—in the sale of a home represents a significant barrier to relocation in the eyes of employees. Although home values have stabilized in certain markets, companies still recognize the need for loss-on-sale assistance, and have spent the last year refining their programs by increasing limits or establishing maximums to accommodate different levels of employees.

Sixty-nine percent of companies cover loss-on-sale either on a case-by-case basis or formal policy. In addition, there was an increase in the number of companies that provide loss assistance to all current homeowners, from 25% to 31%.

Do you have a Loss-on-Sale Assistance Program?



If so, who is eligible?	2010	2011
Current EE HO, Senior Level	35%	24%
Current EE HO, Mid-Level Mgt./Professional	24%	17%
All Current EE HO	38%	26%
NH HO, Senior Level	19%	23%
NH HO, Mid-Level Mgt./Professional	10%	10%
All HO are eligible	25%	31%

Loss-on-sale represents a significant barrier to relocation in the eyes of employees. To control costs most companies establish strict eligibility guidelines and caps.

Also, the majority (77%) of companies do not consider capital improvements in their calculation of the loss. However, more companies will tax protect the loss-on-sale assistance—88%, up from 72% in last year’s survey.

Eighty-two percent of companies cap their loss-on-sale assistance, with the vast majority of those companies establishing a dollar (vs. a percentage) limit. Last year’s survey showed a dramatic increase in the maximum that companies will cover—a trend that continued in this year’s survey. Only one percentage point separated \$50,000 from \$100,000 as the most popular maximum cited (16% vs. 17%).

Maximum Dollar Loss-on-Sale	2008	2009	2010	2011
\$10,000	4%	4%	1%	2%
\$15,000	0%	4%	3%	2%
\$20,000	20%	12%	11%	9%
\$25,000	14%	16%	10%	15%
\$30,000	10%	6%	10%	7%
\$40,000	5%	5%	6%	5%
\$50,000	20%	25%	36%	17%
\$75,000	1%	1%	1%	6%
\$100,000	8%	3%	4%	16%
\$125,000	N/A	N/A	0%	0%
\$150,000	N/A	N/A	2%	5%
\$200,000	N/A	N/A	1%	2%
Other (over \$200,000, Based on a percent of value or sale price, etc.)	18%	23%	16%	15%

Despite this increase, there are still some things companies won’t do when it comes to loss-on-sale assistance. Sixty-three percent do not cover negative equity and the vast majority (84%) do not encourage employees in a negative equity situation to pursue a short sale with their lender. Nearly half (43%) of companies exclude short sales from the home sale program and 42% will handle them on a case-by-case basis. The few that will cover short sales cover them as a direct reimbursement and may exclude them in the home sale program.

Addressing the Homebuyer Tax Credit

A homebuyers’ tax credit was introduced in 2009 as a means to stimulate the real estate market. First-time home buyers were eligible for an \$8,000 credit and non first-time homebuyers were eligible for up to a \$6,500 credit. One stipulation of the credit, however, was that it must be repaid if the home was sold within three years of purchase. This is presenting a problem for employees who received a credit but are now being asked to relocate, and most are seeking assistance from their employers.

Companies are still finding their way around this issue. Survey results show that 67% of companies have not yet encountered this situation, 21% do not cover any homebuyer credits that the employee may owe and only 12% will consider this on a case-by-case basis. Companies may refer the employee to the services of a specialist for a complete assessment of their situation and determination of repayment of the credit.



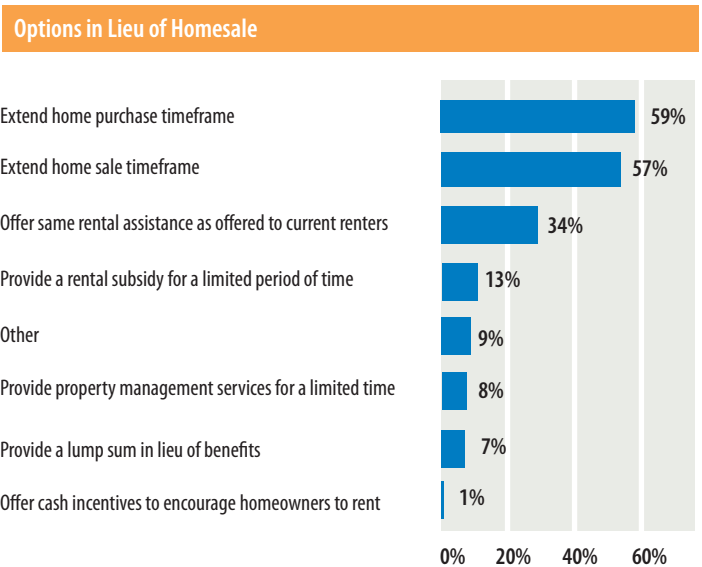
Even employers who are willing to compensate employees for a homebuyer’s tax credit repayment due to relocation should make sure to determine whether in fact any credit repayment is actually necessary. According to one provider that specializes in employee relocation, “In about 50% of situations, the employee does not have to repay the credit.”

