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Who should cover the cost of staging? The agent or the homeowner/seller?

Staging investment should be and is typically paid by the homeowner/seller.

Here's why that makes sense...

1) Homeowners/sellers understand that they have the most direct benefit from staging.

Staging is an investment, not an unnecessary expense, and has proven to sell homes faster and for more money. A staged home can increase the value of a property from between 1% to 5%, either through a higher initial list price or in obtaining higher and more offers from buyers.

On an \$1,000,000 home, that equates to an ROI of \$10,000 to \$50,000. Even with a staging investment of \$3,000, sellers would gain \$7,000 to \$47,000 return on investment by making the effort to stage.

For an agent earning an average 2.5% commission on the sale price, the extra \$10,000 to \$50,000 in property value would give the agent \$250 to \$1,250 more in commission. In most cases, this would not cover the extra expense of staging the property.

2) Staging is always less than the cost of typical price reductions and helps prevent this from happening.

The common practice in real estate is to drop the price:

- 1-2% if the home is getting a lot of showings but no offers and decent feedback
- 5% if the home is getting just a few showings, the majority of the feedback is that the house comes across as just average or the feedback is slightly negative
- 10% if the home isn't getting showings at all

This cost ranges from \$10,000 to \$100,000. Clearly still considerably less than the investment in staging the home initially.



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3) Most agents offer a home staging consultation as part of their listing package.

The service is affordable for agents to offer (approx. \$250) and is invaluable for sellers who do not know what to do to get their home ready for sale. The consultation provides a list of things to do (de-cluttering, packing/storage, upgrades, repairs etc.) in preparation for the house to be staged.

Note: Sellers should always make sure they ask agents what "free staging" means in their listing presentation. This service is provided at no charge to the seller and may include the cost of the consultation, actual staging or both. Typically, the term "free staging" refers to a consultation that is paid for by the realtor.

4) Agent commissions are split between selling and buying agents and their brokers, and commissions need to cover off marketing and business costs.

For example, a home sold for \$1,000,000 with a 2.5% commission agreed to by seller with the listing broker would yield $\$1,000,000 \times .025 = \$25,000$ full commission. Assuming no referral fee payouts and a 50% split offered in the MLS, the listing broker keeps 50%, or \$12,500. The same situation would mean that the broker on the buyer side would get \$12,500.

Splits between brokers and agents vary a lot, but assuming a commonly used 50% number, agents at the two brokerages would get half the commissions, or \$6,250 each.

Most listing agents will spend 15-20% of their estimated commission in marketing the property for sale (\$950 - \$1,250) leaving about \$5000 left for them to cover other business/overhead expenses (admin, MLS costs, realtor insurance, license fees, car/travel, etc. that typically amount to 20% of gross salary) and make a profit/living.

If staging were paid for on every deal, the ROI for the realtor would be low or potentially negative depending if furniture is required.



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