

## Homebuyers in hot market cut corners, run big risks

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Wisconsin's home selling market is red hot, driving prospective buyers to pull out the stops — and take big risks — as they rush to close offers.

Some buyers are offering tens of thousands of dollars over the asking price and are making cash offers with no contingencies.

Others are trying to

speed up deals by skipping a home inspection — a thorough assessment of a house's systems. And that could spell expensive trouble for both buyers and sellers long after closing.

“There's no objectivity and it's total panic-buying,” said Andy Helgeson, a home inspector at Security Home

**See INSPECTIONS, Page 14A**

Inspection Corp.

Home inspections can reveal everything from minor repairs to critical safety concerns in houses new and old. Problems identified are often used by sellers in the final negotiations to reduce the sale price.

Many problems found by a home inspector who follows state standards of practice are invisible to the naked eye, or a first-time homebuyer.

“If the heating system is broken, you wouldn't know that until you turn your heat on, which could be several months from now,” said Lauren Triebenbach, a real estate lawyer at Michael Best & Friedrich.

Triebenbach anticipates a rise in claims against sellers within the next six months to a year, as new homeowners discover problems.

“You're going to have a lot of cases where this issue of inspections becomes a problem,” Triebenbach said. “It's going to come down to whether or not the buyer reasonably relied on disclosures made by the owner.”

### Condition reports don't reveal everything

Sellers in Wisconsin are required to disclose any known problems with their property to the buyer in a real estate condition report.

There are a few exceptions — sellers who haven't lived in the house don't have to provide a condition report. Neither do owners of properties with four or more units.

Some sellers provide the condition report straight away, whereas others wait until a buyer makes an offer or asks to see it, said Julie Arnstein, executive director of the Wisconsin Association of Home Inspectors.

Buyers who waive a home inspection might rely on the condition report to make big decisions, though home inspectors say it is hardly a substitute.

Dave Welch, a carpenter-turned-home inspector who owns Top Down Home Inspection, knows what it's like to waive an inspection and regret it later.

Welch and his wife bought a home in Eau Claire eight years ago, and their water heater died six months after moving in.

Its replacement was around \$1,200, which Welch installed himself to save on the cost of labor.

But another issue in the basement resulted in about \$12,000 in damage.

“We kind of let the basement go for a while because we couldn’t afford to do that right away,” Welch said.

Welch hopes his clients won’t waive an inspection like he did – but he’s noticing it happen more and more.

“I feel like it’s a crazy idea to purchase something without really knowing what’s going on on the inside,” Welch said.

### **Calls rolling in for ‘post inspections’**

More than 10 home inspectors from around Wisconsin echoed Welch’s concerns in emails and interviews with the Journal Sentinel.

In recent months, they’ve received an unusually high number of calls for “post inspections” to assess properties shortly after new owners have closed the deal.

A leaky roof. A decaying crawl space. Eighty-year-old electrical wiring. These are some of the costly issues they’re finding – issues new owners are stuck paying for.

While doing a post inspection on a house in Madison one month ago, Sean Martinson found dysfunctional smoke detectors, a lack of carbon dioxide detectors and six cracks in the shingles.

“The cracks were so big I could stick my finger in them and see the plywood sheathing below,” wrote Martinson in an email.

Another inspector who asked not to be named said he inspected a Victorian house in Beaver Dam for young newlyweds, and found an outdated electrical system and asbestos in the roof – two “big ticket” problems that the previous owners failed to disclose.

Repairs could cost upwards of \$50,000.

“It was a very big shock to them,” the inspector said. “I could see them holding back tears.”

### **Strong competition generates many offers**

From a seller’s perspective, someone willing to waive the home inspection contingency will likely stand out in a tall pile of bidders.

There may be sound reasons for the buyer to waive an inspection, too.

Stephen Jenich has been trying to buy a home since January. He’s viewed more than 20 properties in the greater Milwaukee area and made offers on five.

