

***Welcome to your FREE Report...***

## **After Your Pre-Purchase Building Inspection**

### **What Now?**

***Inside your exclusive FREE report you will discover...***



What to do next



**How to understand your inspection report**



Why you should get an expert on your side



**How to use your report to negotiate a better deal**



Creative negotiating ideas you can use now

**Warning:** Failure to consider the information revealed in this report could potentially put you and your family's wealth at significant risk.

# After Your Pre-Purchase Building Inspection

You are about to learn what to do with your pre-purchase building inspection report, how you can best understand it and how you can use it to get a financial advantage and help reduce the price of your home by re-negotiation. As told by a property inspector with over ten years experience and more than 12,137 inspections under his belt.

Your Pre-Purchase building inspection is complete, your inspector went over the report with you explaining the defects and his recommendations....now what do you do?

You have entered into the agreement to buy the house assuming there are no major hidden defects. The inspection has now uncovered some defects. What can you do?

The first thing you need to do is **sit down and read the entire home inspection report for yourself**. When your building inspector is reviewing your report with you it can get a little overwhelming if there are many defects or things you don't fully understand. I always recommend you take the time to read the inspection report in it's entirety for yourself. Your report could potentially save you hundreds possibly even thousands of dollars, so it's probably worth your time to read it completely.

Your inspector is your expert on your side and he knows your new home intimately now. If there is anything in the report you don't understand, talk to your inspector. Ask all the questions you need to until you fully understand. Let me assure you there is no such thing as a silly question. A good inspector prides himself on being able to help his client understand his report findings.

Now you should decide what defects you are concerned about and prioritize them. This is a very personal thing as everyone has different priorities. But you should also review your list and decide which ones are typical for a property of that age. Which ones are fair wear and tear. It is unreasonable to ask for some defects to be repaired. (For example; scuff marks and small chips on the passage wall in a 50 year old home that had 4 children raised in it would be typical, however the same defects in a new home would be considered in a different light)

You must be realistic and consider the age of the home in relation to the defects found. (Another example would be the corrugated galvanized short sheet roofing on the same 50 year old home may show signs of rust or corrosion. This is typical for a property of this age, however this would be considered a major defects if found in a 5 year old home) Again this is where you need to talk to your expert, the independent inspector. You need to prioritize the defects into things you will accept and ones you need to get quoted for repair and possibly renegotiate your offer. You need to decide if the scope of this project is more than you bargained for after you became aware of its condition. Are there some major defects or safety items that are cause for immediate concern?

Since a home inspector is a generalist and not a specialist, you will most likely see recommendations for further evaluation on certain items. Recommendations from specialists that fall outside the inspectors field of expertise. (For example, if a home inspector notes some significant movement and cracking in the foundations, he should recommend you consult a structural engineer for further detail). These specialists can bring in specialized tools and testing equipment to further troubleshoot these problems and let you know the cost associated with repair. If your home inspector recommends a further investigation, I strongly recommend you get this done prior to confirming the sale.

### **To Repair Or Not To Repair**

Your ability to re-negotiate may be limited by the exact wording of your building inspection contingency clause. It is common to see clauses restricting you to structural or safety items only. Some clauses will document if repairs are over a certain dollar amount. Contingency clauses like these can dramatically limit your ability to re-negotiate your offer. And this is why we strongly recommend you use a much broader building inspection clause.

In my opinion the simpler the better, something like “subject to receiving a satisfactory building report” Your legal advisor can determine the exact wording for you before you sign the agreement. (you did get your lawyer to check the agreement before you signed it didn’t you!!!) This type of clause includes all the systems and components of the property and does not restrict you to structural or safety issues only. However all that said, I believe you should always ask anyway.

If you have included an inspection contingency in your contract, then you have some rights. You have the right to hire an inspector. You have the right to gain access to the home for inspection. (Note: It is the responsibility of you, the selling agent and the vendor to ensure your inspector has full and unrestricted access to all areas. Thus alleviating the need for further inspections and incurring extra costs)

We often get asked “Doesn’t the seller have to fix...?” The seller doesn’t **HAVE** to do anything, nor does the buyer for that matter. So the buyer has the right to **ASK**. To answer the question literally, “what are (the) negotiating rights after an Inspection...” You have the right to **ASK** would probably be the closest accurate response I can give you.

