SLAYTON SEARCH PARTNERS

Relocation In The “New Normal”

Relocation has always been a significant cost of recruiting a new executive. Most of our clients expect that a full

executive relocation will cost from $100,000 to $200,000. The complicating factor of late has been the housing market – will the executive lose money on his/her home – and who will pay for this? Over the last year, we have seen significant changes in relocation philosophies:

1. Companies are more inclined to help executives with a "loss on sale" provision in their relocation package. The higher level the executive, the more likely a "loss on sale" is available. It often structured like this: The first $100,000 is covered by the company, the next $100,000 is shared 50%/50%, and anything over this is the responsibility of the executive.
2. Very few companies have a home purchase for newly recruited executives. This is where the company will buy the house from the executive, usually for an appraised value. This option rarely optimizes the price to the seller, but does alleviate the stress associated with selling a home. It should be noted that internal company transfers usually have a home purchase option.
3. Executives are more comfortable with losing money/breaking even on their home. In the last year executives have come to the realization that their careers cannot be held "hostage" to their real estate situation. This coupled with companies being more willing to help with "loss on sale" has executives willing to relocate again.

Our advice to executives: The earnings you will receive from an accelerated career path will far outweigh the loss on a single home sell. In some cases executives are getting the benefit of their new company substantially paying for a loss on sale that they would have taken on their own personal balance sheets.

Our advice to companies: Be reasonable – not helping with "loss on sale" will put you at a significant disadvantage to other companies seeking the best talent. Yet, ask the executive to share in some of the loss and put caps on the amount you are willing to cover.