

# REAL ESTATE

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## THE REAL DEAL

### Real Estate News You Can Use

BY EVI COGHLAN



### Surviving the Inspection

The inspection period, which occurs between an accepted offer and signing a contract of sale, is a

time when buyers, sellers and their agents hold their breath. That's because this is when most deals that are not going to survive the process fall apart.

This usually happens when inspections reveal issues that the buyers did not anticipate when they submitted their offer. In light of this, they may feel they are overpaying. They may feel the seller should remedy every issue. Or they may want to renegotiate price in light of this new information.

Of course, the sellers may disagree. Tempers may flare. One or both parties may walk away, despite the agents' best efforts to negotiate a solution.

Although this happens all the time, it need never happen at all. The key is for the agents on both sides of the transaction to manage their clients' expectations properly regarding inspections.

Here's what I tell my buyer clients:

**1. Hire a good inspector.** Quality does vary – as does price. Top inspectors are worth what they charge. They are skilled at identifying issues, putting their findings in perspective and counseling buyers in a balanced and objective way. I have seen lesser inspectors blow small issues out of proportion and cause buyers to feel unnecessarily uncomfortable about going forward with their purchase.

**2. Unless you're buying a new house, don't expect a perfect inspection.** Every inspection will identify a list of minor issues that you'll want to address once you own the house. That's why you're doing the inspection.

**3. If there's something you're especially concerned about,** have it checked out before making an offer – or make it a

specific contingency in your offer (e.g., "pool must be able to be restored to full working condition at a cost not to exceed \$5,000?"). That way, there will be no surprises for the seller later on.

**4. Don't view the building inspection as an opportunity to renegotiate price.**

Instead, make sure your final offer reflects the cost of addressing the expected list of minor issues that your inspector will identify.

**5. The only exception is when the inspection reveals issues of a structural, mechanical, hazardous or environmental nature.** In these cases, it is appropriate to go back to the seller for a remedy, or to reopen price negotiations.

**6. When an inspection reveals something major, remain calm.** Unless the seller has a no-contingency backup offer, nine out of 10 times things will work out. Be patient. You are in the right. Most importantly, you have leverage. That's because by law, the seller is required to disclose major defects identified by your inspection to future buyers if they don't sell to you. Since they'll have to address the problems eventually, most sellers would rather address them now in order to preserve the deal.

The other one out of 10 times, be prepared to walk away. This will either prompt the seller to do something dramatic to keep the deal together – or the deal will fall apart and you'll buy a different, better, house.

**7. Be reasonable.** If your inspection uncovers an older roof with a leak in one small area, all the sellers should be expected to do is repair the leak. It's not reasonable to ask them to replace the whole roof. If the seller is willing to do more – such as splitting the cost of a new roof with you, or giving you a credit at closing that exceeds the cost of a repair – consider it a victory and move the deal forward.

And here's my best advice for sellers:

**1. Invest in a pre-listing inspection.** This will reveal the issues that a buyer will

find and allow you to remedy them now so you'll have a smoother deal later on. Also, if there are minor issues, you can disclose them up front so that buyers are aware of them as they formulate their offer. If your pre-listing inspection is recent, comprehensive and done by a top inspector...if you are willing to share it in full...and if the inspector is willing to address your buyer's questions...it's even possible that your buyer will forego their own independent inspection and go straight to contract. That's a big win for you.

Many sellers balk at spending \$500-\$1,000 to inspect their own property. But doing so can net you tens of thousands of additional dollars in your sale price, especially if you own an older home.

**2. Be willing to offer a one-year home warranty at closing.** Likewise, if you own an older house whose roof, furnace, septic and other systems may be nearing the end of their useful lives, this could make a buyer very nervous. Investing \$400-\$500 in a home warranty that will protect your buyers during the first year of owning your house is money well spent if it gives them the confidence to go forward with the purchase instead of developing cold feet after completing their inspections.

**3. Be reasonable.** This advice cuts both ways. Refer to buyer points #6 and #7.

The bottom line is that the best deals occur when both parties feel good about the outcome. As buyers and sellers move closer to a common set of expectations regarding inspections, there will be more "feel-good" deals and fewer that don't survive the process.

*Evi Coghlan is a licensed real estate agent with Coldwell Banker/Riverside-Shavell and a former marketing consultant who advised Fortune 100 companies. To contact Evi, call 203-247-6691, e-mail her at [evi@evicoghlan.com](mailto:evi@evicoghlan.com) or visit [www.evicoghlan.com](http://www.evicoghlan.com)*