



Don and Hugh

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## PRE-LISTING INSPECTIONS?



### **Pre-listing inspections may simplify negotiations**

Home inspections used to be initiated almost exclusively by the buyer in a real estate transaction. However, pre-listing inspections, paid for by the seller before a house is put on the market, are becoming an increasingly popular way for REALTORS® to try to reduce the possibility of last-minute surprises and create a marketing edge.

A prelisting inspection may lead to a house selling without conditions. It can be a great learning tool for the REALTOR® to help him speak more knowledgeably about the house he is trying to sell, and it can help the seller prepare the Seller Property Disclosure Statement (SPIS).

"The pre-listing inspection (PLI) is advantageous to sellers, buyers and REALTORS® as it can help establish a fair price for that home in that location in today's marketplace," says Andrew Dixon, President, Ontario Association of Home Inspectors (OAHI). "A PLI can help the seller and their REALTOR® by identifying areas where improvements and maintenance may be beneficial and/or necessary. A buyer can purchase with the confidence of knowing that the home has been inspected by an unbiased professional whose primary responsibility is the state of the home and its systems."

According to the OAHI, any home inspection including a PLI is concerned with the defects and the lifespan of the systems of the home. The PLI report should include all the major defects and the minor defects that could develop into major defects (either structurally, monetarily or safety related) over time. The inspector should provide justification for most items identified such as pointing out what needs attention to avoid premature deterioration.

While thorough, the PLI doesn't comment on the aesthetics or curb appeal of a home. "The pre-listing inspection is a visual examination of how the house is performing in the field," says Alan Carson, Vice-President, Carson Dunlop. "We're looking to see if this house is going to do its job in terms of comfort, safety and durability. The fact that the carpet is stained is not going to show up in a PLI and it's not a code compliance review either." Carson says pre-listing inspections are concerned with the nuts and bolts of a house. For example, does the

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roof keep water out, do doors and windows operate properly, does the furnace keep the house warm and the air conditioning keep it cool and do the plumbing and electrical systems do what they are supposed to do?

"Home inspection is a building science not a health science," says Carson. "Health scientists are concerned with what we are breathing or ingesting, but home inspectors are not generally trained in health science. To us mould is a sign that there's moisture where it shouldn't be." However, both Dixon and Carson say that if mould or other potential health hazards are uncovered in the PLI, the home inspector will recommend further investigation. However, while reducing the "need" for a buyer's home inspection, the PLI does not eliminate that possibility, says Dixon.

Listing agents can add value to their services by suggesting a PLI and helping clients to find a qualified home inspection company to conduct the pre-listing inspection. "To judge the thoroughness of an inspection company always ask for referrals," says Dixon. "Check their Web site, ask for their standards of practice and risk management policy, what their follow-up procedures are and examine the contract."

He says the contract should be consumer friendly, easy to understand and should clearly identify what-is and what-is-not inspected. In addition he suggests asking for association membership, level of membership and level of education, whether the inspector is a sole proprietor or member of an inspection firm. "Above all, identify your expectations and ask the inspector if they can be met. Ask for a thorough but impartial inspection of the home, clearly identifying the concerns in an efficient and straightforward manner with recommendations as required."

Even if sellers decide not to make any of the suggested fixes, a prelisting inspection can still prove beneficial by allowing sellers to obtain cost estimates for needed work, so they can offer potential buyers an appropriate discount off the listing price. "Many people wouldn't agree with me, but I believe in most cases that the seller shouldn't replace the roof or the furnace or other high ticket items," says Carson. "If I'm the buyer, I want to choose the colour of the shingles or get the most efficient furnace and have warranties. I'd encourage the seller to say the price reflects the need for a new roof or furnace instead."

Finally, both Dixon and Carson feel that it is always a good idea for the REALTOR® to be on hand for the inspection. "It is always advisable to have all concerns identified and questions answered in person. Things can get lost in translation and the waters muddied," says Dixon.

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### **Repairs are more than just a facelift**

Here are the most common fix-ups for home sellers according to the OAH. All are relatively low cost and many are safety items. Most are also expected in any home no matter what the age and would increase or at minimum guarantee fair market value if completed.

1. Fix any basement crack & get a warranty – especially when the inspector tells you it has leaked - no matter how much over how many years!
2. Extend the downspouts to discharge water well away from the home.
3. Prep and paint the exterior wooden trims/frames/doors, etc.
4. Put a handrail where needed.
5. Make sure the smoke alarms test and work properly and are on every floor.
6. Repair or replace the defective GFCI outlets.
7. Upgrade to a 100 Amp service with a combination panel and breakers.
8. Do a roof tune-up or get a new roof.

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