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Consumer, Trader & Tenancy Tribunal
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www.fairtrading.nsw.gov.au

13 32 20



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Pre-purchase building inspections

A home buyer's guide

www.fairtrading.nsw.gov.au



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This publication can be viewed or printed from the Publications page of our website at www.fairtrading.nsw.gov.au

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Introduction

Buying a home is probably the biggest financial decision you will ever make, so it's important to make an informed decision.

Knowing as much as you can about the condition of the property before you buy will help you avoid problems and extra costs later. The best way of doing this is to get a pre-purchase property inspection report.

This booklet explains what you need to know about pre-purchase building inspections.

Important

It is also useful to get a separate pest inspection report done before you buy the property.

What is a pre-purchase property inspection report?

A pre-purchase building inspection report is a written account of the condition of a property. It should tell you about any significant building defects or problems such as rising damp, movement in the walls (cracking), safety hazards or a faulty roof to name a few. It is usually carried out before you exchange sale contracts so you can identify any problems with the property which, if left unchecked, could prove costly to repair.

A building inspection report is different to a pest inspection report. While building inspection reports should identify any visual damage that may have been caused by termites, it usually won't include information on the existence of termites or other timber destroying pests.

Why do I need one?

There are three good reasons why you should get a building inspection report done before you buy a property:

1. you will know in advance if there are any significant problems
2. you can use the information to help negotiate a lower price for the property because you may have to pay to repair some of the problems
3. you will get specialist advice about any significant problems and how they may affect the property over time.

Of course, the building inspection report will be one of many things you will need to consider before buying a property.

Who can do a pre-purchase building inspection?

Only building consultants licensed under the *Home Building Act 1989* can carry out pre-purchase inspections of residential properties in NSW. Other inspections such as pest inspections are carried out by people who do not need to be licensed.

Inspection Agreement

To avoid conflict at a later date, it is strongly recommended that you enter into an Inspection Agreement with your licensed building consultant. The agreement should cover:

- the purpose of the inspection
- the scope of what is to be inspected
- the areas to be inspected and how they will be inspected (visually only) and any likely limitations such as legal right of entry, security systems, pets, furniture, etc.

The consultant should discuss the inspection agreement with you and also the common limitations that may be encountered on site, such as height or boundary access restrictions, thick vegetation, small roof access, etc. This is the time to let the consultant know if there are any special instructions, such as certain areas you want inspected.

Your inspection agreement with the consultant is like a contract, and should include the following information:

- the address of the property
- the name and contact details of the owner or real estate agent
- a brief description of the property including the number of rooms, construction type, age and size etc

Important

Make sure you specify in the Inspection Agreement any particular items or areas on the site that you want inspected.

Important

The report is not a guarantee that the building complies with current standards or building codes or that the building will not develop problems in the future.

- details about particular parts of the property you want inspected, or if you want the report to include specific details, for example an estimate of the renovation costs.

What is included in a pre-purchase building inspection report?

The purpose of a pre-purchase inspection is to provide advice regarding the condition of a property at the time of the inspection. Significant items that are to be reported on are:

- Major defects - this is a defect of significant scale where the problem needs to be fixed to avoid unsafe conditions, loss of use, or further deterioration of the property.
- Minor defects - the inspector will generally give an overall impression of the extent of minor defects. If you wish to know all minor defects and blemishes this will have to be specified in the Inspection Agreement.
- Any major defect that that is an urgent and serious safety hazard.

Each report will vary, depending on the consultant or company providing the report. Some reports will be in a comprehensive checklist while others may be tailored to suit your specific property. The following are some factors that will influence the cost and content of the inspection report:

- size of the property
- whether or not photographs are included
- if you want the consultant to inspect certain parts of the property not normally inspected
- if you want a full description of minor defects.

The consultant will inspect all accessible parts of the property including:

- interior and exterior of the building
- roof space and roof exterior
- underfloor space (if applicable)
- property within 30 metres of the building including:
 - o garage, carport and garden shed
 - o separate laundry or toilet
 - o retaining walls over 700 mm high
 - o steps
 - o fencing
 - o surface water drainage
 - o stormwater run-off
 - o paths and driveways.

If you want any other part of the property inspected, this will need to be identified in the Inspection Agreement.

Strata schemes and company title

With strata scheme and company title properties, the consultant will only inspect and assess the condition of the interior and immediate exterior of the unit you are thinking of buying. If you want additional common property areas inspected, you will need to specify this in the Inspection Agreement.

You should contact the Secretary of the Owners' Corporation or Company to ask about the history and cost of repairs to other units and the common property. This information is important as the cost of repairs and maintenance to common property can sometimes be substantial. Owners normally share the cost of these repairs.

