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Language assistance
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TTY for hearing impaired
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Aboriginal tenancy
1800 500 330

Consumer, Trader & Tenancy Tribunal
1300 135 399

Motor Vehicle Repair Industry Authority
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Registry of Co-operatives & Associations
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Visit our website for details
www.fairtrading.nsw.gov.au

13 32 20



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Building inspections

A home buyer's guide

www.fairtrading.nsw.gov.au



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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.

Important

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.

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 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. Throughout this brochure we will refer to the report as a 'building inspection report'.

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 if there are any significant problems
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 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 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, for example pest inspections, do not require a licensed practitioner.

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).

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.

Important

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

Important

Make sure you specify any particular items or areas on the site that you want 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 13).

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 and maintenance to common property can in some cases be substantial. Owners normally share the cost of these repairs.

For more information on strata schemes, go to www.fairtrading.nsw.gov.au, visit your local Fair Trading Centre, or call 13 32 20.

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 (ie. non-structural)
- steps
- fencing
- surface water drainage
- stormwater run-off
- paths and driveways.

Other important information

The report 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, eg. 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 overview of any significant problems found in the property and its overall condition.

Important

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

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 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
- 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 13).

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.

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.

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 13).

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.

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 or by calling 13 32 20 if you do not have access to the internet.

How long does an inspection take?

Most consultants will need a minimum of two to three days notice to do a building inspection.

When ordering your building inspection report, make sure you give yourself enough time to consider the report before making 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.

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.

Important

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.

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.

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:

- What are your qualifications and experience?
- What is your licence number?
- How long have you been doing building inspections?
- Do you have current insurance cover for:
 - professional indemnity
 - public risk
 - 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?
- 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?

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.

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.

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 legal options include independent legal advice or the Consumer, Trader and Tenancy Tribunal.

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 Fair Trading for information and assistance.

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.

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
- 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.

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.

Products containing asbestos may include fibro or asbestos cement sheets used on the roof or walls or wet areas of a home, or as insulation material in the roof and around pipes.

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.