

Published March 17th, 2010

The Good Psychology of Inspections - For Sellers!

By Ken Ryerson



Dry rot on a roof beam

For both buyers and sellers, inspections rank as one of the cheapest kinds of insurance a housing consumer can purchase.

Inspections provide protection for both parties when participating in the largest financial transaction that most will ever make in their lifetime. Buyers receive assurance in knowing what they are getting BEFORE they commit to years of monetary responsibility. Likewise, sellers are safeguarded down the road against lawsuits about undisclosed problems in their former home.

The cost for this sound, piece of mind assurance, is modest. If you are buying a single-family detached home in the Lamorinda area, a thorough inspection of the home and property generally costs around \$1,500.

What are you getting for this expenditure? What should be tested as part of the inspection process? In my opinion, the answer is Everything. A complete general inspection should include an examination of the foundation, plumbing, roof, chimney and fireplace, windows and doors, electrical and heating systems, and drainage and soil condition. I also recommend that the inspection include a close look at anything unique or specific to the property.

There are many types of inspections that span across various forms of specialization and expertise. In the Lamorinda area, a pest inspection is at the top of the list. A pest report should always be completed by a licensed pest inspector, and will only cover the areas of the home that are readily accessible for inspecting.

In Northern California, a pest report primarily serves to identify what type of dry rot and fungus damage are present in a home. It is common for even the most immaculate home to have some amount of repair that is needed. For older properties, repair costs can run into the tens of thousands of dollars.

Pest reports generally discover some deficiencies in Bay Area homes therefore; they are customarily provided up front by the seller and at the seller's expense. However, this is not always the case, and if for some reason a pest report has not been provided, I highly recommend that any buyer purchase one at their own expense. In the Lamorinda area, a typical pest report by a licensed inspector costs around \$300.

Other inspection services available include structural and engineering analysis, mold inspection, drainage, feng chi study, and landscaping or tree examination, but the list is endless and the choices need be commensurate with the house and the environment.

Why do I claim inspections represent good psychology? Couldn't an inspection reveal problems for a seller and scare off potential buyers? Today's real estate market is challenging enough when a home is void of problems; the last thing any seller needs in today's market are reports stating several problems with their home.

Contrary to the belief that buyer's will back away from purchasing a home due to issues brought to light from inspections, is the reality that buyers typically back out of a deal because of financing issues or psychological fears.

An inspection report, promotes trust and comfort which helps buyers overcome their fears.

When I sell my home-which I won't be for some time-I will document current problems, past problems, potential problems and especially issues that I don't see as a problem, but someone else may find to be a huge problem. I have found that the more information that is provided by the seller, the less concerned a buyer tends to be.

It is more often the case that a seller provides limited information and the buyer becomes fixated on one or two items. And if it is the Buyer that uncovers the problem, psychology dictates that the undisclosed matter becomes the central issue. I've seen many deals collapse as a result of non-disclosure.

What about sellers? In the early 2000's some sellers provided a general home inspection report up front, knowing that eager buyers in that hot market would forego any inspections in an effort to secure a particular property. Today the tables are turned and it's the seller who may forego providing an inspection. This is a risky move and here is what I advise my Sellers:

"I am a firm believer that the best thing you can do in today's market is to encourage a Buyer to have any and all inspections of the

home. From a liability perspective, the more complete due diligence performed by the Buyer, the less likely it is that an unknown problem will surface later. When a Buyer discovers problems after they have moved into the property, the recourse is more costly and time consuming."

Most sellers are very honest when disclosing known problems in their house. But problems can exist that a seller may not know about, especially for distressed properties that have not been maintained.

The most common suit stemming from a home purchase is when a Buyer sues the Seller for issues discovered after the close of escrow. This includes issues that the Seller was not aware of, and this is why inspections offer valuable liability protection.

As markets change, this protection is more important than ever. A Buyer who bought in a rush during the bull market may now be unhappy in this El Nino year to find that their garage fills with water during every heavy rain or that the roof leaks.

While most will consider the problem a lesson learned and engage a drainage specialist or roofer to fix the problem, some elect to sue the Seller. It's not surprising to learn that the number of such lawsuits increase when the market is sliding downward and home prices are falling.

In closing, my advice to a Seller is to disclose everything. As for Buyers, you should 'Inspect, Inspect, Inspect' (especially if you're looking at a bank-owned foreclosure property).

Whether a Seller or a Buyer, these policies are good psychology. Whether you are leaving the keys for the new owners or you are the new owners in possession of the keys, the condition of the home sold and bought is exactly what it was reported to be.

Ken Ryerson's Inspection Team

Home Inspectors:

Crampton Inspection Services - (925) 376-7707

Western Home Inspections - (925) 837-7363

Chimney Inspections:

Sal Russo - (925) 673-0546

Structural Engineering:

Dan Szumski - (510) 418-7155

Roof Inspections:

Delta Roofing - (925) 513-8759

Drainage / Retaining Walls:

Mike Kelley - (925) 946-5155

Land Surveyor:

Don Vegvary - (925) 947-1051

Pool Inspectors:

Aqua Pro - (925) 673-7000

Termite:

Q Termite - (925) 229-1481



Ken Ryerson lives in Moraga with his wife, Linda and their two children. Ken is a Lamorinda Residential Real Estate Specialist with Pacific Union in Orinda. If you have any questions or comments, he can be reached at 925-878-9685 or via email at Ken@RyersonRealty.com

Reach the reporter at: info@lamorindaweekly.com

Copyright © Lamorinda Weekly, Moraga CA