

They make their decision within 15-seconds.<sup>1</sup> ———

————— Staged homes sell 85% faster.<sup>2</sup>



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# Home staging

Business analysis

Revised  
2011-10-10

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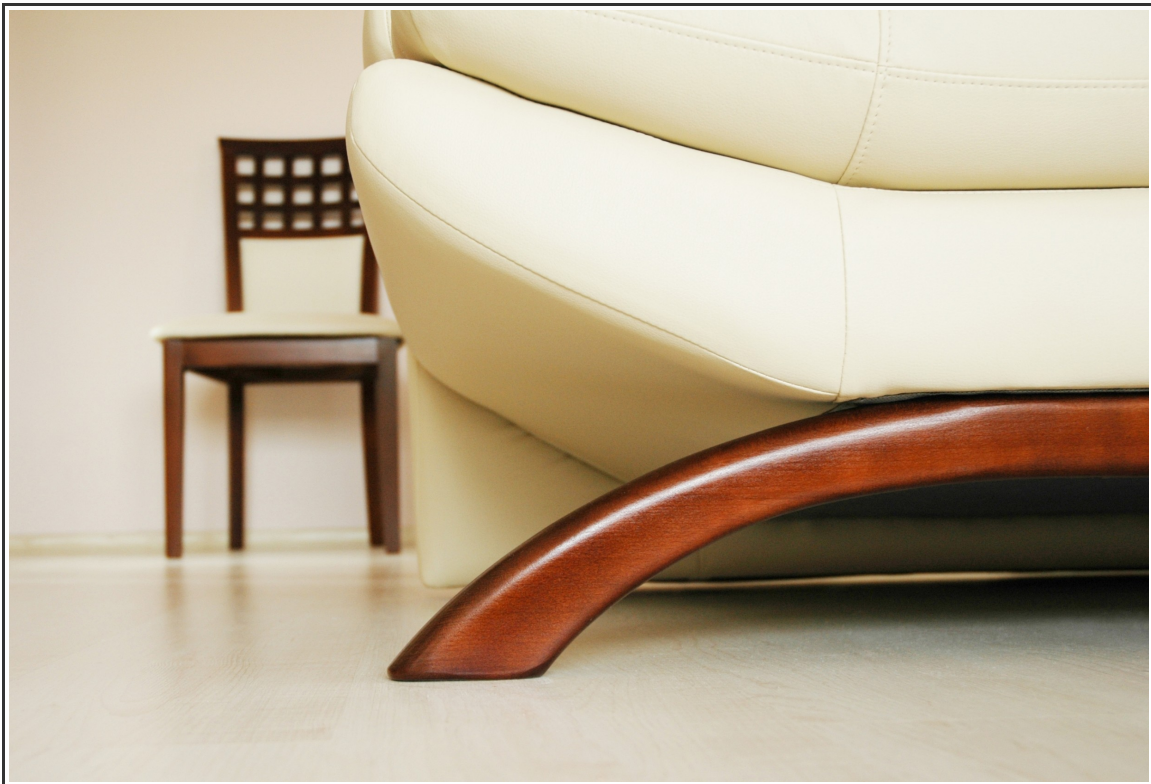
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ISBN 978-0-9879354-1-0

## Features

**H**ome staging is a service provided by qualified professionals which prepares and presents homes for resale. The homes may be occupied or not at the time. Features of this service include: (3)

- Creating an idealized living space almost with the look of a model home,
- Showcasing a dwelling which is tasteful and impersonal enough to allow potential buyers to "mentally move in,"
- Rearranging furniture,
- Removing traces of the owners,
- Remodelling or working with the existing decor,
- Decluttering,
- Buying, if indicated, and positioning accessories,
- Installing light fixtures and repainting in warm, neutral tones,
- Deciding to what use alternative spaces should be put, if indicated, and
- Undecorating, simplifying, decluttering, and rejigging furniture and artwork to make best use of the space. (4)



## Benefits

Home staging is thought to increase the selling price of the home and decrease the selling time. Much anecdotal evidence in support of this exists. Empirically:

- A 2010 study by the Real Estate Staging Association of 97-homes that had been on the market an average of 181-days were staged, relisted, and sold in an average of 60-days - 67% less time on the market. (2)
- A similar 2009 study of 127-homes that had been on the market for an average of 263-days were staged, relisted, and sold in an average of 60-days - 78% less time on the market.
- A Coldwell Banker study examined 3358 homes in San Francisco in 2002. Those staged were sold for the asking price versus 2% below for those which were not, and sold in 25-days versus 48, (3)
- A further Coldwell Banker study in 2008 of 2772 properties in various US cities with asking prices of \$209,000 to \$4.8-million found those staged sold for 6.3% above asking prices versus 1.6% above for those which were not, and sold in 14-days versus 31, (5) and
- A Canadian article reported staged homes sold for 5% more. (6)



When you stage your house you sell buyers on a lifestyle, creating a home that makes them say "I want to live like that."

