

# Amid bidding wars, buyers are omitting home inspections. Here's why that's dangerous

ROBERT MCLISTER >

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One of the most vital steps in the home buying process is being disregarded: In their fervour to win bidding wars, buyers are not getting home inspections.

In the past 18 months, multiple home inspection companies have seen their volumes drop by 50 per cent, particularly in hot markets, said Alan Carson, chief executive officer of home inspection firm Carson Dunlop, and a 43-year industry veteran.

“Before the market went crazy, almost everyone buying resale got a home inspection,” he said in an interview. Now, a frenzied housing market with multiple-bid situations is forcing too many people to take chances and omit the inspection. And while that can help them land their home, it can also prove costly.

## What are the risks?

Home buyers are spending more than ever to buy their homes. After paying record-high home prices, land transfer taxes, moving expenses, renovation costs and other closing expenses, many buyers have no cash left to fix a worn-out roof, broken-down furnace, basement mould or faulty plumbing. Some purchasers never see these expenses coming.

Buyers caught up in bidding wars are too scared to add a property inspection condition in their purchase agreement for fear of losing out to “clean” offers. With such limited



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But a home inspection, assuming it doesn't kill your deal, can save you tens of thousands of dollars in cases where you use deficiencies to negotiate a lower price with the seller, or avoid a money pit altogether. It can also "eliminate costly post-sale litigation, should something be uncovered after the sale," Mr. Carson added.

Forgone inspections should worry sellers, too, because standard disclosures may not fully protect them. And if a deal falls through, it can also jeopardize the seller's new purchase, especially if they're forced to hold a home longer and can't carry two mortgages.

To avoid that and give potential buyers more confidence, many realtors now counsel sellers to buy pre-listing inspections and offer the reports to prospective buyers. It's a \$400 to \$600 investment that could pay for itself many times over by attracting higher offers. That should make any realtor happy as well, as homes sell faster with more bids and less renegotiation.

Alternatively, some sellers allow limited pre-offer inspections. The problem is, sellers then create artificial deadlines to promote bidding wars. They say they're accepting offers in five days and people who want to do a pre-offer inspection are often forced to do mini-inspections and quick walk-throughs.

"I hate those with a passion because it takes about 2.5 hours on average to do a full inspection .... It's kind of like going to the doctor for a checkup and giving them 10 minutes," said Mr. Carson, who's obviously not impartial here, but makes a fair point. Moreover, without a proper comprehensive inspection report, home inspectors may not be covered by errors and omissions insurance, he said.

## **Mortgage risk**

Lenders don't like it when you mortgage a property with structural, safety or mechanical problems, as that makes it harder to resell. If you stop paying your mortgage, they need to liquidate and get their money back fast.

If lenders somehow learn that a property has resale risks such as hazardous insulation materials, outdated wiring or foundation issues, they can kill your mortgage application, or make your approval conditional on remediating the problem. And remediation can be

Home inspectors look for all these problems in advance.

## **What the government is doing about it**

Home buying isn't a fair enough process, the Liberal government says, and it is proposing a Home Buyers' Bill of Rights to fix that.

"I've heard from Canadians from coast to coast to coast about the realities they face when looking to buy a home," Ahmed Hussen, Minister of Families, Children and Social Development, said in an e-mail. "Too often, the high demand for homes has led to unfair, predatory, high-pressure tactics that take advantage of prospective buyers."

Mr. Hussen said home buyers should "make an informed decision with no surprises." To that end, among other things, his government wants to "enshrine a buyer's right to a home inspection."

Less transparent and/or greedy home sellers and a small minority of short-sighted, commission-hungry real estate agents may not like this news, but it's drastically overdue consumer protection if you're a home buyer. Inspections considerably reduce the chances of problems arising after the sale.

Mandatory inspection periods might also temper, to a small degree, Canada's problem of runaway home prices. They'd give buyers more time to analyze fair value and negotiate lower home prices if problems are revealed.

"Consumers want home inspections and are asking for them, but can't get them" in today's market, Mr. Carson said. It remains to be seen how the federal government can compel the largely provincially regulated real estate industry to mandate consumer access to inspections, however. A spokesperson for Mr. Hussen said it was too early to comment on this.

## **Inspections aren't a guarantee**

Remember two things if you're contemplating a home inspection on a resale property:

1. Standard inspections usually don't include an examination of a home's well water and

- inspector for his or her opinion. He/she may have to contract this service out.
2. Most inspectors don't look behind walls, do pest-control inspections, check for asbestos, radon, lead paint, toxic mould or swimming pool problems.

Check places such as the Better Business Bureau for a reputable, experienced inspector, make sure they're insured, and ask them what they do and don't cover.

*Robert McLister is an interest rate analyst, mortgage planner and contributing writer for The Globe and Mail. You can follow him on Twitter at [@RobMcLister](#).*

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