

From the Home Inspector:

From the Home Inspection Committee: Pre-Listing Inspections A Broker-in-Charge Perspective

Concrete cracks. Steel rusts. Wood warps. All man-made structures age ... and often it shows.

Regardless of the industry, in sales training 101 we all learn that we must “know our product”! How can one adequately sale (demonstrate) a product or service that one does not fully understand or know? So why shouldn't a seller and a listing agent of a residential property have as much knowledge as possible about the product they are offering?

This is the third of a three-part series [of articles] designed to encourage the members of the WSRAR to strongly consider the advantages of encouraging their sellers to have a pre-listing home inspection performed by a licensed home inspector.

The NCAR Forms Committee is considering the addition of language to the Exclusive Right to Sell listing agreement to encourage listing agents to address with the seller the benefits of a pre-listing inspection either prior to, or at the time of, obtaining a listing. Additionally, with the national movement of more “buyer due diligence” prior to the making of an offer, or within a few days thereafter, it is anticipated that we will see more buyers opting to make offers on properties wherein the seller has obtained a pre-listing home inspection.

From the perspective of a Broker-in-Charge, arguably there is reduced risks to a listing firm (and agent) when a buyer has full (or more) knowledge prior to becoming contractually bound to purchase a property. With the current process, wherein a buyer contracts to purchase a property [often] with little or no knowledge of the systems and components of the residence that they are contracting to purchase, the buyer may well be setting themselves on a course of no return.

Specifically, the current NCAR Offer to Purchase and Contract, at Paragraph 16, Alternative 1, allows a buyer to inspect or obtain inspections of the Property – which is defined as “... all of that plot, piece or parcel of land described below, together with all improvements located thereon and such fixtures and personal property as are listed below”.

However, the same passage limits the rights of a buyer with respect to what the buyer contractually has a right to ask a seller to repair. Thus, often a buyer will ask a seller to repair, replace, or otherwise ‘fix’ an item which is not contractually defined in the contract. This is where many Brokers-in-Charge get involved.

Many buyers “want it fixed”, many sellers “did not know it was broken”, or say, “it was that way when we bought the house”, etc. Bottom-line, legally it really doesn't matter “if it was that way when the seller bought the house”, or whether or not the seller did or did not know that “it was broken”, the buyer wants it fixed. However, a buyer contractually only can “demand” that which they contractually are entitled.

And the problems ensue, the disagreements linger, and often the Earnest Money Deposit becomes disputed. The outcome is that no one is happy, and no one achieves the initially intended outcome – which was for a seller to sale and a buyer to buy.

While a Pre-Listing inspection is not a panacea for this situation, it surely is a lot better than our current situation – which is a buyer making an offer to purchase a property [often] without knowing what they are buying. Residential sales often is emotional for most buyers, but it should be viewed more as a business decision. After all, it is an investment!

Even when a seller has obtained a Pre-Listing inspection report, a buyer has every right to have their own inspection performed. However, when a seller has an inspection performed, the seller can choose to address the “problems” or adjust the price of the property to reflect the known defect(s). More detailed ‘up front’ knowledge of what issues exists not only is better for a buyer to have when making an offer, it also can go a long ways in reducing the legal exposure of a seller, as well as the brokers and agents involved in the transaction.

With Pre-Listing inspections, everyone wins! And any listing agent who reads this and says, “but I don't want to know what is wrong with my listing”, is only acting like an ostrich with their head stuck in the sand.

George Bell