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Selling: Prelisting Inspections

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Prelisting Inspections: Head off trouble

BY CHUCK PAUSTIAN

Sandy Schoon, ABR®, GRI, a sales associate with Arizona Best Realty in Scottsdale, knows firsthand just how quickly a deal can be put in jeopardy — or slip away altogether.

Schoon had a listing on an older house, built in the early '70s. Two weeks before the sale was to close, the air conditioning system broke down. After some scrambling by the sellers and a \$2,000 repair, the deal went through, but Schoon says the added stress could've easily been avoided.

"If you do an inspection and make the necessary repairs before listing a home, the house basically has a clean bill of health," says Schoon, who has regularly recommended prelisting inspections to her clients during the four years she's worked as a real estate salesperson. "It's an opportunity to take care of things that could go wrong so that they won't come back and bite you."

Prelisting inspections — examinations paid for by the seller before a house is put on the market — are becoming an increasingly popular way for practitioners to not only reduce the possibility of last-minute surprises but also give their clients' homes a marketing edge.

Although some practitioners suggest prelisting inspections for older homes or those in obvious need of repair, Susan Spellman, ABR®, a salesperson with Long & Foster, REALTORS®, in Williamsburg, Va., recommends them to all her clients. Her average sales price is about \$700,000, and her clients tend to live in gated communities. "Just because a home has granite countertops doesn't mean it's well built," she says.

She feels so strongly about prelisting inspections that if her clients don't agree to do one, she gives them two options: sign a letter acknowledging they're not following her advice or work with another practitioner. "I tell my clients not to be penny-wise and dollar-dumb," Spellman says.

In the end, "my clients feel it's been money well spent," she says.

Schoon and Spellman both mention the inspections in all of a home's marketing materials, and make the inspection reports, as well as any repair receipts or cost estimates, available during showings.

From the Experts

According to the "2005 Home Inspection Business Operations Study," conducted by the American Society of Home Inspectors in Des Plaines, Ill., the number of prelisting inspections has been increasing slowly but steadily during the past decade. The study, which is based on a nationwide survey of about 18,000 home inspectors (response rate: 14.7 percent) and covers business operations during the 2004 calendar year, found prelisting inspections accounted for about 2.6 percent of an inspector's annual business, up from 1.5 percent in 1996. On average, an inspector conducts about 200 home inspections annually.

Although the percentage of prelisting inspections is still relatively low, the increase is significant, especially as many real estate markets show signs of cooling, says Rob Paterkiewicz, executive director of ASHI based in Des Plaines, Ill. "Sellers are realizing it's not just their market anymore. Thanks to the Internet, potential buyers are walking into homes more knowledgeable than ever before, and sellers know they must do everything they can to sell their house," Paterkiewicz says. He estimates prelisting inspections might already represent as much as 5 percent of an inspector's business, and he expects the trend to continue.

"A lot of this activity is being driven by real estate practitioners," rather than consumers, says Dan Steward, president of Tampa, Fla.-based Pillar To Post Inc., a national franchise of home inspection companies, because practitioners want faster transactions with fewer surprises or hiccups.

Like Paterkiewicz, Steward's also seen an increase in prelisting inspection activity. "A prelisting inspection helps get buyers comfortable with the idea of making an unconditional offer. There's also a greater sense of security because the seller and practitioner are being very forthright, demonstrating that there's nothing to hide."

The need to make certain repairs—such as to mechanical systems (heating and air conditioning, plumbing, and electrical) and to address safety issues (broken locks, loose handrails)—almost goes without saying. But the prelisting inspection can help the owner and practitioner decide which, if any, of the remaining projects to address before putting the house on the market.

Even if sellers decide not to make any of the suggested fixes, a prelisting inspection can still prove beneficial, Steward says. For example, it allows sellers to obtain cost estimates for needed work, so they can offer potential buyers an appropriate, not excessive, discount off the listing price.

Gale Colvin, director of technical training for Memphis, Tenn.–based AmeriSpec Home Inspection Service Inc., another home inspection franchisor, says a prelisting inspection should follow the same standards and protocols as any other inspection. "More than likely the buyer will conduct a second inspection, and you don't want any surprises," he says.

A Smooth Ride

By bringing potential problem areas to light before sellers put their house on the market and creating an environment of trust and goodwill between sellers and buyers, prelisting inspections can reduce parties' stress level and eliminate many of the bumps that can throw a deal off track, says Long & Foster's Spellman.

"You want a smooth, successful transaction," she says. "If the house doesn't sell, it's a lose-lose for everyone."

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