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team

The Pre-Inspection Dilemma

7 Reasons a Pre-Inspection is Highly Recommended

Just as a buyer needs to do their due diligence, a seller needs to do theirs, so poor judgment calls don't derail their deal

Contrary to what might be on television or what many real estate brokers think, it is not the time to begin celebrating when a contract is signed. It marks the beginning of a long and uncertain process to a potential closing. There are almost always inspections to go through, as well as an appraisal. Much can go wrong with so many hands in the pot, and the fear of the unknown is natural. Murphy's Law is alive and well in real estate, and if the other shoe can drop, it will find a way.

The best way to increase a seller's chances of crossing the closing finish line is to have a pre-listing inspection done before ever coming on the market. Here are seven reasons why:

1. What you don't know can hurt you

Knowledge is power, and surprise is never a good thing. It is easy for sellers to have a superficial and inflated view of their homes. What could be wrong, they think? They've lived there for x years, and if there were something seriously wrong, they would know it. Or, they just bought the home four years ago and had it inspected then — why would they need to do this now?

You see, it is those very thoughts that can come back to bite sellers. When was the last time you went on your roof, looked in your chimney, crawled around in your attic, basement, or crawlspace? Do you know how old your water heater and HVAC are? If you live in an older home, what about the plumbing and electrical systems?

That's why you should have a pre-listing inspection. So you can get a grip on the physical health of your home.

2. You might not have to fix everything

Having a pre-listing inspection does not mean you have to fix everything that comes up, but you need to disclose everything. Your broker can help decide what you would need to repair given the market, competition, time frame for moving, etc.

Some things may need repairing to satisfy a buyer or qualify for the kind of financing they might be doing. For example, with FHA or VA financing on homes in your area, any wood rot or termite damage will need to be fixed before the buyer can obtain the loan.

There might be items that are major vs. minor that you will need to take into account when pricing the home, as they can affect what a buyer is willing to pay. Homes with older roofs, HVAC's, and water heaters, on top of other repairs, coupled with a home that needs cosmetic updates, can be viewed as "a money pit" in the eyes of a buyer.

Suppose you have a multitude of expensive items nearing the end of their life. In that case, you might need to consider replacing at least one and be willing to offer a home warranty to provide some coverage to the buyer for the first year of their ownership. The 15-year-old HVAC might be working great now, but that does not mean it won't fail soon.

3. Disclosure is not an unpleasant surprise

Many sellers fear that by having an inspection, they will have to disclose everything to a buyer, which may cause them to pay less for the house. The truth is, a buyer will find out anyway, but it will be after they've already agreed upon a price and terms that they might not want to pay after the outcome of that inspection.

Avoid buyer's remorse by shifting the knowledge of the home's condition to the front end of the transaction rather than after the negotiation. Although buyers will still have the property inspected by their inspector, their information will not surprise them.

All houses have “things” show up on an inspection. Even new homes under construction or nearly complete have items that need correction by the builder after they are inspected — this despite having a project manager who oversees the subcontractors working on the house.

4. It can keep the deal together

When you leave the discovery of the home’s condition entirely to the buyer is when problems arise. You’ve agreed upon a price and terms and, depending on your home, and the time of year it is on the market, the actual time to go under contract may have taken longer than what you thought.

You will have grown weary from numerous showings, second showings, and “almost offers” that have never materialized. Now you finally have a buyer, and the transaction may be in jeopardy because of the inspection outcome.

Buyers often want to renegotiate the purchase price, ask for all repairs done, or a considerable financial concession. You don’t feel like giving anymore, especially when you might be selling for less than what you thought (which is how most sellers often end up feeling). You could end up paying closing costs for the buyer in addition to agreeing to leave certain appliances, such as the refrigerator, washer, and dryer.

Everyone goes into full-on crisis mode trying to obtain estimates for the repairs, and it is a hurry-up-and-wait game trying to get contractors over to look at the findings and then even more waiting to get their written quotes.

Keep in mind that buyers and their brokers don’t always have a realistic handle on the actual cost of repairs found from an inspection and might inflate or exaggerate the potential costs on purpose as a way to beat down the agreed-upon price or force the seller to make repairs. Buyers might seek opinions from overpriced vendors trying to upsell, and sellers will find themselves running interference with this information trying to get their quotes. All of this chaos ensues while the clock keeps ticking on the inspection time frame outlined in the purchase contract. Most contract time frames never take into account the real world of waiting on repair specialists.

