

The Game Has Changed... at least for now

It's tough to purchase a home right now; I get that.

Given the nature of this buyer's market – where multiple offers on homes have become the norm – there is a perceived fallacy that the only way to submit a successful offer is go in with no subjects. One year ago approximately 75% of home purchasers included a home inspection as one of their subjects. That number has dropped to a staggering 10%. People, this emotionally charged, panic-purchase mentality is not normal... and I urge you to not play this game.

There is also this trend that because the cost of real estate has risen so dramatically over the past year, that cutting every other corner in order to save a few dollars is necessary. This is dangerous. I recently had a friend pressured into this exact scenario; utilizing a budget "FSBO (with the help of an out of town Realtor) system" she listed her own house, which admittedly was a "fixer-upper". She immediately received a solid offer, which her "Realtor" advised her not to take. A few weeks later she went back to the person whose offer she initially turned down, and accepted one for \$50,000 less. Ouch.

She then stayed with this budget Realtor and started looking for another home to purchase. Believing that the ONLY way to get a home, because this is what this Realtor advised, she went in with a no-subject offer on an old house. The attraction was that it was "move-in ready" and had a newly renovated suite in the basement. Besides the fact that no permits were ever taken out for the basement suite renovation, she has since discovered that sewage burbles up out of the shower when the toilet is flushed <insert poop joke here>.

Another trend that I see emerging, and for which I have received numerous phone calls from potential purchasers, is the "walk-through" inspection. I will not do these, for reasons I will explain later.

I'm going to come right out and state two things... (1) You're a fool if you buy into this "no subject" fallacy and (2), it is just that... a fallacy.

Think about it; in a market where we are now starting around five hundred thousand dollars for an average BC Box, this is the PERFECT time for someone to unload that money pit (that in any other market would be a foreclosure). In fact, this market is what is allowing dozens (if not hundreds) of owners of potential foreclosures, to get out from under them. Guess what... these homes are now being purchased without a home inspection... by YOU... because many of you have bought into the erroneous belief that going in with no subjects is the only way to buy a house in today's market.

The truth of the matter is that if your offer is the highest you will most likely win the "bidding war". How do I know this? My wife and I recently sold our home. The offer we accepted was subject to a home inspection. It was also the highest offer.

Another truth... if you submit the highest offer and your offer is not accepted because you included a home inspection as one of your subjects... you most likely dodged a bullet.

Think about it; the most likely reason a seller will pass over your offer to go with a lower offer that does not include a home inspection, is because there are issues with the home that they do not want you to discover.

Back to my latest phone call from a fellow asking about having me perform a “walk-through” inspection. He wanted to know if I would go to the house with him and his wife when they went to view it. While I appreciate that he is trying to at least do ‘something’ in this aggressive buyer’s market, I apologized for not being willing to do this, explaining that there was no way that I would be able to “inspect” in 30 minutes that which normally takes a few hours.

Disappointed, the fellow said, *“The problem is, is that in order to be able to win the bid we need to make an offer that has no subjects”*. My response was simple... that the REAL problem would be that if he went ahead and purchased a home without getting it properly inspected, and a serious issue were to reveal itself down the road, potentially costing him thousands of dollars. Remember my friend with the poo in her shower? Yeah, exactly that.

Believe it or not, there is a simple way to protect yourself in this seller’s market; include a proper inspection as one of your subjects. If your offer is rejected as a result, be thankful and run away from that house.

Another approach is to have an inspection done PRIOR to submitting your offer. In this market, in an effort to get the emotional engines revved up, it is common for there to be a “viewing period” before offers are accepted. Use this as your opportunity to schedule your inspection during this window of time. Be willing to spend (and possibly walk away from) the cost of an inspection before throwing in on a \$500,000+ house, knowing that you are protecting you and your family from what will arguably be the largest purchase of your life. A few hundred dollars is a very small price to pay, all things considered.

I recognize that this hasn’t been normal protocol, in a market where historically the inspection is one of the subjects of an already accepted offer... but neither has this market been normal. And like I said... if the seller(s) balk at an inspection prior to submitting an offer, run away; this is NOT the house you want.

The goal posts have moved, which means you now have to play the game a little differently. Be patient, play it smart, and work with a quality Realtor who has your best interests at heart; if you don’t know any I would be happy to recommend a few who fit this bill.

Arne Larsen
West Coast Home Inspections

