



OFFICE OF **FAIR TRADING**

NSW Consumer Protection Agency

Department of Commerce

Home Building Service

Building inspections

A home buyer's guide

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April 2004



www.fairtrading.nsw.gov.au/building

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Marketing Branch
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Introduction

Buying a home will probably be the biggest financial decision you will ever make so it's important to make a wise choice.


Knowing as much as you can about the condition of the property before you buy will help you avoid problems and extra costs down the track.

The best way of doing this is to get a *pre-purchase property inspection report* – otherwise known as a **building inspection.**

This brochure explains what you need to know about building inspections.

1 What is a pre-purchase property inspection report?

It's one of the different types of building inspections you can get done. As the name says, this building inspection report is the one you get before you buy a property. Sometimes referred to as a 'standard property report', a pre-purchase property inspection report is a written account of the condition of a property. It will 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. Throughout this brochure we will refer to the report as a 'building inspection report'.

 ***A building inspection report is different to a pest inspection report. While it should identify any visual damage that may have been caused by termites, it usually won't include the existence of termites or other timber destroying pests. It is also advisable to get a separate pest inspection report done before you buy a property.***

2 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. so you'll know in advance what the problems are
2. so you can use the information to try and negotiate a lower price for the property ie. you may have to pay to repair some of the problems
3. so you can get specialist advice about any major problems and how they will 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.


3 Who can do a building inspection?

Effective 1 January 2004, only building consultants licensed under the *Home Building Act 1989* are permitted to carry out pre-purchase inspections of residential properties in NSW. Other inspections, e.g. pest inspections, do not require a licensed practitioner.

4 What is in a building inspection report?

The format and amount of detail in the report will depend on the type of property, its size and age, its condition and the reporting process used by the consultant or organisation preparing the report. These factors will also influence the cost of the report.

Some building inspection reports will adopt a standard format or use a comprehensive checklist while others will be individually tailored for each property. Photographs may or may not be included. The important thing is that the report complies with the Australian Standard (AS 4349.1).

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

General information

The consultant should inspect all accessible parts of the property. These include the following areas:

- interior of the building
- exterior of the building
- roof space
- underfloor space
- roof exterior
- site.

You may like to ask that a particular part of the property also be inspected.

Strata schemes and company title

With strata scheme and company title properties, the consultant will normally only inspect and assess the condition of the interior and immediate exterior of the unit you're thinking of buying. If you want the consultant to inspect other common property areas you will need to request a 'special-purpose' property report (see page 11).

You should contact the secretary of the owners' corporation or company to enquire about the history and cost of repairs to other units and the common property. This information is important as the cost of repairs to common property can in some cases be substantial. Owners normally share the cost of these repairs.

The site

The following items would normally be included in a building inspection report:

- garage, carport and garden shed
- separate laundry or toilet
- small retaining walls (i.e. non-structural)
- steps
- fencing
- surface water drainage
- stormwater run-off
- paths and driveways.

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

Other important information

It should also include the following information:

- your name
- the address of the property to be inspected
- reason for the inspection
- the date of inspection
- the scope 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
- a summary of the overall condition of the property
- a list of any significant problems that need fixing
- if necessary, a recommendation that a further inspection or assessment be carried out by a suitably accredited specialist, e.g. pest inspector, electricity supply authority, water supply authority, structural engineer, geotechnical engineer, surveyor or solicitor.

The summary


The summary is possibly the most important part of the report. It should give you a brief summary of the major faults found in the property and its overall condition considering its age and type.

5 What is not included in the report?

A building inspection report usually won't include:

- parts of the property that weren't or couldn't be inspected
- matters outside the consultant's expertise
- an estimate of repair costs
- 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 major problems that are visible at the time of the inspection. The extent of any problem will depend to a large extent upon the age and type of property.

 **While the report will give you valuable expert advice, it won't cover everything.**

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
- swimming pools and pool equipment
- watering systems
- fireplaces and chimneys
- alarm systems
- intercom systems
- carpet and lino
- appliances such as dishwashers, insinkerator, ovens, ducted vacuum systems, hot plates and range hoods
- paint coatings
- hazards
- every opening window
- television reception.

Minor defects


Most properties will have minor defects such as blemishes, corrosion, cracking, weathering, general deterioration, and unevenness and physical damage to materials and finishes. If you want the consultant to report on minor defects and imperfections you will need to ask for a 'special-purpose' property report (see page 11).

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.

 ***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.***

6 Can I use the report for other purposes?

This type of 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 isn't intended 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 a 'special-purpose' property report (see page 11).

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

7 Choosing a consultant

Effective 1 January 2004, building consultants require a licence to carry out pre-purchase inspections on residential homes in NSW. Ask to see a building consultancy licence before contracting someone to perform your pre-purchase inspection. You can check their consultancy licence by visiting www.fairtrading.nsw.gov.au/building/licencecheck.html

How long does an inspection take?

Most consultants will need a minimum of 2–3 days notice to do a building inspection.

When ordering your building inspection report, make sure you give yourself enough time to make a decision. 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.

