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Two effective home sale programs used by relocation companies: the BVO and the GBO Buyer Value Option and Guaranteed Buyout

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Ah, the spring of 2006, real estate and relocation companies around New England were in full swing. Buyers were competing to purchase homes, relocating transferees were rushing to purchase homes in their new locations as their departure area homes had sold so quickly, and the biggest worry the transferee had, was the higher cost of living in New England. Fast forward two years to spring 2008, real estate and relocation companies around New England are still in full swing and companies are still relocating employees and new hires, but sales are slower and transferees are sitting in temporary living accommodations or short term rentals while awaiting a sale on their departure home.

On top of these challenges, the transferee is facing the reduction of or the depletion of equity in their present homes making it challenging to qualify for home purchases in the new location. Since these issues have a negative impact on the employer, companies are dusting off relocation benefits that financially assist the transferring employee or new hire in the sale of their home in order to assure the acceptance of the job in the new location. The addition of these benefits will not only have a positive effect on the job acceptance rate but also on getting the employee settled in the new location and focused on the new job as soon as possible. Being separated from family, who have been left behind to sell the home, is extremely distracting for the employee, performance is reduced and the cost of productivity to the company is affected.

There are two distinct home sale programs that help an employee sell their home and get themselves and their families settled in the new location as quickly as possible. The first is called the Buyer Value Option program (BVO). The employee works with a third party relocation company to assist in agent selection, monitor the marketing on the home and assist the employee in the sale negotiations. The relocation company purchases the home from the employee, on behalf of the company. Once an offer from an outside buyer is accepted, gives the employee their equity and manages the sale process through to a successful close. This gives the employee the ability to purchase a home in the new location in a shorter time frame and saves the company on the high cost of temporary living, lost productivity and job declination.

The second home sale program is called a Guaranteed Buyout (GBO). The home is purchased from the employee by a relocation company, on behalf of the company once the following guidelines are met. Two appraisals, by licensed appraisers, are completed and the two are averaged, creating the price that the company will pay an employee for their home. Usually, the employee must market the

home for 60 days to try and obtain an offer from an outside buyer before they can accept the "Guaranteed Offer." Once the employee accepts the "Guaranteed Offer," the relocation company purchases the home and disburses the equity and the employee is free to purchase a home in the new location. We have seen the use of these services more than double over the past year and expect that this trend will continue as long as the market conditions govern.

One interesting dynamic that has developed is that historically even though a transferee may prefer to purchase new construction in the new location, they are often discouraged by their companies to do so. Most corporations limit the temporary living they will provide an employee to 30-60 days and want to see them settled and focused on the new job as soon as they can. Closing on a re-sale property would get them settled within 45-60 days and the preference always leaned towards this type of purchase. Until recently, the inventory level for new construction available for close within 45-60 days was low to non-existent. Now, as the existing inventory levels of new spec homes and condos have risen and accommodate a 45-60 day close so has the purchase of this inventory by the relocating population.

The sale of a transferee's home is the first domino that must fall in order to move onto the purchase of a new home. With this in mind, it is imperative that relocation companies provide critical assistance to the relocating population by providing key services that enable transferees to sell their homes in shorter time frames than average. The companies relocating employees and new hires should update their benefit offerings to address market conditions, employee needs and corporate culture. With close attention paid to the specific needs of this demographic, houses will be sold, houses will be purchased and employees will be able to enjoy life in their new location with as little disruption to them and their family as possible.

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