REAL ESTATE *NEWS*

Look before you leap, home buyers urged

This is the second in a series of stories on house buying and selling.

By Gerald Frawley
staff writer

There's only thing worse than buying a car and finding out you're stuck with a $15,000 lemon.

Buying a house and finding out you're stuck with a $150,000 lemon.

Home buyers should always remember the first rule of consumers: caveat emptor — let the buyer beware. Or more appropriately, perhaps, let the buyer be aware.

Home inspection companies and real estate attorneys are hesitant about labeling homes as lemons — they don't tell people to buy or not buy a house. Home inspectors say anything made by man can be fixed by man — it's just a question of how much money you're willing to spend to fix the problem.

Home inspection companies develop extensive reports identifying potential problems and estimating the cost of repair. Higher future maintenance costs don't necessarily mean don't buy a house, experts say; they just mean the selling price should reflect those potential costs.

Janet Compo of Americomp Home Inspectors Inc. in Farmington Hills said it is penny wise and dollar foolish to not hire a home inspector when purchasing a home.

A home inspection cost is negligible when compared to the overall investment in a home.

Compo said complex problems are beyond the scope of most home buyers, but there are still certain things homeowners can look for in the initial stages of house hunting to help trim the possibilities.

"One of the most obvious things to look for is the conditions in the basement," Compo said.

DAMP SPOTS, a musty odor or standing water — particularly near the base of basement walls — may not necessarily be expensive to repair, she said, but home buyers should be aware of them. Some water seepage problems may require light interior work or regrading outside, which is also relatively inexpensive, she said, but severe seepage may require extensive digging and foundation work.

Home buyers should also view the grading around the home, she said. Grading that directs water toward the home should be altered to avoid future problems.

The roof also warrants buyer attention, Compo said.

"If it has three layers of shingles, the next time the roof needs repairing will mean removing the existing layers," she said. Also check areas around roof pipes, chimneys and roof flashing sealed.

Homeowners should also check wiring — are plugs three-pronged and polarized? — and plumbing — old galvanized piping should be replaced with copper or high grade plastic.

GROSSE POINTE real estate attorney Ronald Barrows said homeowners should never assume the obvious. "Many disputes can be avoided if home buyers ask themselves the right questions before buying."

Barrows said too often people buy homes without considering the obvious and sign purchase agreements thinking that any problems can be resolved before the home closing. "That's not the case."

Barrows said it is wise to retain an attorney before the purchase agreement is signed. "By statute, (real estate agents) are employed by the seller."

Barrows said real estate agents are not out to cheat home buyers — problems arise out of lack of knowledge. "There's no intent to do anything wrong, they just don't know and don't know they don't know."

One of the problems he encounters most often, Barrows said, is a home location relative to potential headaches that may not be immediately evident. "Is the property located near an airport, sanitation facility (landfill or wastewater treatment plant) or near a gas station?".

Environmental issues like these, as well as standing pools or large areas of plant life, could indicate expensive cleanup or health problems later, he said.

Another potential problem home buyers should be watchful for are quick repairs or non-code home improvement and renovations.

"Are the basement walls covered by a heavy paint-like substance?"

Barrows also warned against structural damage. "One of the biggest problem I've found is when a house settles out of plumb or square."

Structural problems may not be readily obvious, but doors — including cabinets, interior and exterior doors — that won't close properly, walls that are warped and patios and porches that have pulled away from the house may be indicative of structural problems.

No such thing as 'maintenance-free' condo living

condo queries
Robert M. Meisner

I regularly read your column because my wife and I have talked about selling our house and buying a condominium. The maintenance-free lifestyle of condominium living appeals to us the most. We would appreciate it if you could shed some light on some of the major considerations that a couple should consider before making a decision to move into a condominium. The basic situation is that we are both in our early 40s and ha.e an 11-year-old daughter and a dog. Our gross income for 1990 was a little more than $50,000. Our house is paid for and worth approximately $90,000. We both plan to retire at age 55.

In purchasing a condominium, it is important to determine whether there are any restrictions in the condominium project that will interfere with your enjoyment of the premises. You would have to make sure that the condominium is not a senior citizen community and one that will allow dogs. It would be important to assure that you can have your dog prior to any purchase agreement becoming binding on you.

Do not expect that condominium living is "maintenance free" as it commonly represented. You will no doubt have certain maintenance responsibilities, depending upon the condominium documents, and you should be prepared to become involved in the association's activities by serving on the board to insure that your investment is protected and that the association is operating in a business-like and lawful fashion.

Condominium living can be enjoyable and a good place for you to retire at age 55. Make sure that the association is prepared to offer facilities for retired persons or social activities. These are are some of the considerations I would make over and above the normal considerations regarding price, location and the physical and financial condition of the condominium association.

Can you give me a general breakdown on the tax ramifications of selling your house or condominium?

You can defer paying tax on any gain regarding the sale of your home providing that you purchase another home within two years (before or after the sale) and the price of the new home plus initial improvements is at least as much as the amount you receive for the old home. If it is less you may still be able to defer a portion of the tax. If you sell the second home or buy a third home, you can defer tax again, and so on.

If you are age 55 or older, you may exclude from tax up to $125,000 of any gain from the sale of your home.