How agents can make more money with pre-listing inspections

It’s no secret that certain markets suffer from a persistent lack of inventory. In these areas facing tight supply, what is the best way for agents to provide value to homebuyers and sellers?

One commonly overlooked, but cost-effective way to get the best price for your seller — or calm your buyer’s fears in a multiple-bid scenario — is a pre-listing home inspection.

A pre-listing inspection is often arranged and paid for by sellers prior to listing their home. Listing agents also may choose to pay for the inspection on behalf of their clients as part of their listing services. Ultimately, the seller will be the inspector’s client and will receive the final report.

One of the biggest advantages a pre-listing inspection delivers sellers and listings agents is the ability for them to pinpoint key issues or major repairs before the house goes on the market. It’s important that listing agents be the most knowledgeable person in the deal. Leaving the inspection up to a buyer’s inspector can decrease the seller’s asking price, or worse, kill a deal entirely.

Most buyers don’t actually know how much things cost to construct or repair. For every perceived defect, many buyers will triple or quintuple the actual cost of the repair and lower their asking price accordingly.

For example, if buyers perceive a defect that will cost $1,000 to repair, they will want to knock $3,000 to $5,000 off their asking price. This means less money in the listing agent and seller’s pockets, not to mention a more complicated closing. Listing agents also lose leverage in the deal.

Now to the juicy part: a pre-listing inspection can actually make listing agents and their sellers more money.

It’s simple; by knowing the potential issues or repairs ahead of time, sellers can choose to fix them themselves or leave them to the buyer to address. If sellers choose the latter, they can secure three quotes from reputable contractors for the repairs so that buyers will know the cost to fix the issue. This allows the potential new owners to budget for the repairs. All of this fosters openness and transparency within the transaction, a positivity that can help push sale prices higher.

On the other side of the deal, buyers facing a multiple-bid scenario will feel more comfortable bidding aggressively if a pre-listing inspection is available for them to review. If they need to waive conditions to win the house, buyers can feel more at ease if major issues have already been highlighted or addressed.

Most importantly, pre-listing inspections provide the opportunity for a great return on investment. As

the average pre-listing inspection costs less than 1 percent of a home's overall value yet can help push home prices higher than they would otherwise go, the seller and listing agent come out with a win-win.

Listing agents can also choose to use the pre-listing inspection report as a marketing tool when listing the house to attract multiple buyers.

Below is a list of items that, as a general rule of thumb, sellers find it worthwhile to fix. Another list shows the items that they typically find is best to leave for buyers.

Items worth fixing prior to listing:

- Any electrical issues (for safety)
- Items that have a clear safety risk or environmental issue
- Broken steps
- Loose or missing handrails or guardrails
- Buried or abandoned oil tanks
- Other inexpensive, simple-to-fix items
- Any improperly hung doors or screens (replace)
- Furnace condensation leaks
- Broken cabinets
- Plumbing leaks

Items best left to buyer to fix:

- Cosmetic items that will appeal to a buyer's specific taste
- Roof shingles
- Flooring
- Energy enhancements
- Insulation
- Ventilation
- Major appliances

At the end of the day, sharing valuable knowledge is the key to becoming a successful real estate agent. With demonstrated expertise, agents can:

- Position themselves as true professionals
- Take control of the selling process
- Provide a high level of service to clients
- Develop the courage and discipline to create a listing process that will sell homes faster and for more money.

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