



## A Case to Reduce Inventory Properties

### Overview

As a result of the softening U.S. Domestic housing market, many organizations are being impacted by escalating homesale costs as more properties are accepted into client inventories for resale. While in inventory, additional expenses related to carrying costs, administrative fees, repairs, and often, loss on sale are incurred by the client. Paragon conducted a case study of activity involving Ideal Corporation's 2007 events that lead to the following results. This document is prepared as an example of how use of best practices will reduce costs of the homesale program expenses.

### Ideal Corporation Profile

A mobile workforce is imperative to meet a company's business objectives and goals. In this study, Paragon's Ideal Corporation client has annual sales in excess of \$200 million and is a fast-paced California-based company that transfers approximately 85-100 people annually, with an average relocation spend of \$10 million per year.

To maintain a competitive edge in recruiting the best talent, while expediting the relocation process, the Company provides a home sale assistance Guaranteed Buyout Offer provision.

In 2007, over one-third of all homes eligible for homesale assistance went into inventory, resulting in nearly double the average cost per move over 2006 figures. With the median home value in the program exceeding \$500,000, it was critical to find a strategy to reduce rising costs.

### The Solution

Paragon analyzed the Company's 2007 inventory data and identified some recurring trends between properties, indicating a correlation between marketing strategies and instances of resale properties.

- 94% of homes that eventually ended up in inventory were listed with an agent the transferee selected
- Only 25% of the homes that ended up in inventory obtained 2 Broker Market Analyses (BMAs) prior to listing to assist in determining an appropriate List Price

### The Results

While the Company's Homesale program already incorporated a Homesale Bonus of 2% if the home sold prior to entering inventory, the incentive did not seem to be a driving factor in lessening the number that went into third-party resale. Paragon recommended the restructuring of the Marketing Assistance portion of the Homesale benefit, including stronger policy verbiage has yielded positive results. Revisions include:

- The transferee must follow the guidelines of the Paragon Marketing Assistance program in order to be eligible for the Guaranteed Buyout Offer
- It is required the transferee list the home with a Paragon-preferred broker
- 2 independent BMAs must be completed prior to listing the home
- Initial list price must be within 107% of the average of the 2 BMAs "Most Likely Sales Price"
- Once the guaranteed offer has been presented, the property must be listed within 107% of the Appraised Value



Although housing markets continue to decline and foreclosure rates reach all-time highs, the Company's 2008 number of inventory properties is trending down by nearly 20% as compared to the same timeframe in 2007, generating an estimated savings of \$63,700 per homesale transaction.

### **About Paragon**

Originally founded as a relocation consulting company specializing in domestic and international relocation and global assignment program development consulting, our mission was to develop cost-effective mobility programs that offered more services to the transferring employee, at less cost to the organization. Today, we maintain an extensive consulting practice focused on global mobility issues in their entirety.