He’s had to move quickly, often drumming up an offer with his realtor and hastily signing forms just hours after touring the property.

All of his offers were rejected.

“I don’t really get my hopes up,” Jenich said. “But I still try to be competitive.”

Jenich is looking at old houses in the most competitive price range, between \$200,000 - \$300,000. He's determined to include a home inspection, even if it lowers his chances of being chosen.

"If you want to talk about the most used product you'll ever buy in your life, just buy a house that's been lived in for 80 years," Jenich said. "For me, this would be the most expensive asset that I would purchase. And some of these [houses] are pretty rundown, too, so, you think you have a chance -- but you don't. You still don't."

Jenich's real estate agent, Beth Jaworski, said she's seen this happen to a lot of her clients recently at Shorewood Realtors in Wauwatosa.

"Under \$300,000 is just insanity," she said. "Now you're competing against 10 offers, 15 offers, 20 offers.

"It's kind of ironic, right? Because most of the time, people who can afford a \$600,000 to \$1.2 million house have the deep pockets that could take these unanticipated expenses coming at them out of the blue; whereas first-time buyers struggling to get into a \$180,000-\$220,000 house don't have those kind of resources."

Nevertheless, realtors and home inspectors alike warn buyers to think carefully about the risks of waiving a home inspection to improve their odds.

"What we charge for a home inspection is such a drop in the bucket compared to the value of a home," said Ric Thompson, a home inspector and the current president of WAHI.

Thompson crunched the numbers and estimated about 40% of offers in 2021 are being written without home inspections in Fox Valley, where he runs his business.

"And I have a feeling that number is even bigger," Thompson said.

### **Buyers often can't gauge condition of a home**

Part of the problem is that buyers can rarely gauge the condition of a house based on a 15-minute showing, said Nick Hammetter, owner of Humble Home Inspector based in southeast Wisconsin.

"There's just not enough time on a first-time walkthrough to understand how each home is operating," Hammetter said.

Some buyers have taken to purchasing home warranty plans in lieu of getting a home inspection, but experts warn that's not always sufficient if problems arise.

"A home warranty is always a great thing to have -- especially when you're starting out and on a budget -- but it does not take the place of a home inspection in any way, shape or form," Jaworski said. Most home warranty plans don't cover pre-existing conditions, Thompson added.

### **Inspection companies feel the slowdown**

As buyers engage in bidding wars and waive inspections, home inspectors are losing business.

"My business is down probably 75% from the same time last year," wrote Jeff Gilchrist, a home inspector, in an email.

One inspector said he's seen a decline in business since the first of the year.

"Workload is way down. For myself, one inspection a week is hard to live on," wrote the owner of JP Home Inspections, LLC.

Many factors, including record low mortgage interest rates, are fueling the market.

