

Tools & Techniques

THE VALUE OF ENCOURAGING 3rd-PARTY HOME INSPECTIONS

CRAIG J. McGUIRE

NEW YORK - Though realtors are hired for their aptitude at marketing properties, and not necessarily as experts in residential construction, advocating the use of third-party home inspections can go a long way toward ensuring post-sale customer satisfaction.

This is particularly evident today. While the **National Association of Realtors** (NAR), an industry trade organization, has advocated realtors to encourage clients to use third-party inspections for more than a decade, the need for home inspections has grown significantly due to the rapid rate at which home prices

have risen, especially during the last few years.

"By encouraging a home inspection, performed by a qualified inspector, realtors can reduce the likelihood that the buyer will come back to them in the event they find a defect in the home after closing," said **Kathleen Kuhn**, chief executive and president of **HouseMaster**, a national home inspection franchise organization with more than 400 offices in the U.S. and Canada.

MORE \$\$\$ AT STAKE

Due to the rise in home pricing the last few years, which has varied wildly based on location, home inspections are useful in mitigating some of the risks associated with the real

estate transaction process, thereby offsetting the actual cost of the inspection.

PEACE OF MIND

"With so much money at stake, paying a few hundred dollars for peace of mind sits well with homebuyers," said Kuhn. "In addition, today's consumers are not as home savvy as they may have been 20 years ago and know they can't properly assess potential problems that may exist in a home."

Based on the findings of a 2001 NAR survey, the most recent statistics available, 57% of home buyers polled reported they used a third-party home inspection because their realtor recommended it.

According to the NAR, more recent statistics compiled by the organization reveal that the most frequent litigious claims brought against realtors are from residential customers disgruntled over hidden defects, which could have been uncovered through the close examination of a professional inspector.

HEALTH RISKS?

Specifically, these defects include costly potential problems, as well as hazards that may pose serious health risks.

"For example, the problem with EIFS (Synthetic Stucco Siding), lead paint or moisture penetration, which is the cause of mold," said Kuhn. Realtors should be particularly concerned with the

rising cost of mold, Kuhn said, as most "Realtor Errors and Omission Insurance" policies do not cover mold claims.

MORE MOLD ISSUES

In fact, the risk associated with the mold issue alone is encouraging realtors to do everything possible to minimize potential post-sale problems. Still, there are always cost-conscious buyers who may not want to foot the bill of the home inspection.

"In a hot real estate market, which we have seen over the past several years, buyers may wish to give up the home inspection contingency to make their offer more enticing to a seller (who has many bids)," said Kuhn. "This is not wise...for the buyer or the realtor working with them."

WHAT TO DO IN A DOWN MARKET

CRAIG J. McGUIRE

NEW YORK - Though many of their clients may be sitting on the fence, real estate brokers need not sit on their hands. Several seasoned real estate professionals provided *The Real Deal* with invaluable advice on what brokers should be doing today.

Elizabeth Stribling, president of **Stribling & Associates, Ltd.**, a New York-based realty company, said she urges her brokers to work their rolodexes, seek out referrals, continue building solid relationships, and encourage buyers to look for good values in uncertain times.

Apparently, these tactics have yielded results for Stribling. "Some of our high end properties that have sold recently include a \$10 million plus townhouse in the east 70's, a condominium substantially over \$15 million and a co-op penthouse in excess of \$11 million on Fifth Avenue in the 70's," Stribling said.

As manager of **Coldwell Banker Beverly Hills North**, Betty Graham knows all about high-end real estate.

"You have to focus on where the business is," Graham said. "See where the

buyers are comfortable.

"Overpriced properties are overlooked right now," she added. "There are lots of listings, more sellers than buyers. Properties must be appropriately priced. Right now real estate pros must reassure clients and lead."

Stephen E. Roulac, president of the Roulac Group, Inc., a realty group, said that to respond to the current malaise in the high end real estate market, brokers should emphasize to their clients that the general lack of activity represents an opportunity.

"Because there are far fewer showings and prospective purchasers interested in the upper end markets, those who are active in the high-end market have more choice," Roulac said. "They also have more opportunity to undertake a careful assessment of what's offered to best meet their desires, and more ability to negotiate a better deal."



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