

Some advice about construction defects in general and cracking in particular...

...Next, there is the actual question: cracking of, in this case, drywall. The first part is whether the problem is of any significance. It can be imagined that cracking could range from a few tiny cracks to widespread large ones. Then there is the question of causation. Is it a bad installation job? Is it expansive soil? Is it evidence of a landslide? Identifying and quantifying the structural problem is a key element.

Finally there is the question of how the market perceives the problem, which is where the appraiser comes in. There are neighborhoods where gradual soil movement is ubiquitous. If you don't like cracks, you shouldn't live there. As this problem is widespread, it is presumably also well known. If it is well known, the market should discount prices accordingly. So, if a buyer paid the typical low price, arguably, they are already compensated. Because the problem is general, specific disclosure is redundant. Now, if the buyer was ignorant and paid a high price... Alternatively, there is the possibility that while land is steeply sloped, homes are generally designed with extra foundation to resist subsidence and sliding. Perhaps the property in question was not and the cracking reflects a failure of the foundation. How would the market perceive and price that? Did the buyer pay a discounted price reflecting the problem, whether or not the seller disclosed everything known? If these examples do not directly relate to the specifics of your case, that's probably because I'm not a Sacramento, or Roseville, expert, much less specifically knowledgeable about your problem.

There are basically four valuation theories that relate to this sort of problem and are applicable in respective cases where the data fit. The first is that markets discount general problems, and so there is no specific damage attached to a more or less general problem which the property shares. The second is that problems are valued by the cost to fix them. The third is that problems are valued by the cost to fix them (if any) plus stigma. The fourth is that stigma for a physical problem can be eliminated by performing the very best possible fix and fully disclosing it. So by that theory the measure of damage would be the cost of the very best fix. If such a fix were not actually undertaken, again predicated on full disclosure, the remaining damage would be related to the difference between the best fix and the one performed. Each of these theories has counter-arguments. Without specific knowledge of your property, neighborhood and community, it's impossible to tell which best applies.

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