

Developer targets foreign business clients

Companies reluctant to purchase housing for foreign employees

By S. ADAM CARDAIS
FOR THE POST

If relocating to a foreign country is difficult for one person, it's even harder for an entire family. And for that reason companies with foreign employees have begun to take special care to ensure foreign employees and their families are comfortable living abroad.

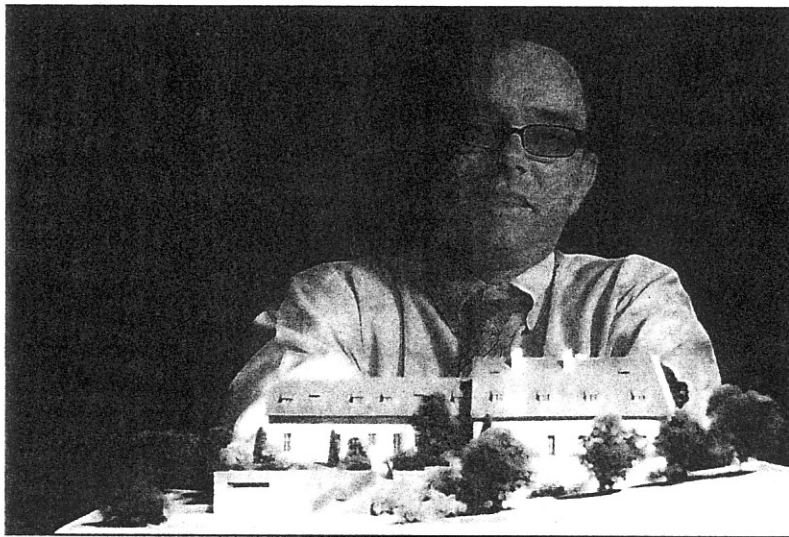
Large multinational corporations now offer foreign employees comprehensive relocation packages to make sure the move is as smooth as possible, and housing arrangements comprise a large part of these packages.

But while one developer is bullish on the belief that corporations will shell out cash to purchase new homes for foreign employees in newly developed communities, some real estate experts are not convinced the idea will catch on. Given the move by most major firms to hire locally and the burden involved in buying real estate, those experts say companies will continue to rent rather than buy.

In June 2005, work will be completed on a private community of luxury homes and flats in Prague 6 called Dubový Mlýn. Designed as a community for foreigners living and working in Prague, it will be the third such development in the city.

"It's not trying to be separatist," said Jason Cahill, sales manager for Orco Property Group, which is developing the project. "It's just that all these people are foreign and from the same tax bracket, and they need to be around those people to be happy."

Helping families find comfortable housing in Prague is something companies must do to keep their foreign employees happy, Cahill said. And corporations, along with embassies and individual buyers, have been interested in buying property in Dubový Mlýn both as an investment and as premium accommodation for their expat employees.



DANA WILSON/The Prague Post
Orco Property Group Sales Manager Jason Cahill with a model from the firm's corporate housing complex.

Smooth move

Václava Jersáková, senior manager for human resources services at PricewaterhouseCoopers, said it's necessary that companies help families through the relocation process.

Relocation packages, including cost-of-living, hardship-of-living and housing allowances, among others, are designed to address many of the problems families face when moving to another country, she said.

And although housing isn't the only part of the package, most companies help their foreign employees find suitable accommodation. "Our experience is that 80 percent of our clients offer some kind of housing arrangement," Jersáková said.

Placing families in comfortable housing in Prague is essential to the relocation process because the spouse and children don't usually have jobs to go off to every day, Cahill said. Much of their time is spent at home, and if they're not comfortable, it will quickly become a problem.

"Usually what happens is it becomes an internal issue," Cahill

said. "What ends up happening is the whole family moves regardless of how good the package is. That's why companies invest money in relocation packages."

Orco tested the market for upscale expat communities in Prague by developing Americká Park, located in Vinohrady. (See related article in the Real Estate special section.) Orco sold or rented all of the flats in the develop-

ment. "So we saw a further need for building expat communities, especially in Prague 6, which is close to the International School of Prague," Cahill said.

Who's buying?

Twenty percent of the properties in Dubový Mlýn have been presold and, although Cahill declined to give the names of companies interested in the community, he said

IF YOU BUILD IT, WILL THEY COME?

► The idea behind upscale foreign housing developments:

Finding suitable housing is considered essential to a family's overall happiness in a foreign country. The majority of companies offer some sort of housing arrangement in their relocation packages

► **Who is behind it?** The Orco Property Group has had success in the past developing an upscale community in Prague that caters to the needs and expectations of foreign workers

► **Are companies biting?** Some real estate experts say there isn't much incentive for companies to bear the burden of buying housing for use by their foreign employees

number of foreign employees, replacing them with locals. So why would they want to invest in it?"

Hanex Group is negotiating the sale of property in Dubový Mlýn. It has also sold property in Americká Park and Malá Sárka, a similar project in Prague 6. Hanečák said the majority of the interest for homes in these developments came from private buyers.

Jakub Sedmihradský, a partner at Lexxus real estate agency, agreed with Hanečák that companies are staying away from residential property ownership. "I would assume that for a lot of companies, it is just not worth it to buy real estate," he said. "I think many more companies tend to rent than to buy. It's just the hassle really."

In her experience, Jersáková said, all of the housing that corporations find for their employees is rented. "I haven't heard of any multinational corporations buying property for their employees," she said. "The real estate market in Prague is well developed, so there's no need for corporations to own property. It's just an additional cost to the company."

corporations are attracted by the prime location and the potential for a significant return on investment, which is approximately 15 percent.

Still, Frank Hanečák, owner and general manager of the Hanex Group, disagreed. He said there isn't a lot of incentive for corporations to buy real estate in Prague for use by their foreign employees. "Most corporations do not invest the capital to buy real estate for their employees," he said. "As time goes by, they are reducing the

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