Although most transactions are this way, it doesn’t mean that they should be. By being proactive, your broker can help you avoid the stress of the unknown and level the playing field

between you and the buyer by recommending a pre-listing inspection. Wouldn't it be better to have done your homework, know what you will or won't fix (or in some cases have already tackled it), and obtained estimates on all else?

What is unknown is simply an excuse for not taking the time to find something out ahead of time rather than after the fact. Sticking your head in the sand like an ostrich and being in denial of any inspection issues will not help get the home sold.

5. Incompetent inspectors can ruin a sale

This one is starting to become a severe problem in our industry. Just as the swell of real estate brokers has increased, as the market has improved over the last few years, so has the number of home inspectors.

What is required to become a home inspector varies from state to state. Just because some states require licensure does not automatically grant that inspector sound judgment and the ability to diagnose/interpret a home's condition legitimately. A license is never a substitute for competence — ask any seasoned real estate broker who has listed properties the number of times they have had to run interference with an inspector's report that was full of misdiagnoses.

The prospect of rookie inspectors who have only been functioning as an inspector barely a year or two — and who are running their shop with virtually no support system and a more experienced inspector to mentor them — is cause for concern. They are crawling through someone's most significant investment, and they don't know what they don't know and only know enough to be dangerous.

Newer inspectors often discount their fees as a way to build their business, and so what looks like a bargain compared to what more experienced and savvy inspectors charge is often at the expense of the transaction. Buyers might shop by price alone, or a broker gives them a "coupon" that the inspector sent out in an email blast to brokers hoping that it would generate some referrals. The broker might be newer and might not have vetted the inspector, and doesn't realize all inspectors, like brokers, are not the same.

We have run interference with incompetent inspectors more times than I care to remember. It has been as simple as claiming a microwave in a newer home was not operable, to the more

serious: an allegation that a metal roof was improperly installed and was one good storm away (inspector's wording) from being blown off. It was a newer home, and we had an independent expert certify that the roof was installed correctly and should withstand most any storm we would typically get in this area.

An inspector with little knowledge of metal roofs made a bad judgment call. Not only did it scare the buyer, but the seller was in "shock and awe" by the discovery and went into a tailspin, calling the original builder, the county building department, etc.

My favorite inspector misdiagnosis was an inspector who had barely been licensed for about a year, claiming a nine-year-old house with a three-tab shingle roof needed the roof replaced. After that happened, two other home inspectors checked it, along with a roofer, and concluded no such thing.

Some shingle repairs needed to be made primarily due to solar panels installed on the roof about two years ago. That buyer walked after wanting to find a way to claim "hail damage" as a way to get a new roof installed, trying to push the seller to contact their insurance company. We did get another buyer and the second buyer did their inspection, after which their inspector determined the roof did not need replacing.

Although buyers have the right to choose whatever inspector they want, having your inspection done by a vetted, experienced, adequately insured, and respected inspector can be a tremendous asset with situations like this. That inspector will be available to consult with you during the home sale process and assist with running interference should an incompetent inspector cross the home's path.

6. You'll have a smoother transaction and a faster closing

All parties want a purchase and sale process free of hitches and can close within a reasonable period. There are no unknown risks by getting a pre-listing inspection, and the parties will enter a negotiation feeling confident and empowered.

If you are unable or do not wish to take on repairs, price the property accordingly. At the same time, if you have replaced an expensive item, like a roof or HVAC, it might help the home sell faster as the buyer might be willing to make an offer and pay a higher price because of it.

A significant portion of time, customarily eaten up by the inspection period and all of the back and forth trying to resolve repairs, is reduced. Everyone is aware of the issues and has a handle on what will or will not be corrected.

7. The home will be more insurable

Some repairs might have to be made for the buyer to get insurance, or they will likely need to have them done within the first 30 days of owning the home to get a lower insurance rate. If a seller has an older home with knob and tube or aluminum wiring, for example, a buyer might run into a snag getting insurance, or the quote might be much higher than anticipated.

The seller might have lived with older electrical or plumbing and not had any issues. However, this can become an issue for the next buyer. It is easy for sellers to become numb to problems that don't concern them. Unfortunately, real estate transactions don't work like that, and these are serious concerns any buyer would have before sealing the deal.

Buyers are often hesitant to take on significant projects like a whole house rewire or re-plumbing unless reflected in the price, or a seller is willing to pay a substantial portion of their closing costs.

Why risk a home sale while an unknown inspector could potentially wreak havoc on your home's condition and ultimately thwart the entire transaction? Knowledge is power. Just as buyers need to do their due diligence, a seller needs to do theirs so poor judgment calls don't derail their deal.