The consultant does not review owners' corporation or company records. For more information on strata schemes, go to www.fairtrading.nsw.gov.au or call Fair Trading on 13 32 20.

Other important information

The building inspection report should also include the following information:

- the name, address and licence number of the consultancy firm responsible for the inspection
- the name of the inspector carrying out the inspection
- your name
- the address and description of the property to be inspected
- the reason for the inspection
- the date of inspection
- the scope of the inspection
- the prevailing weather conditions at the time of the inspection
- a list of any area or item that wasn't inspected, the reasons why it wasn't inspected and if necessary, a recommendation for further investigation
- if necessary, a recommendation that a further inspection or assessment be carried out by a suitably accredited specialist, eg. pest inspector, electricity supply authority, water supply authority, structural engineer, geotechnical engineer, surveyor or solicitor
- a conclusion setting out the consultant's opinion regarding the incidence of any major or minor defects and overall condition of the property
- a brief summary and overview of the report, including its purpose, scope and conclusion.

Important

A building inspection report should include enough information to make you aware of the property's condition and identify any significant problems.

What is not included in the report?

A building inspection report will usually not include:

- parts of the property that weren't or couldn't be inspected
- matters outside the consultant's expertise
- an estimate of repair costs
- a full description of minor defects
- termite detection.

A building inspection report shouldn't be seen as an all-encompassing report dealing with every aspect of the property. Rather it should be seen as a reasonable attempt to identify any significant problems visible at the time of the inspection.

The consultant normally wouldn't check things such as:

- footings
- concealed damp-proofing
- electrical wiring and smoke detectors
- plumbing
- drainage (including site drainage)
- gasfitting
- air conditioning
- garage door locks and door mechanisms
- swimming pools and pool equipment
- watering systems
- fireplaces and chimneys
- alarm systems
- intercom systems
- carpet and linoleum
- appliances such as dishwashers, insinkerator, ovens, ducted vacuum systems, hot plates and range hoods

Important

While the report will give you valuable expert advice, it won't cover every detail about the property.

Important

It may be difficult to detect leaks and other problems if services such as water haven't been used for some time. For example, if the shower hasn't been used recently, leaks or dampness may not be obvious.

- paint coatings
- hazards eg. the presence of lead or asbestos
- every opening window
- television reception
- concealed framing, bracing, tie downs, etc.
- environmental matters (basix and the like).
- energy and lighting efficiency.

Factors affecting the report

There are certain conditions you should be aware of that will affect the final report. These include:

- problems that are difficult to detect due to weather or other conditions such as rising damp and leaks
- the information you provide to the consultant
- the specific areas of the consultant's 'expertise' as specified in the report
- problems that have been deliberately covered up to make an area appear problem free.

Can I use the report for other purposes?

A pre-purchase building inspection is carried out specifically for the information of home buyers. Its main purpose is to give you an expert's view of the condition of the property you're interested in buying.

It is not to be used as a certificate of compliance for any law, warranty or insurance policy against future problems. Nor is it intended to estimate the cost of fixing problems. If you want the consultant to estimate the costs of necessary work, you will need to specify this in the Inspection Agreement.

The building inspection report can't comment on matters such as the location of fencing in relation to boundaries as this needs to be done by a registered surveyor. It is normally the role of your conveyancer or solicitor to deal with all legal matters.

Choosing a consultant

A building consultant must have a licence to carry out pre-purchase inspections on residential homes in NSW. Before you contract someone to perform a pre-purchase inspection, check that they are licensed to do this work by visiting www.fairtrading.nsw.gov.au or by calling 13 32 20. It is a good idea to get at least three quotes.

What questions should I ask?

Here are some questions you should consider asking the consultant or organisation that you would like to contract:

- What is your licence number?
- What are your qualifications and experience?
- How long have you been doing building inspections?
- Do you have current insurance cover for:
 - o professional indemnity
 - o public risk
 - o death or injury of any employees?
- Who is the insurer?
- Are you a member of an industry association? If yes, do you follow their Code of Conduct?
- Do you have any set procedures for handling disputes or complaints?
- Can you give me references or contact details of three clients with similar properties?

Important

It is up to you (or your representative) to arrange access to the property for the inspection to take place.

- What will the report cover and what format do you use?
- Can I look at a sample of the report?
- How long before I can have the completed report?
- Can you call me with a verbal report on the day of the inspection? Will this cost any extra?
- Do you follow the Australian Standard (AS 4349.1) for the inspection?
- Are you independent of the vendor and their agent?

Organising an inspection

Most consultants will need a minimum of 2 to 3 days notice to do a building inspection. Make sure you give yourself enough time to consider the report before making a decision about buying the property. You should get the vendor's permission to have the property inspected as early in the sale negotiations as possible. This will help you decide if the property is worth buying. There may be little point in spending money on conveyancing until you know the condition of the property.

