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Expanded Stay

In the right mix, travel programs can take a wide-ranging approach to long-term lodging

By:Harvey Chipkin

Two facts are certain about corporate housing – which may also be known as serviced apartments, aparthotels and other hybrid appellations. One, it's a fast growing industry numerically and geographically; and two, it's already widely used by travel managers.

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More important news for travel managers are several positive trends: the increasing ease and flexibility of booking and using long-term housing; enhancements to safety and security; and the possibility of substantial cost savings.

According to the latest Global Serviced Apartments Industry Report 2016/17, prepared by the TAS Alliance, a collection of corporate housing operators and vendors, there are now over 800,000 corporate housing units worldwide – an increase since the last GSAIR report of 10.5 percent. In the US, according to the report, corporate housing revenues were \$2.93 billion in 2015, a 7 percent increase over 2014.

The report shows that US corporate housing inventory is now estimated at over 63,000 rental units. The average corporate housing stay in the US was 84 nights in 2015 while occupancy remained stable at a healthy 88.1 percent. (One reason for the industry's growth is its ability to maintain occupancy year-round.)

Finally, about two thirds of corporations use serviced apartments for business travel. The reason: Long-term housing is simply the most productive choice for a variety of business travel needs – most commonly relocations, project work and specialized training.

The reasons for booking corporate housing differ geographically, according to the GSAIR. In Europe, just under half of stays were for project work, and a third for relocation, while in the US, relocation was the most frequent reason to stay in corporate housing, followed by interns. Together those two segments account for over 60 percent of the market.

"We are a young industry and can still see rapid growth," says Aneal Sadiq, head of sales for House of Fisher, a UK-based operator of corporate housing. "We have doubled our product in offerings in just a few years and the same can be said for our competitors."

Space, Kitchens, Cost

The basic selling points for corporate housing have been consistent: more space, lower rates than for similar sized hotel rooms, and kitchens, which ease the budgetary pain of eating in restaurants on a regular basis. There is even a tax benefit. Depending on the locality, after a certain period guests often do not have to pay occupancy taxes on their rooms as they would in a hotel because it is considered a residence. And of course, there is the cost benefit of lower rates for longer stays – which can result in dramatic savings.

In the extended stay sector, which does see high percentages of long-stay guests, food is often provided on a complimentary basis. For instance, Staybridge Suites hotels offer The Social, a complimentary evening reception three nights per week with pizzas, quesadillas and a salad bar, as well as beer and wine. And at Candlewood Suites hotels, it's not uncommon for a guest to borrow a crock pot, make a large meal and share it with other guests and even team members, according to Jennifer Gribble, who is vice president for several IHG brands.

The business model for corporate housing keeps rates low in comparison to hotels of similar quality, says Jo Layton, managing director for The Apartment Service, a UK-based supplier. "Demand for serviced apartments (with a goal of seven-night minimum stays) can achieve the same discount rates as an air crew accommodation in a busy hotel, i.e., they give a great occupancy base so their business is welcomed. Savvy travel managers are including serviced apartments in their programs to add depth to their lodging solutions, and to try and capture project, human resources and global mobility spend, which currently shows up in multiple P&L lines in their businesses."

Extended stay hotels do offer lower cost options. While many corporate housing companies are one-upping each other in a battle for upscale guests, Extended Stay America aims to maintain its place as a lower-priced alternative – even as it invests millions to renovate its 700 properties. According to Tom Bardenett, the chain's COO, 40 percent of ESA guests are corporate.

Ironically, some travel managers are leery of corporate housing because of lower costs. Elle Cane, vice president-business development for Master Key Alliance, a Toronto-based third party provider, says some clients have to be educated about the fact that the product has much lower overhead, partly because of labor costs. Also, corporate housing typically runs at a very high occupancy because most

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operators simply turn the rooms back to the buildings in which they are located when they are not leasing them.

Just as with online travel agencies like Expedia and Booking.com, the corporate housing industry is seeing the growth of third party providers who do not manage accommodations but offer a way to compare options and maintain a centralized database. "The travel manager tells us where they want their traveler to stay," says Rajeev Goswami, CEO of WWStay, one of these providers. "We go out and find the lodging, do the deals and reconciliation, and take care of the traveler." One key differentiator for third party providers is their reporting capability – providing a centralized folio of who went where and what was spent. According to a white paper by WWStay, 60 percent of long stay lodging is currently unmanaged – leaving plenty of room for improvement.

Safety in the Long Run

Safety and security have become top priorities for business travel managers and long-term housing operators say they have an edge in some ways. "We have 24/7 support in case of problems," says Goswami. "Many apartments are unstaffed, but we provide a dashboard for traffic managers that shows them where their people are to meet their due diligence requirements. We also have our own checklist for our accommodations that includes security cameras, parking and so forth," he adds.

At House of Fisher properties, Sadiq says communal areas like parking garages have closed circuit television and heavy key card security with monitoring of when cars have been used and who has used it. "Keep in mind that in a hotel the bar and restaurant are open to the public," Sadiq cautions. "At our properties only people who are staying there can come in."

Similarly, according to Elana Friedman, vice president-global marketing at upscale provider AKA, "Most of AKA's amenity spaces are private for the residents and are not open to the outside public. This provides residents a sense of community, allowing them to feel safe and secure in where they are staying."

The very nature of the long-term stay lends itself to security, and it goes beyond questions of the traveler's personal safety, says Craig Partin, chief sales officer for Furnished Quarters. "What is a more interesting trend is the requirement for business continuity and disaster recovery. Travel managers want to know at any moment where their employees are."

As Tom Bardenett, COO for Extended Stay America, said, "Our guest gets to know the front desk manager, the housekeepers and even the general manager. It makes guests feel safer. We also take seriously things like proper lighting and having strong relationships with the local community."

The aim for properties in the Master Key Alliance is not just to make sure the suite is safe but the neighborhood as well. "We actually have what we call a 'walk score' to address the issue of neighborhood safety," says Cane. "We like to be in areas that are active as far as having lots of retail, restaurants and so forth that generate crowds."

An added element to the security issue is the rapid growth of demand for international long-term lodging. "Over the past couple of years," says Elizabeth Hotze, director of sales, Oakwood Worldwide, "we've seen more and more companies expanding outside the borders of their home country, requiring access to properties in new and remote markets."

And as Bill Duncan, global head, all suites brands for Hilton, points out, "When sending associates to what may be unfamiliar territory, it's always a plus when travel managers can take advantage of using a brand that is both recognizable and trusted."

New Patterns Emerge

Operators of long-term lodging are seeing changes in how their product is used, including more visits by families; more commuting of guests back home on weekends; and a greater presence of pets, which are allowed in almost all units.

And as with hotels, there is a greater focus on connecting locally. "Even though you're away from home, you still need to know where the Walgreens is, and where to get a haircut," says Loren Nalewanski, vice president and global brand manager for TownePlace Suites by Marriott. "We have our interactive map right in the lobby that's bigger than life and shows where everything is."

Candlewood Suites properties has launched a Local Finds section in the Candlewood Cupboard which provides guests with regionally produced items such as BBQ sauce or beverages. "We know that when traveling, guests are looking to truly experience the destination they are visiting more now than ever through cuisine or activities," said Gribble.

AKA has a Live It! program which allows guests to explore all that a particular city has to offer. The feature lets residents "live like a local" and have the opportunity to learn new skills and develop new talents.

Operators are also noticing a move toward last minute travel. "The market is more cautious and travel managers wait to see if people really need to travel before making a reservation," Partin notes. "We might get requests for people to come tomorrow for two months."

Cane said a large percentage of late bookings internationally is attributable to tighter immigration laws, which are "impeding the ability of corporations to bring in employees from other countries. You can't book accommodations until they have visas."

There is also some growth in travelers sharing a unit in the interest of saving money. "We've had people stay with us for years on a project as they keep expanding," says Sadiq. "There is a real uptick in the leasing of two and three-bedroom/two-bath units for anyone who has a bit of a cost hurdle – having two people share brings it below the rate of two people taking separate smaller units."