No, the seller doesn’t **HAVE TO**. But if they are reasonable requests, in my opinion you have the right to **ASK**. The seller has the right to say **NO**. Or they may choose to negotiate rather than risk losing the sale altogether. If people would be honest and ask for only legitimate items and appropriate remedies, no one would feel like someone is trying to rip them off. A home inspection is **NOT** a chance to take advantage of someone. There are reasonable requests and unreasonable requests.

Put the shoe on the other foot. Ask yourself this? Would **YOU** replace a 14 year old hot water cylinder if it is still working beautifully, just because it is “past its life expectancy” of 8 to 10 years? If yes, then it is reasonable for **YOU** to ask. If no, then maybe you’re not being reasonable. Apply that Golden Rule to all items and you will be negotiating fairly. If you are reasonable, you’re likely will get everything you should. Maybe not everything you **WANT**, but everything you **SHOULD** get.

Using your priority list of defects and written quotes for the repairs to qualify and quantify the costs, you are now in a strong position to renegotiate. Before you go into any re-negotiations you must decide if you want the seller to make the repairs before settlement, or if you want to seek a reduction in the contract price to allow you to undertake the repairs yourself after settlement. Everyone has different thoughts on this but here’s mine.

I recommend you negotiate a reduction in the price using written quotes as the basis to establish and confirm the costs.

My reason for this is due to past experience I’ve inspected the repair work completed by many sellers and in most cases these have been completed on the cheap, in haste and by unqualified contractors who could fit the job in. In some cases they have had to be re-done again to reach a satisfactory outcome and in turn delayed the property settlement date.

These types of delays are incredibly stressful and cause so much tension when everyone is packing, the removalist is booked, the cleaners are booked, the utilities are booked to be turned off etc, then all this has to be cancelled and rescheduled again.

The other option is if the seller is willing to complete the repairs prior to settlement, then I strongly recommend you insist on a re-inspection of the repairs prior to settlement. This will encourage the seller to ensure the repairs are completed to an acceptable standard.

However if you negotiate a satisfactory price reduction to allow you to manage the repairs after settlement, you have time to choose your contractors, the time frame is not squeezed into the short contract period and you have full control over the project and the time frame to suit you and your family.

**Warning:** At this point I would like to fore-warn you about a phenomenon I call the “Last Man In Theory” – This often occurs when you expert inspector has recommended a repair but the contractor quoting the repair wants to upgrade this to a full replacement. Watch out for this.

While your expert inspector’s advice represents the most prudent thing to do, many contractors are reluctant to undertake small repairs because of the “Last Man In” theory. In the case of a simple roof repair. The contractor fears that if he is the last person to work on the roof, he will get blamed if the roof leaks elsewhere regardless of whether the roof leak is his fault or not. Consequently, he won’t want to do a minor repair as recommended when he could re-roof the entire house, make a lot more money, and reduce the likelihood of call-backs. It is understandable, but there is more to the “Last Man In Theory”. It suggests that it is human nature for the homeowner/buyer to believe the most recent advice they heard, even if it was contrary to previous expert advice.

Contractors may say, “I can’t believe you had this house inspected, and they didn’t find this problem.” There may be several reasons for apparent oversights, and the contractor neither knows nor understands exactly what a property inspection entails. As property inspectors, unfortunately we find ourselves in the position of “First Man In”, and consequently it is the expert inspector’s advice that is often disbelieved first. This scenario can often lead to distrust and end up in a dispute. The first thing a homeowner/buyer should do is to give their inspector an opportunity to re-inspect the problem area and confirm his original advice, almost always leading to an easy and satisfactory solution for everyone.

It is often very difficult for homeowners/buyers to remember what the circumstances in the house were at the time of the inspection. Don’t fall into this trap as the contractor is only trying to fill his work schedule and increase his bank balance with your money.

At this point you should sit down with the Realtor and/or your Buyers agent and put your case forward. Whether you ask the seller to complete the repairs or you ask for a reduction in the agreed price, the realtor and/or your buyer's agent will negotiate to keep the agreement alive. **(It is Important to keep in mind that if the sale falls over then everybody loses including you, and you have to start the whole process all over again)** I must also fore warn you to be prepared for a flat out NO. Some sellers will not re-negotiate at all and are willing to risk losing the sale to prove it.

