

Fix it or Leave it for the Buyer

· By [Matthew T Smoot](#)

· **Attend to Cosmetics**

It is easier to sell a house that is attractive to potential buyers, which means that you spend a little time and money on cosmetics. This is partly just a matter of making sure it is clean, the yard is neat, the driveway is swept, bushes pruned, and so on. Easily-fixed structural defects, like a loose shingle, should be fixed.

Houses almost always look better when furnished than when empty - they also look larger! If you are moving to another residence and plan to take your furnishings with you, if possible, arrange things so that you show the house before you move out of it.

However, if your house also has structural defects that are costly to fix, the challenge is in deciding whether or not to fix them before sale.

Structural Defects

Every house has defects, some obvious and others hidden. Both types will affect the price a buyer is willing to pay. It is a mistake to think that a potential buyer will assume that the only defects that exist are those that are visible.

Serious buyers will most likely invest in an inspection by a firm that specializes in such services. Buyers that don't retain an inspector will probably assume the worst about the unseen condition of the house.

There aren't many buyers who will pay a price based on the assumption that everything they can't see must be OK. Pricing the house on that assumption is a good way to keep it on the market unsold indefinitely. While you continue to pay for utilities, taxes, and insurance, the condition of the house worsens.

Facing up to the issue means asking yourself whether you will come out better if you fix the structural defects, or if you offer it at a lower price "as is". If the repairs cost \$15,000 but it results in a sale price \$20,000 higher, you want to do it. If the post-repair price is only \$10,000 higher, you don't. Which outcome is more likely depends on the circumstances.

When it Pays to Fix the House Before Sale

There are two circumstances that favor fix-up before sale. One is where there is a large variance in the cost of the fix-up, and a potential buyer is likely to over-estimate the cost. In the case of a septic system, for example, the cost depends on the condition of the soil, and if the seller knows that the condition is favorable and the cost low, it makes sense to fix it before sale.

The second and probably more compelling circumstance is where most potential buyers have the capacity to make only a small down payment, and are therefore not in a position to fund the cost of major repairs after purchase. By making the repairs before sale while setting a correspondingly higher price, a seller is in effect financing the improvement in the mortgage. If a buyer with limited cash had to make the improvements after purchase, the financing costs would be substantially higher.

But note that fixing structural defects before sale takes more time, which a seller may or may not have. In addition, depending on the type of defect, the value to a buyer may be less than the cost to the seller if the "fix" involves questions of taste.

Sellers Should Order Their Own Inspection

If a house has significant defects, the smart seller will order his own inspection, and in some cases, solicit estimates of the cost of required fix-ups. This will help in deciding whether the best arrangement is pre-sale fix-up, sale as is, or some combination of the two.

In addition, a seller-ordered inspection will tend to equalize the negotiating power of the two parties. Buyer-ordered inspections are designed, consciously or unconsciously, to provide bargaining ammunition for the buyer by exposing everything that is wrong or might go wrong.

Therefore, if a seller believes his house may have issues to contend with, it is always best to do your homework before you open escrow with an unsuspecting purchaser.