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YOUR HOME

Selling a House That Needs Work

By Jay Romano

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WHEN homeowners are getting ready to sell, they often spruce up the house by spackling cracks in walls, applying a new coat of paint and cosmetically eliminating other minor imperfections that are a part of aging.

But what if those minor blemishes become major? What should a homeowner do when the property being sold is showing unmistakable signs of age -- an old roof, archaic wiring, a heating system that probably won't last another winter?

"If your roof isn't leaking, it doesn't need to be replaced," said **Ed Gitlin**, the owner of Benjamin Realty, a real estate agency in Syosset, L.I. Mr. Gitlin said that most buyers -- and home inspectors -- know that most roofs over 10 years of age will need replacement sooner rather than later. But most of the time, he said, the cost of major repairs should be part of price negotiations rather than an expenditure in anticipation of them.

So Mr. Gitlin said that when he lists a house for sale he usually encourages the seller to price it in relation to the average value of similar houses in the area and then be prepared to negotiate.

"One purchaser might come in and think a house needs \$40,000 worth of improvements to get it into shape," Mr. Gitlin said. "Another might look at it and think he can do the same thing for \$10,000."

In fact, he said, some buyers don't mind taking their chances on a house with an aging roof or heating system if they can get the house for the right price. Indeed, Mr. Gitlin said, those same buyers might not be able to afford the property if the owner has to hold out for a higher price to recoup the cost of significant presale repairs.

"My boiler is probably about 45 years old," Mr. Gitlin said. "If I were going to sell my house now I'd just put it on the market and let the buyer decide whether he wants a new boiler or a reduced price."

One strategy often used by real estate brokers to sell property in need of significant improvement is to market the property as a "handyman's special" or in "as is" condition and price it accordingly. That approach, however, can backfire.

"No matter how much we advertise the fact that a home is being sold in 'as-is' condition, most buyers tend to forget that when it comes time to negotiate," said Janen Sosnovik, who owns a Coldwell Banker real estate office in Chester, N.J. "They have their home inspection, the inspector trashes the house, and then the buyer forgets that the listing price already reflects the condition the house is in."

The best way to sell a "handyman's special," Ms. Sosnovik said, is for the seller to make it absolutely clear to prospective buyers that what they see is what they get. And the only way to do that, she said, is to provide buyers with a written disclosure statement that accurately describes the condition of the house -- warts and all.

"We have a detailed disclosure form that we give to all interested buyers," Ms. Sosnovik said. "If there has been water in the basement, the buyer knows long before negotiations begin that there has been water in the basement and that the price reflects that."

Once such ground rules are established and everything is out in the open, she said, it is usually easier for buyers and sellers to reach an agreement. In fact, she said, it often makes sense for sellers to obtain estimates for necessary repairs and to provide them to prospective buyers, rather than let the buyers decide how much they might cost, as Mr. Gitlin suggested.

"If you need a roof and can't afford a new one, get two or three estimates anyway and give them to the buyer," Ms. Sosnovik said. "The simple fact that you've gone beyond just acknowledging the problem will be a comfort to the buyer."

In fact, she said, if a buyer knows up front how much a repair is going to cost -- and understands that the house has been priced accordingly -- the buyer might be willing to pay a higher purchase price if the seller agrees to make the repair before the sale. That way, the seller essentially breaks even while the buyer effectively spreads out the repair cost over the life of the mortgage.

"Sellers who might not want to make repairs in anticipation of a sale might be more willing to make them once they have a buyer and a signed contract in hand," Ms. Sosnovik said.

Not infrequently, however, sellers first learn about problems with their property only after a prospective buyer has conducted a home inspection. In such cases, the seller is at a disadvantage when the time comes to negotiate price. One increasingly popular solution, brokers say, is for sellers to have an inspection of their own before listing the property for sale.

"The basic idea is that you want to know what the buyer's inspector is going to find so you'll be prepared for it," said Bradley R. Huntington, the owner of Tri-State Engineering, a professional engineering company in Hawthorne, N.Y.

When a seller has his or her own inspection report, Mr. Huntington said, it can minimize the potential negative impact of a buyer's engineering inspection report. Even if a seller cannot afford to update an inadequate electrical system, for example, a good inspection report will at least provide the seller with an idea of how much such a repair will cost so he is not at a disadvantage when negotiations start.

Moreover, Mr. Huntington said, a presale inspection -- which generally costs from \$200 to \$300 -- will also enable the seller to eliminate or minimize a number of "nitpicky" things that might otherwise show up on a buyer's inspection report.

"The seller can do all the little things he can afford to do," Mr. Huntington said. "That way everything that gets done is one less line item on the buyer's inspection report and one more thing you won't have to deal with later on."