

Staging Allowance: A Contemporary Spin on the Home Sale Bonus

*This paper describes a new type of home sale incentive which may better drive the sale of a home
in a declining real estate market.*



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With the decline in U.S. domestic housing markets, companies are struggling with how to effectively drive its mobility goals. In order to offset extended marketing times and loss of equity, organizations are resurrecting guaranteed buyout provisions and home sale bonuses to ease the burden on the transferee.

The standard home sale bonus, commonly a lump sum payment calculated as a percentage of the final sales price, was intended to increase the appeal of selling the home outright, while providing the transferee some additional negotiating power. As real estate markets appreciated in the late 1990's and early 2000's, many organizations kept the home sale bonus provision within their program. During the peak real estate market, little effort was required on the part of the transferee to sell the home, resulting in the incentive being viewed as an entitlement.

With the buyer's market in full swing and inventory levels at all time highs, companies with a traditional home sale incentive are not immune to the marketplace, suggesting the benefit may be broken. However, reallocating funds from the traditional home sale bonus and restructuring the benefit for the current real estate environment may yield favorable results.

Staging the Home

Unlike years past where “staging” was the process of preparing a vacant, corporate or banked-owned home for sale, these days the term encompasses a broader application. Applying the original philosophy to a larger audience, staging now refers to improving any type of property to make it appeal to the largest number of buyers by transforming it into a welcoming, appealing, and attractive property. Staging a home should result in a quicker sale and a higher selling price as it lends a competitive-edge to a property in a saturated real estate market.

Staging methodology can be applied to both occupied and vacant homes. An analysis of the home should be conducted by a real estate broker or a professional staging company to identify the areas of improvement. The homeowner, in conjunction with other professionals should be able to complete the work. Examples of staging include:

- De-Cluttering
- Neutralizing / Painting
- Furniture Rental / Storage
- Vignettes to create a “model home” feel

Your Return on Home Improvement Investments

(2007 HomeGain Survey of over 2,000 real estate agents nationwide)

Improvement	Typical Cost	Increase in Sales Price	Average Return	Agents Who Recommend
Professional Home Staging	\$403 - \$584	\$1,938 - 2,431	343%	91%
Lighten & Brighten	\$233 - 370	\$1,178 – 1,566	355%	97%
Clean & De-Clutter	\$190 - 318	\$1,505 – 1,937	578%	97%
Landscape Front/Back Yards	\$378 - 546	\$1,718 – 2,158	319%	97%
Fix Plumbing, Electrical	\$436 - 621	\$1,205 – 1,590	164%	93%
Repair Damaged Flooring	\$628 - 878	\$1,633 – 2,061	145%	94%
Update Kitchen & Bathrooms	\$1,404 – 1,828	\$3,216 – 3,934	121%	87%
Replace or Shampoo Carpeting	\$562 – 808	\$1,532 – 1,950	154%	98%
Paint Exterior Walls	\$663 - 938	\$1,757 – 2,205	147%	88%
Paint Interior Walls	\$651 - 920	\$1,741 – 2,179	150%	97%

2007 HomeGain Survey of 2,000 real estate agents nationwide found that moderately priced home improvements, ranging from \$80 – 2,800, made in preparation for sale actually yield the highest returns when a house is sold.

Staging Allowance

Most companies have a discretionary balance in place with its third-party provider to manage repairs and improvements required for properties that come into inventory. Instead of offering a homesale bonus, companies should consider providing relocation dollars, which would have otherwise been used if the home entered into inventory to fund staging at the beginning of the marketing process; ultimately enhancing the property's marketability, edging out the competition, and increasing the likelihood of a quick sale. This approach should result in a marked improvement of amended value rates, while recalibrating the perception of the benefit from an entitlement to a pro-active marketing tool. As with other relocation allowances, the Staging Allowance is considered taxable income and should be tax-assisted in order for the transferee to realize the maximum benefit.

Recommended Policy Verbiage

Staging your home can maximize the property's attractiveness and may be the difference between selling your home for the highest possible price within your relocation time window and not receiving an offer. In order to maximize your home's marketability, the Company will provide a Staging Allowance up to **\$2,500 or 1%** of the home value as established by the independent BMA (whichever is greater) from which to draw for completion of repairs and improvements recommended by the BMA to enhance your curb appeal. Items may include painting to neutralize the home, replacement of worn carpeting, landscaping, furniture storage and/or rental, etc.

To maximize the benefit, improvements should be completed prior to listing your home. You are encouraged to strategize with your Relocation Counselor in order to determine which items will make the greatest impact for your property. The Staging Allowance is considered taxable income and will be grossed-up for tax purposes.

About the Author

Karen R. Kason, CRP, GMS

Project Consultant, Paragon Decision Resources

Karen has over 10 years of professional experience including positions in account management, recruiting and event planning. Her relocation background includes several years with leading service providers in operations where she was awarded top honors for transferee satisfaction. Karen possesses relocation consulting expertise, where she has successfully designed and implemented new relocation programs for numerous client organizations by applying her front-line experience to cultivate approaches to policy design that both appeal to the client's bottom line while providing relevant benefits to increase employee satisfaction. In addition, Karen's background encompasses research projects and benchmark studies as well as recently authoring several white papers and being published in Mobility Magazine. Karen holds a B.A. in English with an emphasis in Technical Writing from Northern Illinois University in DeKalb, IL. In addition, she has continuing education credits in Illinois Real Estate Practices and Real Estate Appraisals.

About Paragon Global Resources

Originally founded as a relocation consulting company in 1987 specializing in domestic and international relocation and global assignment program development consulting, Paragon's mission was to develop cost-effective mobility programs that offered more services to the transferring employee, at less cost to the organization. Today, Paragon maintains an extensive consulting practice focused on global mobility issues in their entirety.