- Ella Zetser

### Features

Marketing, not decorating  
 Decluttering  
 Neutralizing  
 Allowing potential buyers to  
 "mentally move in"

### Benefits

Reduced sales time  
 Higher selling price

## Service Characteristics

Home staging services range from a simple consultation report containing recommendations which the homeowners can implement to a comprehensive package where the

staging professional performs all the interior design changes including decorating, accessorizing, and later destaging.

## Prices

Prices range from \$40 per hour to \$150 per hour (7) with the most reported prices being \$75-100 per hour (4). Package prices range from \$300 to \$1800 (6) with one report quoting them at \$3000 (8) and another at \$3500 (9).

A better description of service price may be a proportion of the selling price with reports quoting from 0.5-3%. (10) (11) Another report states the price in absolute terms, saying that 79% of sellers will spend up to \$5000. (6)



## The Market

The Canadian Multiple Listing Service reports that 324,030 homes were sold in Canada in 2011 to the end of August, up 16% from that period a year earlier (not seasonally adjusted).

The average price of a house in Canada in August, 2011 was \$349,716. In the Greater Toronto Area ("GTA") it was \$451,663 (up 10% from 2010), and in Ottawa was \$339,415 (up 5% from 2010).

Interpolation of these data show that 58,325 homes have been sold in the GTA

in 2011. Assuming 25% of homes are staged (8) the current size of the market there is 1822 homes per month. In Ottawa 8749 homes have been sold this year with an average of 273 per month having been staged.

Further details of the market and the competition may be found in Table 1.

No empirical data were found regarding whether the proportion of homes staged has increased since 2009. Anecdotally, there is support for both staging and not staging.



Ninety-five per cent of buyers are shopping first on the Internet and driving by properties in a "click"

- *Nairn Freemann*



## The Competition

Although there are no formal training requirements to deliver the service of home staging - it is not a regulated profession - the Canadian Certified Staging Professionals lists 656-Canadian members, and the Real Estate Staging Association lists 21-chapters in Canada containing 187-members.

Combining this with the interpolation

above it may be concluded that an average of 4 homes are staged per identified stager per week.

Clearly, the attraction in entering or remaining in the home staging business lies in the dual growth prospects of more homes being sold and the potential to increase the proportion staged beyond that of 25%.

City	Number of stagers	Number of homes sold YTD 2011 (1)	Homes staged YTD 2011 (2)	Staged homes per stager per week
Victoria	8	3,169	792	3
Vancouver	29	22,089	5,522	6
Edmonton	33	9,939	2,485	2
Calgary	38	10,365	2,591	2
Saskatoon	15	2,227	557	1
Regina	5	1,872	468	3
Winnipeg	22	6,671	1,668	2
Thunder Bay	1	1,180	295	10
Sudbury	5	1,520	380	2
Windsor	6	3,105	776	4
London	20	4,396	1,099	2
Hamilton	53	6,655	1,664	1
Toronto	159	49,105	12,276	3
Kingston	12	1,463	366	1
Ottawa	39	10,860	2,715	2
St. John	4	1,242	311	3
Charlottetown	2	563	141	2
Halifax	15	2,486	621	1
St. John's	4	1,739	435	4

1. MLS, Wikipedia, interpolated

2. Assume 25% staging rate.

Table 1: Selected data.

## Industry Analysis

The industry sector of home staging may be considered an emerging one in otherwise mature interior design and real estate industries. Characteristics of an emerging industry include:

- A lack of regulation, with corresponding strategic and operational freedom,
- No "right" strategy formulated yet with different establishments employing different approaches to marketing, product positioning, etc.,
- The greatest proportion of newly formed companies the sector will ever see,
- The lack of scale or experience effects suggesting no leader but with correspondingly higher costs, and,
- Risk, reducing the availability of capital.

The overriding strategic issue to entrants in an emerging industry sector is the ability to shape industry structure. Furthermore, barriers to entry may change, forcing establishments to find new ways to defend their positions. And finally, early entry is beneficial if image, reputation, and customer loyalty are important, and they are here, as well as buyers (real estate agents) outnumbering providers.

