



*From the Law Office of Ronald H. Gitter, Esq.*

Addressing the Realities of Residential Real Estate

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## Is a Pre-Contract Inspection Necessary?

### No One Wants to Buy a Problem



Those of you who have purchased a house out in the burbs know that once you agree on the price, you go about the business of having your future home inspected by an engineer or home inspection company, to insure that there are no unwanted conditions that will become your responsibility after closing. Although a pre-contract inspection is not necessary for every co-op or condo transaction, having the apartment inspected by a qualified and experienced

professional before you sign the contract, often makes a great deal of sense. Here's what you should know...

### What Does the Inspector Do?

There are two main components to the apartment inspection. First, the inspector will walk through the apartment and review the condition and adequacy of all appliances and mechanical systems, such as electrical service, plumbing, heating and cooling. The inspector will also search for signs of water infiltration, structural concerns, possible code violations (e.g., makeshift wiring) and terrace issues, if applicable. Secondly, experienced inspectors will then do a walk through of the building with the superintendent, in order to check that status of the mechanical systems, as well as the roof, the boiler, the hallways and other areas of the building that are accessible at the time of the inspection. Remember, a fifty-year old building may have fifty-year old problems.

### Should You or Shouldn't You?

There is always pressure to get a deal done. When an inspection is requested, the buyer often worries that a higher or easier offer will be accepted before the contract is signed. The seller is concerned that the buyer will use the inspection process as a means to renegotiate the purchase price. As you might expect, when there are many suitors for an apartment, adjustments on the price are highly unlikely. Conversely, when an apartment sits on the market for months, an adjustment on the price is a real possibility when a serious issue is discovered.

### **Five Things to Consider...**

Having said all that, consider the following in making your decision as to whether to have an pre-contract inspection:

*Time Pressure:* If delaying the contract process to get an inspection done will put your deal at risk, you must weigh your desire to purchase the apartment against what might be discovered during an inspection. If you're sure you want the apartment, no matter what might be revealed, then you may have to forego the inspection. On the other hand, if you want to be certain about what you're buying, the inspection has to be considered, irrespective of the time pressures and consequences for delaying the process.

*New Construction:* If you're buying a condo from a sponsor in a recently completed building, it may make sense for an architect or engineer to review the technical description of the intended construction that is annexed to the offering plan as an exhibit. Comparing the finished product to what was promised in the offering plan, may raise red flags about the quality of the construction and possible problems in the future. Unfortunately, construction issues often come up with new buildings, but problems generally don't surface until several years down the road. In those cases, an inspection will not reveal latent defects. Although past performance is never a guaranty of what will happen on the next condo, knowing your developer's background, including successes and failures, is an important component of due diligence.

*Major Renovations:* If you're planning major renovations, having an architect or engineer look the place over is a must. What's major? Gutting the apartment, moving plumbing or electrical service from one place to another, rewiring, joining two apartments, renovations that might raise structural issues or any improvements that might involve the Landmarks Preservation Commission--in short, those renovations that go beyond cosmetic improvements like painting and having the floors sanded.

*Small Buildings:* If you're buying in a building with less than twenty-five units, it's essential to have someone look over the apartment and the building. Since major repairs in a small building will have a significant financial impact on each owner, knowing the physical condition of the building is a prerequisite to going forward with the transaction.

*Notice of a Problem:* If you're aware of a serious problem that impacted the apartment or the building, having an inspection can give a lot of comfort that the issue has been resolved in all respects. For example, if the apartment has been subject to leaks from the upstairs neighbor's terrace in the past, but you're being told that the problem has been rectified, an inspector may be able to confirm the current condition of the terrace by a visual inspection. Also, when the inspector talks to the super or managing agent, they share the same lingo and sometimes the inspector gets a more in-depth explanation of the

problem or of its solution than will be available from a review of the minutes.

*Cost:* Hiring an inspector is an additional expense that usually ranges from \$500.00 to \$1,000.00. In complicated situations, that cost could be higher. Don't let the additional expense be the only reason you decline to have the apartment inspected if any of the above scenarios is applicable to your purchase.

### **Residential Reality: Consider a Pre-Contract Inspection**

The purpose of an inspection is not to kill your deal, but to educate you on the condition of the building as well as your proposed apartment. Buying a co-op or condo may be the biggest investment of your life, so give it the same consideration as you would for any other major acquisition. Think car, not toaster. At the same time, the rough waters of New York City residential real estate transactions require you to act expeditiously to make sure that your great deal doesn't get away.

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