

Paragon Pulse



Homesale Program Challenges and Solutions in the U.S. Housing Market

March 2008

Declining Housing Values and Loss on Sale Top Employee and Corporate Challenges

As housing markets remain stagnate, mobility programs continue to be impacted with additional costs and extended marketing times. In March, Paragon conducted a survey to get the pulse of the marketplace. Of those surveyed, sources of employee dissatisfaction included: declining housing values (96%), loss on sale / equity (56%), extended marketing times (41%).

As expected, respondents noted significant increases in costs related to inventory properties, loss on sale, temporary living, and duplicate housing expenses. Nearly half of the organizations surveyed are considering policy changes in 2008 to help control escalating expenses. Investing in strategies targeted towards the sale of the home may ultimately drive cost savings in the long run, while allowing the employee to focus on work and life in the new location.

Pre-Marketing Practices Link to Inventory

A recent case study conducted by Paragon of Ideal Corp's 2007 inventory data 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 and 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. In restructuring the listing parameters, corporations experienced a 20% reduction in inventory homes in 2008.



Survey Participation

March's Pulse data represents results from 28 corporate relocation professionals in the following industries:

Consumer Products	21%
Retail	18%
Technology	14%
Healthcare / Pharma	11%
Industrial Manufacturing	11%
Other	11%
Energy	7%
Communications	7%
Financial Services	4%

Final survey results are included in this document.



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Best Practices Forum

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Staging Allowance

An alternate approach to a traditional homesale incentive, which also drives the marketing process within a controlled budget, is the use of a Staging Allowance. Within the Staging Allowance, the employee would have an account from which to draw for repairs or improvements to enhance the home's marketability, ultimately edging out the competition and increasing the likelihood of a quick sale. Examples of items eligible for reimbursement would include: replacing of carpet, painting the home, landscaping services, furniture storage and/or rental, as well as any other suggestions made by the realtor within the Broker Market Analysis. To maximize the Staging Allowance, items should be completed before placing the home on the market.

The Staging Allowance could be established as a flat dollar amount (for example \$2,500) or represent a portion of the estimated departure home value (such as 1%). This Allowance is typically reported as income, is receipted, and the majority of organizations gross-up for tax purposes.

Buyer Value Option (BVO) with Sunset Clause

As markets soften, correct and/or decline, organizations may want to consider a "sunset clause" for a Guaranteed Buyout Offer (GBO) at some time during the BVO process. Companies that currently offer BVO as the only home sale option are becoming challenged with an increase in exceptions for temporary living, duplicate housing, and storage costs. An employee's move is not complete until they are relieved of the home disposition process and the family is all in one location. Additionally, although not a mandatory procedure according to Revenue Ruling 2005-74, Worldwide ERC's Coalition recommends companies provide a Guaranteed Buyout at the end of the BVO process in order to operate in the most favorable way to protect the tax exempt status of the third-party relocation Homesale Program.

Do you have a Best Practice? Email us at consultingservices@paragonrri.com



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Survey Results

March 2008

Which areas do you find your employees have the greatest dissatisfaction?

Declining Housing Values	96%
Loss of Equity	56%
Extended Marketing Time	41%
Other	11%

What areas did you experience the greatest increase in relocation expense for 2007?

Loss on Sale / Inventory Costs	54%
Duplicate Housing	36%
Temporary Living	29%
Other	7%

Do you anticipate making policy changes to your Homesale Program in 2008?

Yes	46%
No	54%

What policy changes or additions are you considering in 2008?

Staging Allowance / Other	36%
Credit towards buyer's closing costs	29%
Homesale Bonus	21%
Increased mandatory marketing times	21%
Sunset Clause / Discounted buyout offer	21%

If you made a policy change in 2007, did it achieve the desired results?

Yes	67%
No	33%

Questions or comments? Email us at consultingservices@paragonrri.com or visit the News section of our website at www.paragonrri.com