If you want to get a building inspection done during the cooling-off period, make sure you give the consultant as much notice as possible. They will have to do the inspection, prepare the report and still give you time to make a decision.

Cooling-off period

When you buy a property by private treaty in NSW there is a 5 business day cooling-off period after you exchange contracts.

The cooling-off period starts as soon as you exchange and ends at 5pm on the fifth business day. During this period you have the option to get out of the contract as long as you give written notice.

If you decide not to buy the property you will also need time to get a letter to the vendor or their agent, informing them that you are withdrawing from the contract.

If you use your cooling-off rights and withdraw from the contract during the 5-business-day period, you will have to pay the vendor 0.25% of the purchase price. This works out to be \$250 for every \$100,000.

How much does it cost?

The price of a building inspection report will vary depending on the type of property, the report format (particularly the amount of detail), the period of time spent on the inspection of the property and the period of notice given to the consultant. Indications from industry sources are that the minimum price of a simple, basic report on a standard residential dwelling would be around \$500. Detailed reports would normally cost more.

What protection do I have if problems are not detected?

If you can show that the consultant was negligent in doing the inspection, you can take legal action against them. It is therefore strongly recommended that you only use a consultant with adequate insurance cover, particularly for professional indemnity. Your options include independent legal advice or the Consumer, Trader and Tenancy Tribunal.

Important

A cooling-off period does not apply if you buy a property at auction or exchange contracts on the same day as the auction after it is passed in.

Who should I contact if I am not satisfied with the report?

If you are dissatisfied with any aspect of the building inspection report or your dealings with the consultant you should first try to resolve it with them or their company. If they are a member of an industry association you may be able to get help from that association to resolve the dispute.

Also, if you buy the property and later find that there are problems that weren't identified in the building inspection report, you may need to seek legal advice about your position, particularly if their negligence ends up costing you a lot of money. You can also call Fair Trading for information and assistance.

Other types of reports

Pest inspection reports

While the building inspection report should identify any visual damage caused by termite activity, it won't include the detection of termites and other timber destroying pests. If the property is located in an area where termites are known to be a problem, you should consider getting a pest inspection done as well as the building inspection.

Pre-sale (vendor) building reports

Vendors will sometimes get a building report on the property they are selling so they can give it to interested buyers. While this can be helpful, it is better from your point of view to get your own independent report.

Repairing or renovating

If you end up buying the property you may need to organise repairs or renovations before you move in. If this is the case, there are some important things you should know.

When using a builder or tradesperson where the value of the work (labour and materials) is over \$1,000 the builder or tradesperson must:

- be correctly licensed with the Office of Fair Trading for the work they are doing
- provide you with a written contract.

If the job costs more than \$12,000, the builder or tradesperson must give you a certificate of home warranty insurance before taking any deposit and before starting any work.

Always check the licence is current and valid for the work you need done. Go to www.fairtrading.nsw.gov.au or call the Office of Fair Trading on 13 32 20.

Warning about asbestos and other hazardous products

When doing home building, renovations or work around the home you may come into contact with asbestos and other hazardous products such as lead or certain solvents.

Asbestos and other hazardous products can cause serious injury, harm and even death in certain circumstances if safety precautions are not followed. For some hazardous products, such as asbestos, the law sets out who can do work involving these products and how to handle and dispose of the materials.

It is recommended that before you undertake any building, renovation or other work on your home, you contact WorkCover on 13 10 50 or www.workcover.nsw.gov.au or the Department of Health on 9391 9000 or www.health.nsw.gov.au for advice about hazardous products that may be involved in the proposed work.

For advice on the transport and disposal of asbestos products in New South Wales, contact the Department of Environment and Conservation Pollution Line on 13 15 55.

You may also obtain the brochure *Fibro and Asbestos – A Renovator and Home owner's Guide* from WorkCover.

The Department of Health produces a brochure called *Dust and fume hazard, Do-it-yourself safely*, which is available from Fair Trading Centres or by visiting www.diysafe.nsw.gov.au

Where to get more information

Office of Fair Trading

General enquiries

Tel: 13 32 20

www.fairtrading.nsw.gov.au

Consumer, Trader & Tenancy Tribunal

Tel: 1300 135 399

www.cttt.nsw.gov.au

Australian Institute of Conveyancers

Tel: 9633 1355

NSW Division

www.aicnsw.com.au

The Law Society of NSW

Tel: 9926 0333

Contact the Community Referral Service for conveyancing solicitors

www.lawsocnsw.asn.au

LawAccess NSW

Tel: 1300 888 529

Do-it-yourself conveyancing

Do-it-yourself conveyancing kits are available from:

Law Consumers' Association

Tel: 9564 6933

Australian Property Law Kits

Tel: 1800 252 808.