

*HUMAN CAPITAL MANAGEMENT:  
What the C-Suite Needs to Know About Employee Relocation*

# Overcoming Relocation Reluctance

By David Creelman



## A rising number of homeowners are saddled with negative equity, leaving companies to face an uphill battle when convincing top talent to move.

**A**ccording to a February 2008 study by online real estate service Zillow, 30% of people who purchased homes in 2007 and 39% of those who bought in 2006 have experienced negative home equity.

This increasingly is becoming a problem for companies that want employees to relocate. No one wants to realize a significant loss when selling their home, so convincing employees to move is especially challenging in the current environment.

Experts say the most noticeable impact is on a company's ability to move people quickly.

"Companies need to adopt policies to make moves more palatable," says Ellie Sullivan, director of marketing and consulting for Weichert Relocation Resources Inc., a global relocation services provider based in Morris Plains, N.J.

### DON'T LET HOUSES LANGUISH ON THE MARKET

The first thing companies can do is help a soon-to-be-moving employee set an aggressive list price to sell the house quickly. Weichert Relocation's research shows that listing at too high a price ultimately results in an unduly low value when the property finally does sell.

The idea of the company getting directly involved in helping employees sell their houses is new for some. Traditionally, companies have been more hands-off; employees were free to choose any real estate agent they liked, even a part-time one, to sell their home. But relocation is an expensive business for companies, and thus they are setting higher standards, such as insisting that real estate agents be chosen from an approved list of professionals.

Advertising the house on the Internet is particularly important

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*– Ellie Sullivan, Director of Marketing and Consulting, Weichert Relocation Resources Inc.*

too, since an estimated 80% of home buyers begin their house hunting online. A company needs to be sure that an employee’s home is attractively priced and well marketed. Some companies are providing an incentive to employees, typically 2% of the house’s value, if they can sell their homes quickly.

### CONVINCING EMPLOYEES WITH CONVINCING BENEFITS

A positive approach can ease the challenges of discussing relocation with an anxious employee.

“Take them through all the benefits you offer and how they can get the most from them,” Sullivan says. “Then move on to explaining how their career benefits from making the move. You don’t find many CEOs who haven’t moved around a great deal over the course of their career.”

Companies commonly offer a range of relocation benefits, such as expert resources for selling and buying, temporary living assistance, return trips and home-finding visits. Some employers even guarantee that they will buy a house if an employee can’t sell it, which is the ultimate safety net.

Employees may be reluctant to reveal their financial difficulties. They may give a number of reasons why they don’t want to move, obscuring the real reason: they don’t want to face the potential loss they’ll incur by selling their home. There is no magic here beyond the skill expected from HR professionals in handling sensitive matters.

One preemptive measure is to offer financial planning services as part of an employee assistance program and to encourage employees who are candidates for future relocation to use this service.

Another potentially serious problem is tighter lender standards, which mean an employee may be unable to get financing for a new home. There is no easy solution to this, but employers need to be aware of this potential land mine.

The ultimate benefit is for companies to absorb some of the loss. This is an expensive practice, but more than 68% of companies do it in some cases, Sullivan says.

### ALTERNATIVE SOLUTIONS

According to experts, this problem won’t disappear anytime soon.

“With consecutive declines over the past five quarters, we haven’t seen the housing market bottom yet, and it may very well get worse before things get better,” says Stan Humphries, the vice president of data and analytics for Zillow.

One little-considered alternative is to encourage fast-track employees to rent. And in this age of telecommuting, there is this last solution: don’t move the person.

Markets go up and down, but it’s hard for people to be philosophical when their homes are highly leveraged in a declining market. It is up to companies to provide the wisdom and resources so that negative equity does not freeze their ability to move talented employees where they are needed most. ■

## UNDERSTANDING THE CRITICAL NEED FOR EMPLOYEE RENTAL RELOCATION SOLUTIONS

Relocating to a new job in a new location brings stress along with excitement — for both the relocating employee and the human resource person in charge.

Today, renters make up more than half of employees permanently relocating, and more than 90% of those who are temporarily assigned to new locations.

As a result, companies must take a comprehensive view of their relocation programs, striking a balance between policies that attract and retain the best employees and cost-containment approaches that keep programs within budget.

CORT can help you achieve that balance. From online apartment location and touring services to hotel and car reservations and utility connections, we can help make transitions seamlessly efficient — for the employee, the HR professional and management.

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