Managing Employee Real Estate Post COVID-19

Avoiding Inventory Homes

Weichert® Workforce Mobility

Propelling **Mobility**

Forever vulnerable to sudden fluctuations in everything from consumer confidence to mortgage interest rates, the real estate market can have a profound impact on the mobile workforce and program costs. According to Voice of the Customer (VOC) research, homesale programs are one of the most valued benefits to employees, giving them access to equity and the ability to move quickly. Furthermore, in the U.S. post-Tax Reform, qualified homesale programs are one of the only benefits that allows corporations to avoid tax gross-up.

As a result, homesale assistance is a critical component of a competitive employee relocation program. But in the post COVID-19 landscape it can prove particularly harrowing to corporate mobility managers for whom uncertainty is compounded by new market realities about home marketing. Successfully navigating this landscape requires a two-pronged approach encompassing pre-emptive strategies to boost employee sales and aggressive resale tactics for moving inventory.

Built on the Weichert Family of Companies' "all under one roof" expertise, Weichert Workforce Mobility has perfected effective solutions for avoiding inventory and managing employee properties.

THE POST COVID-19 MARKET

Real estate markets in the U.S. and Canada have always been cyclical, but many of today's relocation managers have never experienced anything but a seller's market.

Under such conditions, it was much easier for relocation managers to control program costs. Fast forward to second quarter 2020, and real estate sales hit an abrupt decline brought on by the pandemic.

Stay-at-home restrictions across North America foreshadow indications that sales in 2020 will be down from their pre-COVID levels, 15% in the U.S. and 19-29% in Canada. With record unemployment, buyer demand is shrinking fast and a significant drop in consumer confidence has caused many buyers to drop out of the market. That said, record low interest rates and low inventory mean that buyers in the market will keep prices strong.

In this environment, the best defense is preventing homes from coming into inventory in the first place. Marketing in a post COVID-19 era demands new tactics including virtual home tours, social distancing during inspections and using creative e-signings to provide "contact-free" closings.

AVOIDING INVENTORY HOMES

The best strategies for avoiding inventory are:

- Re-evaluating Guaranteed Buyout Offer programs
- Mandating company-approved brokers
- Integrating virtual marketing
- Ensuring peak property condition (is the home "COVID-clean"?)
- Offering employee incentives
- Providing buyer incentives
- Accepting offers in some markets that are below appraised value

Re-evaluating Guaranteed Buyout Offer Programs

Over the last few years Guaranteed Buyout Offer Programs (GBO) were largely reserved for more senior/critical functions. But in unpredictable markets, you may need a GBO program to facilitate a quick move and avoid concerns about showing/marketing the home. Without a GBO program, you may incur extended temporary living or additional duplicate housing expenses, both of which can increase overall costs. The trade-off: provide a GBO program and move the home into inventory where aggressive action can be taken to minimize overall costs.

Mandating Company-Approved Brokers
Virtually all programs we benchmark require the use of "approved brokers" and the more progressive policies include penalties for those who fail to do so. Working with brokers who possess extensive relocation expertise is more important than ever and provides a tremendous advantage to your company and your relocating employees. Members of our Weichert Broker Network, for example, are uniquely skilled at balancing the need to help employees sell their homes quickly for the best possible price with the obligation to control costs for our clients. This network is poised to utilize virtual home marketing strategies and tasked to prioritize properties entrusted to them by our clients.

Tightening List Price Guidelines
Over-priced homes only sell the competition. Today, it is essential to mandate that employees avoid over pricing. The recommendation is no more than 103-105% of the appraised value or broker's price opinion. In distressed markets, setting a list price guideline no more than 102% of the appraised value can be warranted.

Integrating Virtual Home Marketing
Given both buyer and seller concerns, virtual home marketing is a post COVID-19 technique that is likely to remain popular even after social distancing rules have been relaxed. Virtual home tours show not only the home's features but how the layout flows and they are sure to increase attention.

Ensuring Peak Property Condition
After years of deferred maintenance, not all employee homes are in ideal marketing condition, meaning they could be overlooked in favor of properties in "move in" condition.