Be prepared to be more creative in your re-negotiations, (for example; I once saw a buyer re-negotiate to include a ride-on lawn mower in the settlement that was valued at \$2500 in stead of replacing the broken leaking skylights also valued at \$2500) Another example I saw the other day was the seller agreeing to pay the buyers furniture removalist costs in lieu of repainting the bedroom walls. The seller then went on to get a better two for one deal with the Removalist. Some times you have to look outside the square for other ways to get a better deal done. I've also seen this done with conveyancing costs.

**Remember in real estate everything is negotiable.**

The key points I would like to stress from the point of view of a home inspector are:

1. Read the entire inspection report!
2. Follow up on the home inspector's recommendations for further evaluation, Read the entire report! (Ok...I know I've said this one already but it is very important.)
3. Get all the experts on your side, lawyers, inspectors, buyers advocates

The bottom line is once you understand your inspection report and how to use it, the report is the most powerful negotiating tool you can have in a real estate transaction, and if used correctly it can save you hundreds, possibly even thousands of dollars

Now I'd like to give you some tips on negotiating skills you can profit from if you learn to use them correctly.

**Don't Play The "Split The Difference" Game.**

You know how it goes. The repair costs total \$8,000, so you want to negotiate a price reduction of \$8000 to allow you to get the repairs completed as soon as you move in. The Seller comes back with "I'll split the difference with you, I'll drop the price by \$4,000". That's the middle so you agree. **WRONG!**

Stick to your original offer, but negotiate on extras for example; Their offer of \$4,000. you can come back with, say “I’ll agree to that if you can include \$4,000 worth of extras.” (for example; the fridge, freezer, outdoor setting, BBQ, lawn mower, or even ask them to pay for your moving costs, and/or your solicitors fees). Remember everything is negotiable and you can also use, “if these are included and I can settle right now!” Right here, today. (You’ve already done your homework and you know the extras are worth over \$4,000) but don’t get sucked in to paying any more because the repair costs will not change.

With this strategy you maintain your original offer for the cost of repairs and negotiate on the extras. The seller then must throw in the extras to make the sale happen. And the biggest temptation is, you can settle on the deal **NOW!**

### **How to get the sellers agent working for you!**

Using the example above: As you know, the real estate agent is working for the seller and not for you the buyer! Or are they? The real estate agent has a duty to the seller to achieve the highest possible price for the house, but now after everyone thought the deal was done, a building inspection has uncovered \$8,000 worth of defects.

You are armed with the evidence in the report and written quotes to verify the repair costs, and if the agent cannot broker a deal the whole sale is in jeopardy of falling apart and everyone loses. So now with the re-negotiations underway and reaching a critical stage the sellers agent becomes a negotiator/mediator to help both sides reach agreement, so he or she is now working for you also.

The bottom line now is, if the deal falls over then the agent misses out on his or her commission all together.

The Agent Commission! Do I need to remind you that everything in real estate is negotiable?

### **Ask Yourself How Far Are You Willing To Go.**

Are you willing to walk away from the deal if you don’t get what you want? Are you willing to take your bat and ball and go home?

Some negotiators believe that the strongest negotiating position is the willingness to walk away from the deal if you don’t get what you want. But I must warn you to think very carefully now if you’re thinking of going down that road.

Stop and think clearly exactly what it will mean if you walk away now that you are so close.

You’ve done all the research, looked at many homes, finally found the one you want, made an

offer hoping it will be accepted, negotiated a deal. Now you're starting to get used to the idea of living in the new home, it's a very exciting time.

Are you really willing to lose the house of your dreams for a few dollars, just so you can say "I'm a tough negotiator and I didn't get the house of my dreams to prove it."

Don't get caught up in the negotiations so much that you lose sight of your goal. To find a way to own this house, always be willing to compromise so the outcome is a true win/win deal for everyone.

I hope you got some value from this FREE report. Please remember your independent property inspector is your expert, on your side, and is only a phone call away.

Congratulations on your purchase and for being in the top 30% of astute home buyers in the country. Well done.

Yours truly,

Dayle Wood

Your Local Expert Independent Property Inspector.

0409 120 188

**PS;** By the way, Your Inspection Report is a confidential document and should **NEVER** be given to a real estate agent in any way, unless it is specifically required by your contract.

**PPS;** As soon as your contract has been signed by both buyer and seller, **PLEASE** get the house insured immediately. I don't want your dream home becoming another horror story.