

The price chopper

In certain communities, shrewd buyers are using the home inspection as a way to slash thousands off their final offer. But the tactic doesn't always work.

By Lisa Prevost | March 14, 2010

Heather Logrippo can't help but giggle when recalling the deal she negotiated on her dream house in Shrewsbury. Built in 1822, the slate-roofed Colonial was an historic gem boasting a swimming pool crafted from large stones and a hidden bar believed to have been a Prohibition-era speak-easy. By the time Logrippo and her husband, Jason, were considering buying the nine-bedroom home, it had been languishing on the market for two years. The humbled owners had lowered the asking price from \$1.5 million to \$750,000, but Logrippo, publisher of *Distinctive Homes of New England*, a magazine of real estate listings, managed to squeeze them for more. A previous home inspection made available to her by the agent revealed a slew of maintenance needs. The list was so daunting that, according to Logrippo, other potential buyers had simply walked away. To her way of thinking, however, the home inspection report wasn't a threat -- it was leverage.

She presented the owners with an offer: She would pay \$715,000 for the property, but only if they took care of some major repairs. Most costly were a French drain system and sump pumps to dry out the soggy basement, and replacements for 50 or so drafty windows. All told, the list of repairs added up to about \$70,000 worth of work, Logrippo says. Attaching such a hefty contingency to her offer was bold, and potentially risky, but Logrippo's timing was right. The owners agreed.

That was in November 2007, when housing prices were partway down the steep trajectory that has only recently showed signs of easing. Yet Logrippo believes the deal she negotiated was good enough to buy her some immediate value. Thanks to the low sale price, the previous owners' fixes, and her own investment in a new heating system and patio, a recent bank appraisal valued her home at closer to \$1 million, she says. "I benefited from the market, but I also benefited from the home inspection. Frankly, I probably would have paid more for it. But -- and I know this sounds terrible -- I could sense how desperate they were."

Any offer to purchase is typically contingent on the outcome of a home inspection -- a simple safeguard in the take-it-or-leave-it climate of the real estate boom years -- but many buyers today have come to view the inspection as a way to whack yet again at the price. (Logrippo's case is a bit unusual in that she benefited at the outset from an inspection done by a previous potential buyer.) It's a pattern that repeats itself every time there's a downturn, says Laura Cahill, a realtor at

Re/Max Landmark/Cahill Properties in Milton. "You spend three days going back and forth, and they negotiate the socks off you. You finally get down to your bottom-line price. Then they go do the home inspection and come back wanting to knock \$5,000 off. You want to lie down in the street and let the cars run you over."

The balance of negotiating power has begun to even out in some markets in and around Boston. Driven in part by the soon-to-expire federal tax credit, bidding wars are back for houses in great condition at lower price points. In those locations and price ranges where inventory is high and listings stagnate, however, sellers should prepare for buyers who feel entitled to use home inspection reports as a way to whittle down their original offer or gain considerable concessions, even when the flaws in question are minor.

A home inspection is typically considered a way of rooting out problems that aren't obvious, says Edward A. Shapiro, a business and real estate lawyer in Newton. Buyers hire their own inspector after the sellers have accepted their offer, but before they've signed a purchase and sales agreement. (Inspections, which

average around \$500, are not mandatory but advisable.) Prior to making the offer, buyers can ask about the age of the roof and condition of the boiler, but it may take a home inspector to uncover improper wiring, asbestos in the basement, or structural problems. Such major defects are all solid reasons for renegotiating price, Shapiro says. (And a seller doesn't have much wiggle room once a health threat like asbestos or lead is exposed -- they could run into legal trouble later on if they fail to disclose a known hazard to another buyer.) Renegotiations become more touchy, however, when buyers wander into that large and nebulous category of imperfections that could be fixed, but don't have to be: the drippy faucet, the door that sticks, a slightly slanted porch. From the perspective of the seller -- who has usually learned to coexist with such flaws -- just because a home inspector takes note of a minor problem doesn't mean it warrants an immediate fix, says Mirella Georgescu, an agent with William Raveis in Newton Centre. But when buyers have lots of properties to choose from, they are not at all bashful about demanding perfection.

Last year, Georgescu encountered such buyers when she listed a condominium in a two-family Colonial in Belmont. The elderly owners lived on the first floor and wanted to sell the other three-bedroom unit "as is" -- meaning they had no intention of updating its '70s interior. The buyers made a reasonable offer, about \$5,000 below the asking price, which the owners accepted; then, after the home inspection, they presented Georgescu with five pages of requests for improvements: "Redo the bathroom, paint the interior, replace the cement front steps . . ." Georgescu stopped reading after two pages. "The whole deal fell apart," she says. The owners rented the unit instead.

Paul Campano tells a similar story about the row-house condo he just sold in the South End. The owners accepted an offer, the buyers did their inspection, and then their agent came back with "three-and-a-half pages of craziness," says Campano, a senior sales associate with Keller Williams in Cambridge. "They just kind of took verbatim every little thing the home inspector commented on. They got to the point of saying, 'The bathtub didn't have a stopper and therefore couldn't hold water.' "

After his angry sellers calmed down, they agreed to negotiate, but the parties went back and forth for weeks before finally agreeing on what Campano calls a few "realistic" fixes, like upgrading the old circuit-breaker panel.

Defining a "realistic" fix is a function of the market, of course, and here, agents advise caution on the part of buyers. The grim job market and tsunami of foreclosures continue to depress housing prices generally, but some local markets are faring better than others. In particular, agents report, competition for reasonably priced homes in desirable locations is heating up. In many suburban markets around Boston, homes are attracting multiple offers if they're priced well. And sellers there will have little patience with buyers' huffy demands. "I just had a property in Medford which got three offers," says Kristy Bonaventura, a realtor with Re/Max Heritage in Melrose. "My sellers accepted an offer, and after we had the home inspection, the buyers tried to renegotiate. The sellers just went to the second offer."

Sellers can take some measures to avoid getting nickel-and-dimed after the home inspection. Shapiro advises inserting a clause in the buyer's official offer -- called the "offer to purchase" -- that says the offer is good unless estimated repairs, as gleaned from the home inspection, exceed a specified dollar amount. (When he's representing buyers, it should be noted, he advises against such a clause.) Failing that, sellers may make it clear during verbal negotiations that, by giving ground on price, they will not entertain a long list of trivial concessions after the home inspection. And, of course, sellers can save themselves grief later by being honest at the outset in disclosing any of the house's major shortcomings.

Even then, determined buyers may find something to complain about. "My favorite," says Bill Gassett, a Re/Max agent in Hopkinton, "is when the buyer uses the home inspection to mention the stain on the carpet. That's when you know you're dealing with someone unreasonable."

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