

Property inspections

Property inspections and reports

Avoid problems and extra costs later on by knowing as much as you can about the condition of a property before you buy. