

# THE PROPERTY REPC

## Corporate Apartments Are Going Upscale

*Providers Offer Amenities To Help Attract Customers In a Shrinking Market*

By RAY A. SMITH

**G**OOD NEWS for traveling business executives: The drab corporate apartment is getting a makeover. As many companies have scaled back on corporate travel to help reduce expenses, big providers of corporate housing are boosting their efforts to keep the business coming. While they may not be rolling out a red carpet, at least they're installing new carpet.

Oakwood Worldwide, the nation's largest provider of corporate housing, says it has spent more than \$100 million on extensive renovations at six of its older sites in California. The exteriors look more upscale resort than downscale suburban apartment complex. Inside, hallways and apartments have been completely redone, from the raised-panel cabinets with eggshell finishes to the chrome-finished lighting fixtures.

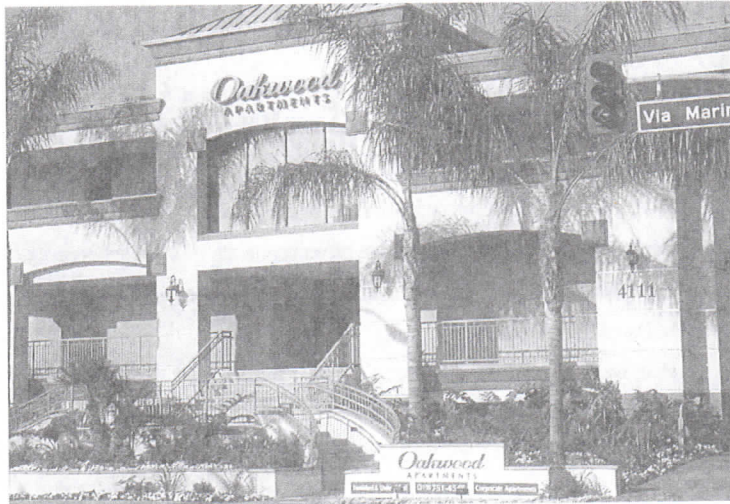
The changes are a big hit with Vivendi Universal SA's Universal Pictures, which sometimes uses Oakwood apartments. "It wasn't the Oakwood of 10 to 15 years ago that I remember with the brown polyester sofas," says Didi Belardo, director of production travel for Universal. "It's a lot more pleasing and a lot more contemporary, with nice furniture. The colors are very neutral and very earthy, not that harsh brown I remember."

### At Your Service

Traditional corporate apartments, which are far different from the luxurious dwellings purchased by some companies as a perk for top executives, are usually found within residential complexes. Units are sometimes owned but more often leased by providers who then sublease to companies that use them to house new, relocated or traveling employees. They are fully furnished, and some have long offered amenities such as maid service.

Many companies used these apartments frequently during the prosperous years of the latest bull market in stocks. But when the economy turned sour in late 2000, followed by the terrorist attacks of Sept. 11, 2001, companies cut back on hiring and corporate travel. The corporate-apartment industry slid, mirroring the hotel and other travel-related industries.

To compete in this tougher environment, corporate-housing providers are spending more on promotions, launching concierge services, modifying logos, re-



Before (left) and after (above) pictures of Oakwood's corporate apartment complex in Marina del Rey, Calif.

vamping Web sites, listing their properties on electronic databases—and sprucing up.

Oakwood hired Los Angeles-based Praner Design Associates Inc. to redo the California properties. Hallways now have plush carpet in warm colors such as amber, bronze and tobacco. Wallpaper is taupe and textured. Crown molding has been added. Apartment interiors have new furniture—sofas and love seats with a velvety fabric. Apartment doors now have electronic key systems. Oakwood also added fitness centers, hotel-style front desks and high-speed Internet access.

BridgeStreet Corporate Housing Worldwide, a unit of Washington-based Interstate Hotels & Resorts Inc., will start offering concierge service at its apartments in December. For a one-time fee of \$30, corporate tenants can, for example, have the service order flowers or food, or set up dinner reservations at a restaurant. The service will even send maintenance workers to tenants' homes if there is a flood or other emergency while they're away on business. And once they've paid the fee, tenants can use the service for a year, even when they're not staying at a BridgeStreet apartment.

Marriott ExecuStay, meanwhile, has

cuStay is also in the process of redesigning its Web site to make it more user-friendly.

### Rents Fall

For some corporate customers, though, lower rental prices are more important these days than concierge service or fabulous furniture. "I don't think additional services would make somebody want to rent a unit through that company; they'd rather have the rate reduced," says Kimberly Frost, manager of alternative housing for GMAC Global Relocation Services, the world's third-largest relocation firm and a unit of General Motors Corp. "The reduced rate is usually more appealing to customers. It's really not all about the bells and whistles."

Rates have come down. Average monthly rents for corporate apartments fell 1% nationwide in 2001, to \$2,568, according to Highland Group, an Atlanta-based hospitality consulting firm. Some of the biggest drops were in Philadelphia, where rents fell 17% on average, to \$2,313 from \$2,784, in Seattle, where the average slid 14% to \$2,662 from \$3,088, and in Phoenix, down 10% to \$2,243 from \$2,499.

Meanwhile, as corporate-housing providers are spending more on marketing and upgrades, they have slashed their holdings because of decreased demand. The number of corporate-housing units in the U.S. declined 14% in 2001, to 73,523 units from 85,553 in 2000, and is forecast to decline 3% this year, says Highland Group.

BridgeStreet leases about 4,500 units in the U.S., 20% less than it did a year ago. Marriott ExecuStay currently leases about 5,000 units, also down about 20%, from 6,200 a year ago. Equity Residential, a Chicago-based apartment real-estate investment trust with a corporate-housing division, has cut its number of corporate apartments to 988 from 1,082 a year ago, down almost 9%. And Oakwood said its current portfolio of apartments in the U.S. is 15,000, down about 16% from 2000.

been more aggressively emphasizing its relationship with the Marriott hotel chain in an effort to lure customers. Corporate tenants can participate in Marriott's customer-loyalty program, Marriott Rewards, which formerly was available only to hotel guests. Earlier this year, Marriott ExecuStay changed its logo. It used to say "ExecuStay" on top and "Marriott" on the bottom, with the words "Corporate Housing Solutions" sandwiched in between. Now, "Corporate Housing Solutions" has been ditched and Marriott gets top billing.

"We wanted to take advantage of the halo Marriott brings to the corporate traveler," says Joe Lavin, executive vice president and managing director of Marriott ExecuStay, a unit of Washington-based Marriott International Inc. Marriott Exe-

## CIBC Ends REIT Research

By RAY A. SMITH

CIBC World Markets Corp. has exited the real-estate investment trust research business.

CIBC clients received a terse e-mail from CIBC analyst Michael Mueller early yesterday that read: "As part of cutbacks, we learned this morning that CIBC is exiting the U.S. REIT research business. As a result, we are no longer with the firm."

Along with Mr. Mueller, analyst An-

thony Paolone, associate analyst Joshua Bederman and an administrative assistant were also terminated.

CIBC World Markets officials didn't return phone calls. Mr. Paolone expressed surprise, while the others declined to comment.

The move comes roughly one week after the firm's parent company, Toronto-based Canadian Imperial Bank of Commerce, announced it was slashing 240 jobs, mainly in the U.S., "as a result of the continued low level of business activity, particularly in investment banking," and another 470 jobs due to a planned realignment of operations and technology support for CIBC World Markets and its wealth-management business.

It also comes on the heels of J.P. Mor-