

AN UNDER-APPRECIATED OPPORTUNITY?

By PREI EDITORS

"Most investors would love to have an extra \$5,000 to \$10,000 in their pocket at the end of the year," says Kimberly Smith chief executive officer of Corporate Housing By Owner (CHBO). "The question to individual real estate investors is: Are you maximizing your income potential by adding some corporate housing units to your portfolio? You, as a real estate person, can't afford not to have this (corporate housing) in your vocabulary."



BELOW THE RADAR

The lesson here is that there is a class of renter that is almost ignored by individual real estate investors that is a less demanding tenant, that is willing to pay more for a short-term lease because of a transient status caused by reasons of employment (such as working on a remote project or job transfer) or a temporary family situation. This survey by CHBO helps an investor understand more about this class of tenant and whether this is a market to consider. CHBO conducts the survey, analyzes the data and publishes the results as its annual report.

The fourth annual survey of "corporate housing" owners indicates favorable readings on the rebounding health of the economy as well as insight into this segment of the real estate investment industry that is pretty much off most investors' radar.

Hidden potential

The "hidden gem" in the 2012 survey of more than 500 owners and managers of furnished residential rental properties – even for investors not par-

ticipating in this sector – is the recognition of its profit potential as part of a diversified portfolio. "Corporate housing is a critical product in the larger extended-stay-lodging segment," said Smith. "This is a growing trend, and there's a potential for profit here."

Traditionally, "corporate housing" was viewed as a perk from big employers transferring employees or hiring in people from out of the area. The companies might arrange for temporary furnished housing – from a few weeks to several months – for these workers in the "in-between" of selling one house in their former location and buying another in their new area. In today's economic climate, most companies don't pick up the tab anymore, but people moving into a new city still need short-term housing while they "test drive" the market and decide where to buy.

Other corporate housing renters may include a family displaced from their home temporarily by flood or fire, for instance, or someone needing furnished housing for longer than 30 days for business or pleasure.

A STRONG FUTURE

Among the most interesting – and relevant – findings in the survey, Smith said, were from the question "Do you plan on buying more investment real estate?" The percentage answering "No, I'm done with real estate" was down 10% from 2010. More respondents indicated plans to buy in the near future, and they showed a more positive outlook about financing.

"The fact that people have more faith in banks lending again and are less angry about their real estate experiences is definitely a cause for opti-

HIGHLIGHTS

2012 "By Owner" Annual Report and Corporate Housing Survey

Survey Respondents – Property owners across the U.S. (highest from California and Colorado), Canada and Panama.

Why Own Corporate Housing? – The top reason: long-term investment.

Will 2013 be More Profitable than 2012? 36% say yes.

Rental Rates and Discounts – 60.4% offered the same rental rates in 2012 as in 2011. One-third raised their rates in 2012, a significant jump from 2011.

Property Management – 80% do it themselves, a decrease from the last two years.

Will You Buy More Investment Real Estate? – 40% say yes, while 17% say no.

Property Type – The largest percentage of "by owner" properties (25%) are SFD, followed closely by low-rise condos (23%).

"Painless" Tenants – More than 90% had a positive experience with their corporate housing tenants.

Why are Tenants Renting? – The top three reasons: business assignments (67%), relocations (43%) and family (33%).

Length of Stay – 63% say tenants stayed an average of three months or more.

View the complete survey results and 2012 "By Owner" Annual Report at www.corporatehousingbyowner.com

mism," she said. You can view a full copy of the survey results and 2012 "By Owner" Annual Report at www.corporatehousingbyowner.com. ▲

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