



In our previous issue, we profiled the home staging industry, a potential new revenue source for rent-to-own. Now, a look at another under-tapped market to consider.

By Tiffany Hamburger

A Permanent Opportunity in Temporary Housing

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t may be obvious that when opportunity knocks, you answer the door. But if that's the case, why are so many rent-to-own dealers missing out on an opportunity that, on any given day in the U.S., represents 73,000 housing units filled primarily with rented furnishings? Fortunately for the go-getter in rent-to-own, the corporate housing industry has come knocking and answering that door could prove to be a very good idea.

Though it's known as corporate housing, the industry includes nearly all forms of non-hotel temporary housing. According to Dave Caple, president of the Corporate Housing Providers Association (CHPA), corporate housing and relocations are the majority of business, but the industry also provides military and government housing, vacation units, units for displaced insurance policyholders and much more. Nearly any person with a need for a temporary place to live can find a corporate housing provider to assist them.

Just as the extended-stay hotel sector is expanding, so is corporate housing. CHPA estimates total industry revenue for 2008 at \$2.8 billion and, while it's down a bit from 2007, the trend since 2001 has been steady growth. But with extended stay hotels popping up all over the place, how does corporate housing compare?

“We offer twice the space, three-quarters to half the cost, you cook at home and save money there and have all the amenities of an apartment complex that a hotel or extended-stay would not have,” says Paul Sternberg, founder and CEO of Houston-based Choice Corporate Housing. So yes, they compete with extended-stay; and, he adds, “we’re doing really well.”

Sternberg’s company, begun three years ago, is enjoying steady growth and is, he reports, “the fastest growing corporate housing provider in the industry.” Though he is primarily a housing provider, he is also an APRO member. Why? Because, he says, “we own our own furniture. We’re like a rent-to-own store.”

If that’s the case, where’s the opportunity? Even with many corporate housing providers owning their own furniture, it turns out there are plenty of opportunities. Citing his association’s 2008 survey, CHPA president Caple explains that while 51 percent of the membership owns its furniture, 64 percent rent furniture.

But wait—doesn’t that add up to more than 100 percent? One thing to understand about the corporate housing industry is its remarkable scalability. Rather than owning a property with a fixed number of units, a provider operates more like an individual renter. “Typically,” Caple explains, “we sign individual leases. So, like anybody, we’d go walk an apartment, sign a lease, whether it’s month-to-month or a year... Depending on how big you are, you could have a couple of [individual leases] or you could have thousands of them.” This helps to reconcile the seeming contradiction of both owning furniture and renting it. Because the number of units can fluctuate depending on demand, a housing provider may need to supplement the furniture they own with rentals during their busiest months.

Choice Corporate Housing’s Sternberg also describes the expansion challenge for a rapidly growing business such as his. For small contracts, or those that are logistically difficult for his Houston-based operation to handle, he would like to rely on the rent-to-own dealers in the location of the contract to help supply his furnishings.

So why doesn’t he? “The problem,” Sternberg says, “is standards.” Currently,

the vast majority of corporate housing providers rely on the dominant players in rent-to-rent. Caple says that this is largely because they are “used to working with us and the nuances of what we do.”

In dealing with the rent-to-rents, Sternberg says, “you know the product you’ll get in all the different stores because it’s the same product.” Whether a contract is in Topeka or San Diego, there’s no guesswork, often thanks to standardized packages offered to the corporate housing industry. “We can call and say, ‘We want the Presidential Package,’ and we know what we’re getting.” However, he says, he’d appreciate more choice and having a diverse list he can call on in locations all around the country.

Mamie Salazar-Harper couldn’t agree more. Salazar-Harper, owner of M Rentals Inc. based in El Paso, Texas, is a former rent-to-own dealer who now operates a successful military contracting business renting and servicing washers and dryers, as well as a temporary housing business, which—primarily, but not exclusively—serves the military. Given, as she says, that “the government is the largest purchaser of goods and services in the U.S.,” Salazar-Harper’s business is booming. “I can get the jobs,” she says, “I just need help making it happen.”

Salazar-Harper attributes her background in rent-to-own as one reason behind her current success. “If you don’t provide operable machines or take care of problems right away, customers are reluctant to pay; and even though I understand that the government will pay, that sense of urgency is embedded in [me] and ingrained in my company,” she says. “That’s why I do so well in the government contracting arena.”

