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Pre-sale inspections smooth path for buyer and seller

Knowing conditions of house makes for faster negotiating

When an agreement of purchase and sale contains a condition - any condition - it leaves an opening for one party to back out of the transaction. Assuming the seller wants to sell, the buyer wants to buy, and the agents want happy clients, all parties from the outset should strive to reduce the number of conditions in the signed offer.

One of the reasons conditional real estate transactions abort before the conditions are waived is the home inspection clause. When an offer is conditional on a home inspection, and the home inspection is performed after the deal is signed, the inspection can kill the deal.

Sometimes the purchasers get cold feet for other reasons and use the inspection as an excuse to back out. Sometimes the inspections disclose a big problem nobody knew about. Sometimes the inspection discloses that the house has been misrepresented in the listings - the amperage capacity of the power supply is a good example of this one.

And sometimes the home inspector scares the purchasers by not explaining that minor and typical problems are just that - minor and typical.

Recently I spoke to Alan Carson, of Carson Dunlop & Associates Ltd., one of Toronto's best-known home inspection companies.

Carson believes strongly that pre-listing home inspections can help all parties to a real estate transaction. He pointed me to a report on his firm's Web site entitled "Pre-Inspected Listings - The Future of Real Estate." (Visit <http://www.carsondunlop.com> for the whole report.)

If a home inspection is performed before the house is listed, says the report, all parties will be aware of the physical condition of the house before an offer is drawn. There will be no surprises afterward, and deals will not fall through.

On occasion, a home has to be sold twice to the same purchaser. It usually takes a great deal of work to get a signed agreement of purchase and sale. Then the home inspection is done, and the buyer wants to renegotiate. It is often harder to renegotiate a deal than it is to sell the property in the first place.

At this point, the vendor has mentally sold the house, and the purchasers are suffering from buyers' remorse. Agents then have to deal with egos, pride and frustration, and the renegotiation can cost the vendor more than it would if he had fixed the problem before the house went on the market.

If all parties know the state of the house before the offer is signed, a renegotiation won't be necessary.

Pre-inspections also help a vendor deal with unrealistic expectations. An inspection report encourages the vendors to realize they won't get top dollar for a house that's not in top condition.

It also gives the vendor the option of repairing urgent items before the house is placed on the market.

A pre-inspection serves as a guided tour of the house for a prospective purchaser. When it's performed by a reputable, qualified, and properly insured home inspector, it can provide peace of mind to both parties.

Last week, I spoke to three Toronto real estate agents - one each from the east, west and north areas of the city - to ask their opinions about pre-inspected listings.

Vladimir Bregman, a top agent at east-end ReMax Hallmark Realty, told me it's better to do a home pre-inspection than have a last-minute surprise.

"It inspires greater buyer confidence," he added. "The buyer's going to do an inspection anyway. If the report turns up a defect, the seller will have a chance to address the issues before the buyer walks away."

Sharon Black, with Royal LePage Signature Realty in the north end of Toronto, says pre-inspections are a superb idea, but are not yet a common happening in home listings.

"In a market with many competing listings, the ones which offer a pre-inspection report will get more action and sell faster," she said.

In the west end, Aldo Martire is with Sutton Group - Assurance Realty. Recently he had two of his transactions die because the buyers got a home inspection after signing the contract, and were scared off by the results. Had the homes been pre-inspected, he says, the defects could have been discussed and dealt with during the negotiations. As it was, the buyers got spooked and walked away.

"Most sellers," says Martire, "want to know their house is sold tonight. An offer without an inspection condition is a great idea. It lets both parties know where they stand right away."

Another marketing tool similar to a pre-inspection is usually overlooked. Almost every resale condominium transaction today is conditional on the purchaser obtaining an estoppel certificate - now known under the new Condominium Act as a status certificate.

Until the volunteer board of directors or the property manager cranks out the required paperwork, which can take up to 10 days under the new Act, the transaction is on hold and the buyer can start getting cold feet.

Ten days is far too long a period to allow a transaction to remain in limbo. For condominium transactions, it is now more important than ever that the vendor or agent obtain an estoppel certificate in advance - for the same reasons it is a good idea to obtain a pre-inspection on a home.

Buyers and sellers both benefit from offers that have a minimal number of conditions, or none at all. The fewer conditions in an offer, the more likely it is that the deal will close smoothly.

Handing a prospective buyer a pre-listing home inspection or a current estoppel certificate, or both, will go a long way to smoothing out the negotiation process, and ensuring that everybody is happy on closing day.

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