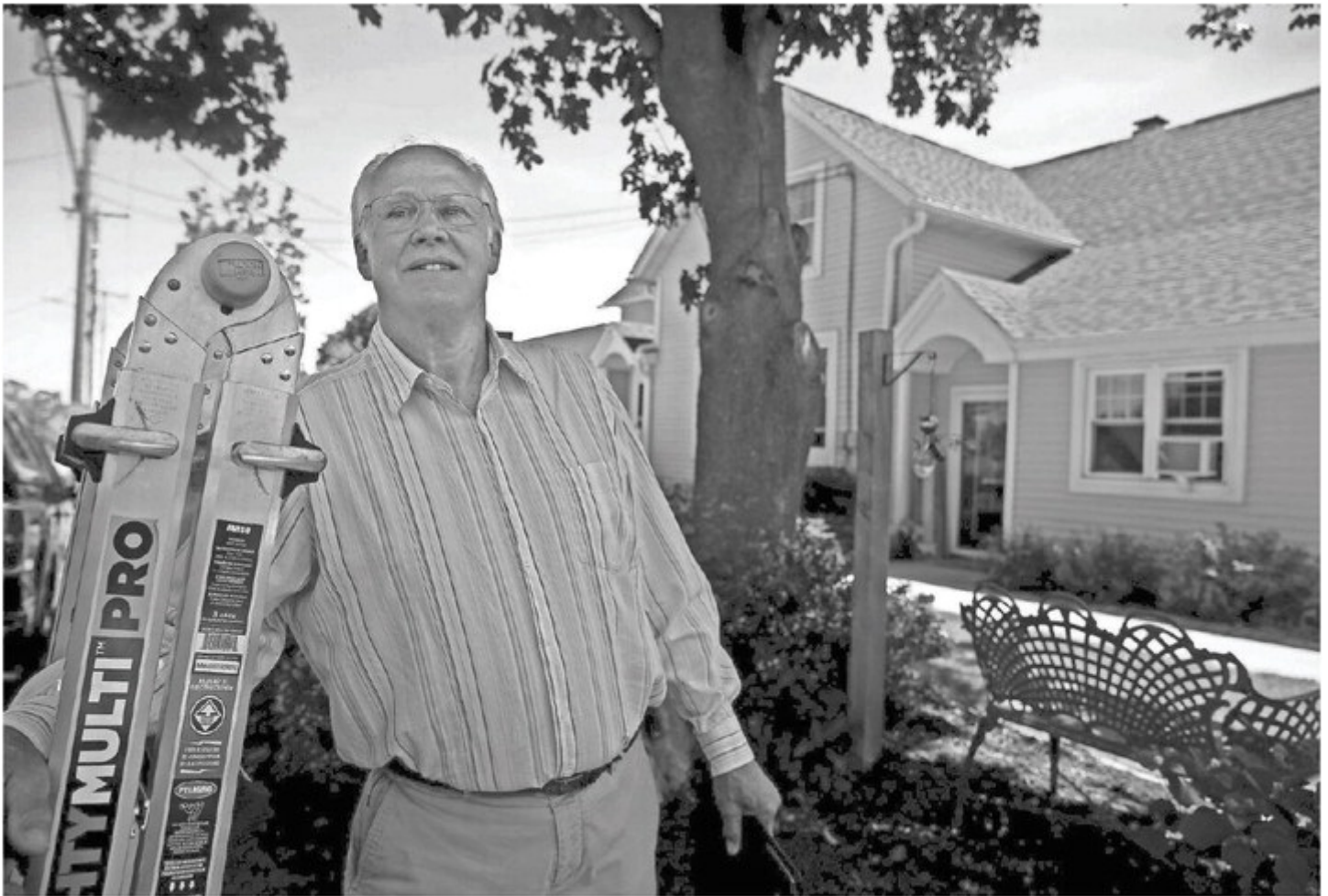
“I don’t know that there’s any one person that we could be mad at,” said Thompson, who usually does 50 more inspections in a year than he has this year.

“The market is the big issue here. The low inventory, the low interest rates, the high amount of people wanting to take advantage of that. Realtors are doing everything they can to get their people a house that they love,” Thompson said.

Jim Oezer, owner of National Property Inspections, said he worries about the long term impact of buyers waiving home inspections, not only for business owners but for homeowners.

“I went through the last bubble where every home we inspected like 12 or 14 years ago was foreclosed,” Oezer said, noting that often homeowners facing foreclosure haven’t done maintenance on their houses.

“I’m afraid we’re gonna see more foreclosures coming up in a couple of years,” Oezer predicted.



**Andrew Helgeson, home inspector for Security Home Inspection Corp., inspects a home in Germantown on Wednesday. The home inspection contingency, long considered to be a crucial step in the negotiating process between buyers and sellers, can bring to light minimal repairs, critical safety concerns and everything in between. ANGELA PETERSON/MILWAUKEE JOURNAL SENTINEL**



**Andrew Helgeson, home inspector for Security Home Inspection Corp., prepares to check the electrical at a home in Germantown on Wednesday. Many problems in a house are invisible to the naked eye.**  
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