With fewer and skittish buyers, homes have to stand out from the crowd. You might consider providing employees with an improvement allowance – i.e., $1,000 to spend on cleaning, completing mutually agreed-upon improvements, or providing a storage unit to declutter the residence.

Providing Buyer Incentives
Buyer incentives can help distinguish your employees' homes from the competition, draw more traffic to the listing, and increase the chances of a quick sale. An effective post COVID-19 incentive may be to offer a whole-house cleaning after the employee has moved out to disinfect and prepare the home for the new buyer.

Accepting Below Value Offers
Although the mobility counselor will encourage the employee to present all offers, this should be stipulated in your policy as well, and you should be willing to accept offers down to 95% of the appraised value. Yes, this means an immediate 5% loss on sale; but that's a fraction of the cost to acquire the home, bring it into inventory and carry it month after month in an unpredictable market.

Sale Fall-Throughs
Despite efforts to embrace alternatives and engage appraisers, inspectors and title companies, keeping a scheduled sale together in jurisdictions with stay-at-home orders can be challenging. Negotiating terms that can reasonably extend the closing date to keep the sale together has been effective, but nonetheless, record high levels of unemployment and low consumer confidence have led to an increase in sale fall-throughs. If a sale does fall through, it is important to move the home to inventory and start an aggressive home marketing plan in line with current market conditions.

The Weichert Broker Network is uniquely skilled at balancing the need to help employees sell their homes quickly for the best possible price with the obligation to control costs for our clients. For more information click here.

INVENTORY MARKETING PLAN

If employee homes do come into inventory, there are several strategies that can be adopted to increase your chances of getting them sold quickly while controlling costs:

Price

With so much uncertainty in the markets it will be important to assess if prices have declined since the appraisals were conducted, and you'll need to price much more aggressively to stimulate a sale.

Although each situation should be individually evaluated, pricing is by far the most important factor.

Condition and Marketing Tools

Neutralizing the backdrop and staging a home can have significant impact on perceived value and days on market and will get market attention. Future owners typically won't purchase a home they feel they need to redo unless they get a true premium on the price.

Helping buyers see how interior design works will make it easier for potential buyers to imagine themselves living there and will increase the overall appeal.

Incentives

In markets dulled by torpor, buyer incentives can distinguish your inventory homes from the competition, draw more traffic to the listings and increase the chances of a quick sale.

Buyer incentives are something that Lisa Terry, Director of Real Estate Services with Weichert Workforce Mobility, has used to great effect for several years. *"Strategic buyer incentives can draw interest away from competing properties,"* Lisa explains. *"With the advent of stricter mortgage and financing regulations, buyer incentives are most-often converted to closing cost/financing assistance such as discount points, fees, pre-paid taxes, or lender-required repairs. People really respond to it, and financial incentives can increase the pool of qualified buyers repurposing funds into repairs, a lower price or closing cost assistance in order to meet the lending requirements/guidelines."*

Lisa notes that offering to pay for a pre-move-in disinfectant cleaning may also help overcome health-related concerns.

Remember... If you get an offer on an inventory home, think about the monthly costs of carrying a home in inventory – considering taxes, utilities, insurance and other costs. Accepting a loss on sale early in the process is most likely to result in lower overall costs.

CONCLUSION

Homesale is a highly valued relocation benefit and aggressively managing home marketing and, if necessary, home inventory will control overall costs while expediting the relocation.

Having helped clients weather such cycles for over 50 years, Weichert Workforce Mobility can offer keen insight into the most innovative methods for avoiding and managing the resale of employee homes and minimizing the resultant costs in these uncertain times.

Where will the market eventually lead us? Even an oracle would be hard-pressed to tell with any certainty, but we remain bullish. *"While we expect to see some further impacts to the industry, we remain confident that housing will be a sector that will help lead the economic recovery,"* said Aram Minnetian, President/CEO, Weichert Realtors.

The best way to prepare for the future and keep your relocation costs under control (or at the very least stabilized) is to keep an eye on market indicators such as interest rates, appraised values, price appreciation and foreclosures. Lastly, follow the strategies we have presented here to aggressively avoid and/or subsequently manage inventory.

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