



## **Realtors: Beware of ‘patch and run’ homes**

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By Lana Waters

Many Canadians think buying a home is a safe investment. Since the 1980s, when Canada Mortgage and Housing Corporation (CMHC) ended its consumer protection role through construction inspections, housing quality has suffered. For instance, CMHC estimates that more than 65,000 homes in B.C. suffered serious water infiltration problems in B.C.’s leaky condo crisis of the 1990s – a crisis that continues to this day. Estimated repair costs range from \$3 billion to more than \$5 billion. CASH Society, B.C.’s housing consumer advocate, recently obtained data that shows that the average repair cost per home has skyrocketed from \$19,733 in March 2000 to \$60,478 between July 2005 and March 2006.

While B.C.’s crisis is perhaps the best known disaster in Canadian history, defective homes are a serious problem across Canada. In 2005, the Canadian Home Builders’ Association (CHBA) estimated that 10 per cent of Canada’s builders are problematic. Other estimates find 20 per cent to 25 per cent of home builders as problematic. Recently, the CHBA refused an interview with CTV to discuss quality issues and ignored or refused invitations from Canadians for Properly Built Homes (CPBH) to work together to develop much needed solutions.

Although there are good builders in Canada, consumers and Realtors have no reliable means of knowing who they are. Consumers who find themselves with a defective home

and an unresponsive builder naturally turn to their home warranty program for assistance. This too can be problematic. In Ontario, for example, new home purchasers face a mandatory payment to Tarion Warranty Corp. for warranty coverage. But according to Ottawa lawyer Nancy Houle, “Purchasers should recognize Tarion as an insurance company that will require that you prove your claim. Tarion does not serve as an advocate for purchasers...The Tarion claim process is complicated, and, therefore, must be pursued with great care in order to avoid pitfalls...” (CPBH seminar, *Essentials for Purchasing a Newly Built Home*, March 2006).

Municipal government officials involved in the home construction process usually acknowledge home construction industry and warranty program problems, but often simply advise the homeowner that they can settle their issues through civil litigation. Given the time and high costs involved in the legal system with no guarantees of success, the courts are not a viable option for most Canadians.

Given a system that is not conducive to construction dispute resolution, many homeowners conclude that they have no option but to quietly sell their flawed homes without disclosing the known problems to potential purchasers, despite the fact that sellers are required by law to disclose known defects. Known as “patch and run”, this puts the true condition of all listed real estate into question and presents a serious problem not only for home purchasers, but also for Realtors. Unless someone – and frequently, that’s the homeowner – takes responsibility for fixing defects, this problem has the potential to haunt buyers, sellers and Realtors for generations to come.

Realtors, who put time and energy into establishing good relationships with their clients, could see the possibility of repeat business crumble as clients discover the hidden flaws in their homes and the cost of repair.

CPBH recommends that home buyers protect their investment by retaining a qualified home inspector to inspect the home, regardless of whether it is newly built or a resale home. It also recommends that purchasers require a condition in the Agreement of Purchase and Sale entitling them to a professional inspection before finalizing the transaction. While some problems may remain hidden behind drywall, a professional home inspector can often detect problems unrecognizable to the average consumer.

Given the importance of the Realtor-client relationship, Realtors may be well advised to help their clients determine that they are buying properly built homes. Advice to clients about the importance of home inspections early in the process may pay dividends in the long term, when clients come back to trusted Realtors.

This advice is as valuable to sellers as it is to buyers. A seller with a home inspection report from a reputable source backs the asking price, supports the Realtor’s marketing efforts and allows buyers to complete the purchase with increased confidence. From a Realtors’ point of view, last minute deal failures based on the discovery of flaws would be reduced.

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