

Temporary Accommodations: What to Consider When Controlling Costs

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As one of the highest costs of a mobility programme, temporary accommodation is a regular topic of discussion for most global mobility teams, cost centre owners and relocation management companies (RMCs). There is always significant pressure on mobility teams and functions to accurately project temporary living costs at the outset of a relocation, and on providers to manage cost control. Below, we'll discuss how to establish cost parameters around temporary accommodation, what to consider during a policy review, and why some property offerings may seem like a cost-effective option on the surface but could result in higher costs in the long run.

5 Ways to Establish Cost Parameters Around Temporary Accommodation

1. Fixing Rates
2. Capping Rates
3. Spotting Rates
4. Setting Budgets
5. Offering Lump Sum Payments

Establishing Cost Parameters Around Temporary Accommodation

There are five ways a company can establish and manage parameters around the cost of temporary accommodation in their mobility programmes. These include:

1. **Fixing Rates:** Fixing housing rates in certain or all locations can provide certainty for budgeting purposes and may achieve savings against the market during the year. However, this approach can restrict an organisation's market options, as not all property agents and providers will want to rent at a fixed price. Depending on the time of the year, this may also eliminate some options, as agents will prefer to rent at the highest price possible for the greatest return.
2. **Capping Rates:** By determining a capped market rate for local markets, or particular properties with defined attributes, companies will have a better handle on budgeting but also build flexibility into their programmes.
3. **Spotting Rates:** With no budget rates, caps or fixed amounts, 'spot rates' rely on the provider to offer any properties with the right availability and the required attributes in the search location. This can result in a vast range of property types being offered, from studio apartments to five-star housing, so – to achieve parity and fairness of choice to all employees – a clear scope should be defined with an organisation's service provider before any properties are offered to relocating employees.
4. **Setting Budgets:** Setting budgets based on information from reputable housing data providers allows for fairly accurate cost projections and gives the provider a guideline for the price point. Searching for properties based on budget will return varied attributes and, while this may result in more choices, the choices might not be in line with employee expectations.
5. **Offering Lump Sum Payments:** While this isn't an option that is used everywhere in the world, some companies in some regions have chosen to offer a lump sum to employees instead of full temporary accommodation support. While this is a good way to ensure the policy component remains within budget, asking an employee to source, book and pay for their own accommodation may not result in a positive experience and does not align with duty of care best practices. For more information on the [drivers behind lump sum approaches to mobility](#), and [the guidelines to consider when using them, visit our blog](#).

For a better understanding of the above options, [please contact us](#) for more information.

While the most common method of budgeting for temporary accommodation is to use housing tables (either from a data provider or from providers of temporary accommodation) there are additional factors businesses should consider when reviewing budgets. Each property's star rating, number of bedrooms, regularity of cleaning, location within the city, age of its last refurbishment, and/or the availability of public transport are all considerations that can affect its daily or nightly rate. Other considerations include whether there is a concierge and/or a secure lobby, the security of the building as a whole and whether there are laundry and cooking facilities. Pet and family friendliness can also affect pricing. It's important to evaluate exactly what components the business expects as standard property attributes to ensure that its budget reflects true housing availability against those parameters.

It's believed that over 80% of global temporary accommodation bookings are corporate bookings, according to reviews with our temporary living providers. Despite this estimated dominance, it is important to understand that international corporations cannot control market rates. Property values are dictated by local economies, which themselves, can be influenced by major local or global events, such as the Olympics; seasonal variations, such as peak tourist times; unforeseen events, such as a major group move affecting a micro-market; or pandemics such as the one caused by COVID-19. These can all disrupt or inflate market rates beyond prediction. Consequently, budgets are only one indicator in a process that should always be weighed against real-time, local factors. Only then can the true cost of available properties be determined. To avoid surprises for the business, it's recommended that budgets be reviewed every 6-12 months.

[Temporary Accommodation: A Core or Flex Benefit?](#)

A common point of discussion amongst company decision makers is whether temporary accommodation should be provided as a core or flex benefit. With mobility trends leaning towards more flexible arrangements and temporary accommodation being such a high spend item, it's tempting for many stakeholders to want to reduce costs by allowing discretionary accommodation. However, this can present risks for both the company and the relocating employee. Employees, who are typically less informed or experienced, run the risk of choosing properties that may be cost

prohibitive, outside of a commutable work range, in unsafe locations, or whose owners have not been vetted as reliable providers when left to finding temporary accommodation on their own. There may also be little to no control over cleaning and sanitising, which is a key consideration in cases such as the recent pandemic. Conversely, when the temporary accommodation benefit is guided by location-specific financial caps, a list of vetted providers, and controls of use, employees benefit from a positive employee experience – good for the company’s mobility brand – and organisations are better able to control costs. For certain move types, particularly permanent ones and assignments in which household goods are being shipped (and in transit for 3-8 weeks), temporary accommodation should be a core benefit for all affected employees.

Reviewing Your Temporary Accommodation Offering

For companies that would like to improve upon their temporary accommodation provision, a programme review is highly recommended in two areas: temporary accommodation as a provision including market and budget reviews, and policy positioning.