Reflecting the trend, Extended Stay America is moving to more double-double rooms; international travelers, according to Bardenett, often share rooms. But others are cautious. "There is a perceived risk with that, so it is not common," Partin says. "However, when it's something like two hires out of college it might work."

Boosting Flexibility

Seeing it as one of their disadvantages compared to easily bookable hotels, corporate housing operators are moving toward being more flexible in their booking terms. Rather than forcing customers to "lock in" commitments, they are experimenting with "rotation" policies – and welcoming short-term stays to fill in gaps.

One way to save on long-term lodging spend is to procure an apartment for an extended period – and rotate people in and out – if that's what works for the particular situation or project. WWStay is conducting a beta test on a rotation process where it manages check-ins and check-outs – and promises savings even if the apartment is unoccupied part of the time.

House of Fisher recently had a large project group arrive in October and November – initially booked into studios and one bedrooms, Sadiq says. Their project was extended and a number of guests have had families come to join them for weeks or months – necessitating moves to large apartments. "The beauty of having a large number of units in close proximity," says Sadiq, "is that you can do this kind of thing."

Overall, even long-term stays are shorter. According to the PwC Talent and Mobility: 2020 and Beyond report, 20 percent of assignments now last less than 12 months compared with 10 percent in 2002. One reason: the Millennial wave. "Millennials are coming into the workforce with an expectation that they will work abroad as part of their development," Hotze says, adding that the trend "is bringing a younger guest, more likely single, into the relocation mix, but in a more flexible, short-term assignment than the traditional executive relocation, which involves a spouse and children."

Blurring the Lines with Hotels

Corporate housing operators see their product as entirely different than branded extended stay properties like TownePlace Suites by Marriott, but the fact is that these products do have substantial percentages of long-stay guests. A full 42 percent of stays at that brand are longer than five days, according to Nalewanski. They offer similar attributes: large rooms and kitchens. They also provide full hotel services like front desks, daily housekeeping loyalty points, etc.

At IHG, which operates Staybridge Suites and Candlewood Suites, Gribble says both brands cater to those on the road for weeks or months at a time. One big change, she notes, is significant expansion into urban locations like Los Angeles and Las Vegas in the west, and Philadelphia and Atlanta in the east.

Duncan agreed, saying, "Hilton's All Suites brands are also in the midst of a rapid expansion with a focus on entering into more urban areas to meet current traveler demand."

In fact, corporate housing properties are starting to feel more like hotels of all kinds, not just extended stay. Hotels have changed in dramatic fashion in recent years – moving toward more communal space, a focus on design and targeting of Millennials. And long-term housing is also making moves in those directions.

"Typically corporate housing could be seen as cold but we are adding bits of value to our proposition that are warm and fuzzy and personalize the stay," Sadiq notes. "It's about providing people with a true living environment."

AKA has a communal space called the a.lounge. It is a 'common' space for residents to relax in, where coffee and tea are served in the mornings, and a selection of wines in the evenings. Certain locations also provide more guest experiences such as musical entertainment and other events in the a.lounge.

Partin adds, "While our customers are in their units quite a bit they do want lounges, especially if they are part of a group. Apartment communities have always had some kind of club room. They were a selling point that few people used." However, he explains, "now they are used so we have changed what's in them. We have large-screen TV's, more WiFi connectivity and so on."

And, adds Oakwood's Hotze, "we are seeing more use of, and increased interest in the common areas, such as fire pits, pool areas, co-working spaces and community lounges."

And even at ESA, Bardenett says the brand has been responding to input from travel managers – adding storage to rooms, making accommodations more home-like and creating common spaces as hotels are renovated or new ones built. These spaces are called "stay and play" and feature the laundry, vending, fitness areas in a contiguous space where guests can gather and spend time.

Bottom line: corporate housing should occupy its rightful place in a travel manager's portfolio – depending on the mission, it may be the best choice for productivity, efficiency and cost.

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