

To Inspect or Not to Inspect?

By Richard Stanley

Assume you're a buyer who's just bought the "right" house. What next? No doubt your accepted offer included "contingency periods": time periods, for example, in which to review disclosures and existing reports, to obtain a satisfactory appraisal and final loan approval and to check the condition of the property. If you're not satisfied with results obtained during a contingency period, you may cancel the agreement and request the return of your earnest money deposit.

Contingency periods, like most things in an agreement to purchase real estate, are negotiable. They can be waived, or, if elected, can be of varying duration. Generally contingencies come in two flavors: the "from acceptance" of the offer flavor, or the "from receipt", as in receipt of disclosures from the seller, flavor. Inspection contingencies are of the "from acceptance" type, and they generally last from a week to two weeks from acceptance. Day one is counted as the first full calendar day after the agreement is binding.

Other than for inspections customarily done by the seller, such as for termite or retrofit work, the buyer is responsible for arranging inspections at the buyer's expense, so as to obviate any conflict of interest. **It is vitally important that the buyer have at least a general "physical" inspection of any prospective purchase performed by a qualified, disinterested inspector.** For almost all buyers, not conducting a professional physical inspection is false economy. A physical inspection is a foundation-to-roof, visual inspection of major improvements on the land. If possible, the inspector should crawl into the foundation sub-area, enter the attic, inspect all major systems of the house such as electrical, plumbing, roofing and foundation and check the general structural condition of the property. The inspector should note not-to-code items to the buyer. If pressed, inspectors may offer ball-park estimates of costs of repairs, but should not be bidding on work to be performed later. Other than removing covers of electrical panels, inspectors do not conduct intrusive evaluations. Most will recommend that qualified specialists conduct inspections of sewer lines and chimneys (**two "musts"!**), detailed swimming pool, geological or septic system evaluations or property line determinations. Condominium inspections are generally limited to the subject unit only.

How should one choose a qualified physical inspector? Ask your friends and family. Personal recommendations count a good deal in my opinion. If you trust your broker's integrity, ask for at least three recommendations from your broker. Call them and interview them. Ask a prospective inspector for a sample of a recent inspection. Usually the written report (every inspection should have a detailed one produced) can be emailed. Choose the person or team, not the company (inspection service franchises exist). Inspectors in California are not yet licensed, as such, but every inspector should have a current California contractor's license, which can be checked online. Inspector affiliate group accreditations are nice, but not essential.

A thorough inspection should take at least three hours for the average three-bedroom, 2,000-square foot house. Inordinately long inspections do not mean better inspections. I once found an inspector, notorious for his 12-hour inspections, snoring under a house!

At the end of the inspection, you should receive a written report. DVDs and emailed reports are acceptable, but nothing beats a paper report that you can make notes on and that the inspector can double-check and go over with you while you are at the property (**be at the property for the inspection—have the inspector show you issues and explain problems**). To put problems in perspective, ask the inspector what the worst thing or things are on the report.

No house is perfect, and buyers usually uncover issues via the inspections that were not known to them at the time they wrote their offers. Informed sellers expect a “round two” of negotiations if the issues are of a health or safety nature or of great magnitude. Whatever ensues, any further negotiations must be concluded within the contingency period or any extension thereof, or the buyer risks cancellation by the seller subsequent to a “Notice to Perform”. Sellers are free to obtain rebuttal inspections (which must be provided to the buyer), but be advised that another inspection may depict uncovered problems even more harshly!

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