Destination Assistance

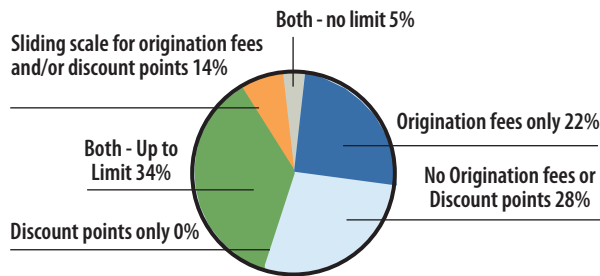
While controlling costs in the departure location (e.g. home sale) has been top-of-mind for several years, extended purchase timeframes and increased pre-decision trips have placed greater focus on buying in the destination location.

Most companies provide home purchase benefits only to those employees who were home owners in the departure location; only 27% provide home purchase assistance to former renters. However, a significant number of companies are delaying the use of home purchase benefits if a home owner opts to rent in the new location. Stemming from significant declines in value, 43% of respondents indicated that they allow current homeowners to become renters, or otherwise delay home sale/home purchase. Another 34% of respondents indicated they do so on a case-by-case basis.

The chart below indicates the options offered when employees delay the home sale or purchase.



Home Purchase Closing Costs: Reimbursement of Origination Fees and Discount Points



Consumers enjoyed low interest rates in 2010 and our survey showed that companies adjusted their policies accordingly. The vast majority of companies no longer cover discount points. However, the majority will cover origination fees and 56% control the costs either by maximum percentage or dollar amount.

WRRI has seen an increase in the number of companies that have implemented a sliding scale for discount points that allows them to provide assistance only when the interest rates exceed a specific level. While rates remain low, paying points is not necessary and the company can shift the cost savings to other areas within the program.

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Pre-Decision Programs

Effective talent management is tied to making the right relocation decisions. This is why relocation pre-decision services have become so popular, as they not only help link career development with corporate needs, but also give the candidate and the employer more insight into the financial impact of the move much earlier in the process.

Specifically, pre-decision assistance helps to provide critical pieces of knowledge up front, including the realistic price that an employee can expect to receive for his/her home, the current market conditions in the destination location, and the amount that the employee can afford to finance. Armed with this information, both the employee and employer can make an informed decision and increase the likelihood of a successful move.

More than half of the companies participating in our survey offer pre-decision services, and 67% consider all employees to be eligible, regardless of whether they are a current employee, new hire, or senior-level.

As for the components of their pre-decision programs, nearly three quarters of companies provide policy counseling and the vast majority use either a Broker's Market Analysis (46%) or an appraisal (42%) to establish the departure home value—the latter being essential if the employee is eligible for a guaranteed buyout. In addition, 42% indicated that they provide a pre-decision trip as part of their pre-decision programs.

Pre-decision programs reflect yet another way in which the role of the corporate relocation manager is evolving, putting greater emphasis on risk management and ROI.

Conclusions

In the wake of the deluge of changes brought on by the recession, companies are now taking a few steps back, slowing the pace of change and fine-tuning the policy upgrades they've already implemented so that they drive consistent, annual cost savings.

While their focus remains primarily on controlling costs related to employee real estate marketing and sales, the professionals responsible for corporate relocation programs are being asked to work more strategically and less "transactionally," indicating that companies are realizing that the effects of any corporate relocation reverberate far beyond the move itself. They are being more thorough in their selection of relocation candidates and tiering programs to attract and retain specific employee groups and high talent potentials. Anecdotal evidence suggests that such measures enable companies to closely monitor costs by employee type that can help them better forecast costs and be more judicious in authorizing exceptions to policy.

Furthermore, as companies spend less time overhauling their programs, HR representatives can spend more time focusing on long-term workforce planning and aligning mobility objectives with overall corporate talent management goals. This is especially evident in the increased interest in pre-decision programs and other strategies that help them identify the best candidates for relocation and, theoretically, improve their chances of better ROI.

About WRRI - The Next Practices Company®

Weichert Relocation Resources Inc. (WRRI) delivers innovative Next Practices® that help some of the world's leading companies avoid inventory, increase employee home sales, enhance mobile workforce management and reduce program costs. WRRI is recognized as the growth-oriented industry leader, providing a unique combination of stability, financial expertise and seasoned leadership that has made the company a trusted partner to clients throughout the world. Our Consulting Services group conducts extensive research and benchmarking, including annual surveys like this one, which results in one of the deepest resources available in the industry. This robust database and subject matter expertise provides actionable information to clients and helps them understand, develop and implement more effective relocation and assignment management programs.