The industry sector may be examined for attractiveness using Porter's Five Forces. Specifically:

- Barriers to entry: moderate (preferred qualifications, access to referrals from real estate agents).
- Intensity of competitor rivalry: Low.
- Power of buyers: High (real estate agents).
- Power of suppliers: Low.
- Availability of substitutes: Low.

A survey by Certified Staging Professionals International ("CSP") of realtors who (almost unanimously) said they believed staging makes a difference yet had not recommended the service indicated the biggest obstacle for them in recommending staging was communicating the message. The CSP International Business Training Academy has developed an education program for realtors to help them successfully communicate the benefits of staging to sellers and to teach them how to integrate professional home staging in their marketing plan.

The survey also demonstrated that savvy realtors are looking for accomplished professional home stagers with experience and professional training. (12)





## Conclusions

### Attractiveness

The business of home staging is considered attractive for entry at this time. It is an emerging sector which is

growing and Porter's five forces are mostly low and are expected to remain that way.

### Critical Success Factors

The following are considered critical success factors at this time for the business of home staging:

- Access to referrals from real estate

agents (and failing this a healthy budget for promotion),

- A talent for interior design, and
- An ability to deliver service excellence.



## Illustration

### Case Study

Jen is 25-years old with four years experience in retail sales and has just completed a diploma in interior design. She would like to apply this to the activity of home staging and start a business. She owns an old car, has access to \$3000 of debt and knows a real estate agent who is prepared to recommend her to clients.

to two per week in four months' time. She will charge \$75 an hour for an average of 12-hours half the time and a package price of \$750 the other half. She estimates start-up expenses will include \$1000 for a website, \$500 for printing, and \$500 for clothes. Monthly expenses will be \$240 for gas and \$40 for the website.

Jen forecasts that she will start by staging one home every two weeks and build up

Is this a commercially-viable opportunity for Jen?

### Work Up

A *pro-forma* cash budget for Jen pursuing the business opportunity of home staging is presented in Table 2. The maximum forecast negative bank balance is \$-2000. This is expected to

occur during the first month of operations and is considered to more accurately represent start-up expenses than operating losses.

**Jen's Home Staging  
Cash Budget (\$)  
March 1, 2011 - February 28, 2012**

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>Cash Inflows</b>												
Hourly		900	1,800	2,700	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Package		750	1,500	2,250	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
<b>Cash Outflows</b>												
Gas	0	240	240	240	240	240	240	240	240	240	240	240
Website	1,000	40	40	40	40	40	40	40	40	40	40	40
Printing	500											
Clothes	500											
Beginning Bank Balance	0	-2,000	-630	2,390	7,060	13,380	19,700	26,020	32,340	38,660	44,980	51,300
Total Cash Inflows	0	1,650	3,300	4,950	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Total Cash Outflows	2,000	280	280	280	280	280	280	280	280	280	280	280
Ending Bank Balance	-2,000	-630	2,390	7,060	13,380	19,700	26,020	32,340	38,660	44,980	51,300	57,620

Table 2: Pro Forma Cash Budget for Jen's Home Staging

A *pro forma* income statement is similarly presented in Table 3. The forecast income before tax for the business in its first year of operation is \$57,620.

<b>Jen's Home Staging Income Statement (\$) March 1, 2011 - February 28, 2012</b>			
Revenue			
	Hourly	34,200	
	Package	28,500	
	Income from Operations	62,700	
Expenses			
	Gas	2,640	
	Website	1,440	
	Printing	500	
	Clothes	500	
		5,080	
	Pre-Tax Income		57,620
	Appropriation for Income Tax		14,405
	Net Income		43,215

Table 3: *Pro Forma* Income Statement for Jen's Home Staging

The maximum projected operations workload on Jen is (eight clients per month) times (12-hours per client) = 96 hours per month. Time spent travelling will be additional, as well as any spent on marketing efforts and administration. With the continuing increase in the price of gasoline out-call based businesses are increasingly levying a surcharge for travel to their clients either outright or for longer distances.

Assuming Jen is able to position herself

and her business in a *referral stream* from the real estate agent in question, as well as have *satisfied customers*, then the business will be viable. It should be stressed that these are considered critical success factors.

If Jen is able to solicit referrals from other real estate agents or obtain ones from satisfied customers then she will be utilizing herself and her resources more towards their capacity and generating additional revenue.



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