Temporary Accommodation as a Provision

The following five considerations can prove to be useful when assessing and redefining a company’s temporary accommodation provisions for best results:

1. Review budgets if they have not been examined in the last three years, allowing time to review market conditions in all applicable destination locations and the preferred attributes for each areas’ property inventory.
2. Set expectations and communicate with business stakeholders that budgets are meant to be a guide; they are not absolute, as local market and real-time events can affect property costs beyond anyone’s control.
3. Define the purpose of temporary accommodation and communicate that purpose clearly to relocating employees so they understand that the accommodation *is* temporary; setting clear rules and parameters around the purpose of accommodation will go a long way in achieving this.
4. Understand key differences between serviced apartments and properties that are listed on popular holiday rental websites such as Airbnb, Booking.com or

HomeAway. Corporate serviced apartments are managed by vetted landlords, who provide professional property management that includes defined and monitored cleanliness protocols; professional key control and security considerations; maintenance availability 24 hours a day, seven days a week; pest management that includes bed bug inspections, where appropriate; cancellation and extension policies; guidelines for the personal safety of guests; and, critically, the provision of landlord letters for the purposes of immigration when required. These are a few of many reasons vetted, serviced properties should be used and their higher costs can be justified. Ensuring the safety of employees and the reliability of temporary accommodation contributes to an organisation's ability to accomplish its goals with minimised stress and maximised assistance. Ultimately, employee comfort and ease of transition are both key to a company's investment.

5. Set expectations for both the business and employees, since housing inclusions, exclusions, conditions and standards will all differ from location to location.

Policy Positioning

When reviewing potential cost control opportunities, there is also a benefit to reviewing policy positioning. In the case of temporary accommodation, establishing clear guidelines and communicating that a temporary place of residence is, in fact, *temporary* is key – in most cases, this will mean a time period of no more than a month. Explicitly communicating that a temporary accommodation is not designed to be the “perfect family home” but, rather, a soft landing place and introduction to a company sponsored move helps to facilitate collaboration and a positive experience. That positive experience allows for a greater focus on finding ideal long-term housing that meets the employee's and company's long-term goals. Setting clear parameters for both short-and long-term housing at the onset is key. It is also recommended to limit the options presented to an employee to avoid a state of overwhelm and streamline the process. Allowing the employee to choose one option from a list of three, and for those three options to be the lowest cost of three available within predefined attributes, would be common, even if 12 more options were available.

In addition to controlling budgets/attempting to reduce costs, clearly defining policy elements related to temporary accommodation can also help to avoid inflated or unnecessary spend. For example, SIRVA has noted that employees frequently ask whether bookings with Airbnb (or an equivalent provider's accommodation) would be

possible, claiming that the solution would be more affordable for the business. Often, this is not a like-for-like comparison and, aside from the security and booking risks associated with using unvetted accommodation, there could be additional costs. There could also be a risk of immigration requirements not being met for initial registration purposes if the landlords are not willing to provide confirmation of residence letters. Additionally, casual property booking sites or holiday-rental sites often exclude the standard measures that one would expect to be inclusions for formal temporary accommodation, such as:

- Professional property management
- Cleanliness protocols, including COVID measures
- Professional key control
- Maintenance availability, 24 hours a day, seven days a week
- Pest management, including bed bug inspections
- Cancellation and extension policies

In short, when the above inclusions fail to be included in a property, the resulting compliance or safety risks that occur can end up costing companies more money in the long run – whether through administrative costs (hard and soft) incurred to fix problems or through resulting fines and delayed timelines that can occur when immigration requirements have not been met. A poor experience can also result in the employee’s distraction from company goals and unnecessary anxiety. In extreme cases, should the employee’s perception of the company’s mobility brand be compromised, talent loss may also occur.

Finally, no article would be complete without assessing the potential impact of regionally or globally significant events on temporary accommodation. The impacts of the COVID-19 pandemic are a perfect example: As a result of the event, according to a report issued by the International Monetary Fund, flight departures had fallen by 90% within a year and hotel bookings decreased by 70%.¹ It’s no surprise that this further impacted the availability and prices associated with temporary accommodation units. Additionally, cleaning regulations have become more stringent and with some

properties handed over for government quarantining, desirability has become a key factor too.

Temporary Accommodation and Cost Control

Ultimately, to control the costs associated with temporary accommodation in an effective way, it's necessary to understand and assess each local market, revise budgets or rates used to manage and control bookings on a regular basis, and to clearly define and communicate the policy provision to both your relocating employees and the business leaders sponsoring the moves.

Using an RMC can be a benefit to organisations when it comes to managing temporary housing costs – thanks to their global networks that include reliable, vetted properties and their vast experience regarding structuring suitable temporary accommodation solutions that suit both company budgets and varying mobility programme requirements. For instance, SIRVA [manages a wide variety of corporate properties](#) that provide safe, fully-furnished accommodation – with flexible contracts that can be adjusted to any changes in permanent-home availability. More housing options allow for better support during peak seasons and last-minute housing needs. Leveraging local supply chains for locations can provide a better pool of housing options, potential cost savings through competition, and the ability to meet peak season housing needs.

For more information about how SIRVA can help your company control temporary accommodation costs, provide corporate housing budgets and options, or review your programme's policy provision as a means for change, contact us at concierge@sirva.com.

¹ International Monetary Fund, *A Simple Guide to Estimating the Impact of COVID-19 on Travel and Hospitality Activity*, 2 September 2020.

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