Cooling-off period for buyers

When you buy a property in NSW there is a five-business-day cooling-off period after you exchange contracts. During this period you have the option to get out of the contract as long as you give written notice. The cooling-off period starts as soon as you exchange and ends at 5pm on the fifth business day.



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.

You can waive the cooling-off period by giving the vendor a '66W certificate'. This is a certificate that complies with Section 66W of the *Conveyancing Act 1919*.

If you use your cooling-off rights and withdraw from the contract during the five-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.

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

What questions should I ask?


If possible, you should get at least three quotes for the inspection and report. Here are some questions you should consider asking the consultant or organisation that provides the best quote.

1. What are your qualifications and experience?
2. What is your licence number?
3. How long have you been doing building inspections?
4. Do you have current insurance cover for:
 - professional indemnity
 - public risk
 - death or injury of any employees?
5. Who is the insurer?
6. Are you a member of an industry association? If yes, do you follow their Code of Conduct?
7. Do you have any set procedures for handling disputes or complaints?
8. Can you give me references or contact details of three clients with similar properties?
9. What will the report cover and what format do you use?
10. Can I look at a sample of the report?
11. How long before I can have the completed report?
12. Can you call me with a verbal report on the day of the inspection?
Will this cost any extra?
13. Do you follow the Australian Standard (AS 4349.1) for the inspection?
14. Are you independent of the vendor and their agent?

What information should I provide?

You should give the consultant 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.
- details about particular parts of the property you want inspected.

 *It's important that you arrange for the consultant to have reasonable access to the property. To do this you will need the permission of the vendor or their agent.*

8 How much does it cost?

The price charged for 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. As previously stated it is recommended that you obtain a minimum of three quotes.

9 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 that has adequate insurance cover, particularly for professional indemnity.

10 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.

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 one of our Fair Trading Centres for information and assistance.

11 Other types of reports

Special-purpose property reports

A special-purpose property report would normally cover the same items as a building inspection (pre-purchase property inspection) report but it may also include:

- an estimate of the cost of fixing major problems
- a list of minor problems
- a recommendation of the repairs and maintenance work needed.

Check with the building consultant what information they normally include in their pre-purchase inspection reports and inform the consultant if you require additional information.

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.

12 Fixing the problems

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 for work where the labour component is over \$200 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 where the value of work (labour and materials) is over \$1000
- give you a certificate of home warranty insurance before taking any deposit and before starting the work, if the job cost more than \$12,000.

Call your nearest Fair Trading Centre on 13 32 20 to check the licence details of the builder or tradesperson you're thinking of using.

13 Where to get more help

Office of Fair Trading

We have staff who can help you with a range of different information that you might need when buying a home.

Strata schemes	9338 7900 or 1800 451 431
Retirement villages	9895 0297
Buying a home	9895 0297
Real estate licences	9619 8733
Consumer, Trader and Tenancy Tribunal	1300 135 399
Credit problems	9895 0297
Web site	www.fairtrading.nsw.gov.au

Australian Institute of Conveyancers NSW Division	9618 1397
Web site	www.aicnsw.com.au

The Law Society of NSW	9926 0333
Contact the Community Referral Service for conveyancing solicitors	
Web site	www.lawsocnsw.asn.au

LawAccess NSW	1300 888 529
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Language assistance	13 14 50
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Do-it-yourself conveyancing

Do-it-yourself conveyancing kits are available from:

- **Law Consumers' Association** 9267 6154
 - **Australian Property Law Kits** 1800 252 808
- Web site** www.diyconveyancingkits.com.au



1300 554 668

For help on any fair trading issue call your nearest Fair Trading Centre, or call the specialist service listed below which is relevant to your enquiry. A range of Fair Trading services are also available via Government Access Centres (GACs) and other agency locations throughout regional New South Wales. For details, visit the website www.fairtrading.nsw.gov.au

Fair Trading Centre locations

Albury
Armidale
Bathurst
Blacktown
Broken Hill
Coffs Harbour
Dubbo
Gosford
Grafton
Hurstville
Lismore
Liverpool
Newcastle
Orange
Parramatta
Penrith
Port Macquarie
Queanbeyan
Sydney
Tamworth
Tweed Heads
Wagga Wagga
Wollongong

Fair Trading Centres – call 13 32 20

Albury	Dubbo	Newcastle	Sydney
Armidale	Gosford	Orange	Tamworth
Bathurst	Grafton	Parramatta	Tweed Heads
Blacktown	Hurstville	Penrith	Wagga Wagga
Broken Hill	Lismore	Port Macquarie	Wollongong
Coffs Harbour	Liverpool	Queanbeyan	

TTY9338 4943

(telephone service for the hearing impaired)

Language assistance13 14 50

(ask for an interpreter in your language)

Visit the Home Building Service website

www.fairtrading.nsw.gov.au/building

where you can:

- search the public register online to see if a contractor's licence is valid and current before entering into a contract, and
- find helpful information for home owners, builders and tradespeople on home building matters.

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