For more information, visit wrri.com.

Additional Resources

For a copy of previous surveys, WRRI white papers or additional information about this survey, contact solutions@wrri.com.

Representative List of Participating Companies

On behalf of WRRI, we would like to thank the following companies for participating in our benchmark survey:

Accenture	Cerro Flow Products LLC	Ford Motor Company	Medtronic, Inc.	Sun Chemical Corporation
ACS/Delta Air Lines, Inc.	Chiquita Brands International Inc.	Freescale	Michael Foods, Inc.	TDBG
Aeroflex Colorado Springs, Inc.	Chrysler	Genentech	Monsanto	Temple-Inland
Ahold USA Retail	Citigroup	General Dynamics C4 Systems	MWH Global	Tenet Healthcare
Air Products and Chemicals, Inc.	Clearwater Paper Corporation	General Mills	MWV National Spinning Co., Inc.	Textron Inc.
Alcatel-Lucent	CMS Energy	Gerdau Ameristeel	NCR	The Clorox Company
Alcon Labs	CoBank	Great American Insurance Group	New York Life	The Hanover Insurance Group
AMC Theatres	Colgate Palmolive	H. J. Heinz Company	Newmont Mining Corporation	The Hershey Company
Americal Electric Power Service Corporation	Comcast	Hallmark Cards	NextEra Energy, Inc.	The Home Depot
AmericanWest Bank	CompHealth	Harris	Northrop Grumman Corporation	The Lubrizol Corporation
Anadarko Petroleum Corp.	ConAgra Foods	Health Inventions	NTRS	The MITRE Corporation
Ann Taylor (ANN INC.)	Corning Incorporated	Hospira, Inc.	ONEOK, Inc.	The Nielsen Company
Apache Corporation	Correction Corporation of America	Iberdrola USA	O'Reilly Automotive	The Regence Group
APM Terminals	Covance, Inc.	IM Flash Technologies	Oxford Industries, Inc.	Tops Markets, LLC
Applied Materials	Cox Enterprises, Inc.	Ingersoll Rand	Parker Hannifin Corporation	Toys"R" Us
ArcelorMittal USA	CR Bard	Itron	PBI/Gordon Corporation	Travelers
Archstone	Crate and Barrel	ITT Corporation	Pentair Inc.	TWC
Astellas	CSX Transportation	J.B. Hunt Transport Inc.	PolyOne Corporation	Tyco International
AstenJohnson	CVS Caremark	Johns Manville	PPG Industries	U.S. Steel Corp.
AutoZone	Daymon Worldwide	JPMC	Praxair, Inc.	UAW-General Motors
Barclays Capital	Deloitte	Kelly Services, Inc.	ProSight Specialty Insurance	UPS
BB&T	Diversey, Inc.	Kennametal Inc.	Royal Bank of Canada	US Foodservice
BE Aerospace	Dominion	Kiewit Corporation	Regions Financial	Vertis Communications
Bechtel	Domino's Pizza LLC	Kimberly-Clark Corporation	RF Micro Devices	VF Corporation
Black & Veatch	Dow Chemical	Kindred Healthcare	Ryder System, Inc.	Visa Inc.
Boehringer-Ingelheim	DuPont	Koch Business Solutions	sanofi-aventis	Watson Pharmaceuticals
Bombardier Aerospace	Energizer	Kohler Co.	SBSI	Weatherford International Inc.
Booz Allen Hamilton	Enterprise Products Company	Lafarge North America	Schlumberger	West Liberty Foods
Boston Scientific	Ernst & Young	Land O'Lakes	Schneider Electric	Westfield Group
BP America	Estee Lauder Companies	Level 3 Communications	Scotiabank	Westinghouse Electric Company
Bridgestone America, Inc.	FBL Financial Group, Inc.	Loews Corporation	Seagate Technology	Whirlpool
Brinker International	Ferguson Enterprises, Inc.	Loews Hotels @ Universal Orlando	Serco Inc.	Woodward
Bristol-Myers Squibb	Fidelity Investments	LSCI Corporation	Sony Electronics Inc.	Zimmer, Inc.
Broadcom Corporation	Firmenich Inc.	Luxottica Retail North America, Inc.	SPX Corporation	ZS Associates
Brown-Forman	First Quality Enterprises, Inc.	Macy's	Stanley Black & Decker	
CA Technologies	First Wind	Marathon Oil Company	Starbucks Corporation	
Campbell Soup Company	FLSmidth	Mars, Inc.	State Farm Insurance	
Caterpillar Inc.	Fluor	Mary Kay Inc.	State Street Corporation	
Cerner	Foot Locker, Inc.	MasterCard Worldwide	Stryker	



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