Besides her belief that a rent-to-own background meshes well with government work, another reason she wants to work more with rent-to-own dealers is that she doesn’t want to give too much business to rent-to-rent, which, she notes, is a competitor. “I am in the process of trying to recruit as many providers in as many places as I can, so that I can not only do more and have a larger capacity, but be able to bring real value

For companies that want to supply to the corporate housing industry, “standardize a package,” Sternberg says. “If I was in rent-to-own, I’d call a corporate housing company and say, ‘Look, let’s meet. What can we do to get your business?’ Tell them you want to be their provider; tell them what you’re going to offer them, what kind of package. It’s all about uniformity.”

and real dollars to my peers in the rent-to-own industry.” Indeed, she adds, “the more rental dealers I could utilize, the better I would like it.”

Salazar-Harper believes it’s a very good place for rental dealers to be. She gives several reasons, including the reliability with which government and corporate clients pay their bills—something Sternberg echoes as a benefit. Another advantage, says Salazar-Harper, is the way the business cycle of temporary housing complement those of rent-to-own. “One of the things I tell dealers,” she says, “is that we are busy when rent-to-own is slow. It’s a perfect match. We have a lot of people moving in January, right after Christmas and New Year’s, whereas rent-to-own slows down in January. Same thing happens in June, after their children get out of school. It’s a perfect fit.”



So what do rent-to-own dealers need to do to work with corporate housing providers and take advantage of this opportunity for additional revenue? Because Paul Sternberg’s biggest gripe is standards, that’s where he starts. For companies that want to supply to the corporate housing industry, “standardize a package,” he says. “If I was in rent-to-own, I’d call a corporate housing company and say, ‘Look, let’s meet. What can we do to get your business?’ Tell them you want to be their provider; tell them what you’re going to offer them, what kind of package. It’s all about uniformity.”

Because of the investment and time it takes to set up this sideline business, he emphasizes that this may be best suited to dealers with a reasonably large franchise, though he indicates that any dealer willing to meet the standards should consider contacting corporate housing providers. Salazar-Harper, with her government contracts, is willing to team up with dealers of any size. “When I get an order for 200 apartments,” she says, “I may subcontract several rental dealers in town and get them all together and say, ‘OK, you’re going to do 20, you’re going to do 30.’”

Both Sternberg and Salazar-Harper agree that it requires an aggressive dealer to contact them and that it likely won’t happen the other way around. “I’m not going to walk into [a rent-to-own store] as a corporate housing company and say, ‘I need a unit in Topeka.’ I don’t have time, it’s not worth it,” Sternberg says. “I need that store in Topeka to contact me so that we can put them on a list [of rent-to-own providers], because we’re not going to spend all that

time.” For dealers willing to pursue temporary housing providers, the rewards can be rich, Sternberg says. “It’s a huge source of revenue that’s untapped,” he says, adding that even given the fact that he owns much of his own furniture, he can easily spend \$100,000 a month with a furniture rental company.

But providing furnishings to temporary housing providers goes beyond just showing up and asking for the business, says Salazar-Harper. She notes that her reputation with government contractors is essential to her success—and she’s completely unwilling to have it tarnished. “If someone is not totally serious and committed to fulfilling what they promise they can do, don’t call me,” she says. “They would need to be able to perform and that means having the inventory, being able to provide the labor, installing things on a timely basis.”

CHPA president Caple advises dealers interested in his industry to join CHPA as associate members. “Participating in CHPA,” he says, “gives them more access to corporate housing providers, more access to the industry.” He also adds that there may be an opportunity for rent-to-own dealers to develop an attractive financing package for smaller corporate housing providers who may want to begin purchasing their own inventory. Right now, he says, rent-to-rent companies don’t have that kind of financing plan and it’s an unmet need that could be satisfied by those in rent-to-own.

When asked if economic conditions worried them, all three emphasize that a stagnating economy might actually make corporate housing more attractive and potentially increase market share. “One way we sell our benefit,” Caple says, “is that we are more comfortable and more cost-effective than a hotel.”

Salazar-Harper, who has housed soldiers in base-overflow housing as well as Homeland Security and Border Patrol employees, notes that the government sees temporary housing as a better value for its needs. “It is booming,” she says of the government needs, adding that, because the current administration has promised to recall troops back to the U.S., “we should be getting busier and busier. It’s good news for our rent-to-own products—good news for our industry overall.”

Sternberg is equally bullish on his industry and the potential boon it could provide to rent-to-own. “It’s really untapped,” he says. “I’m interested in it. I want more sources.” ✽

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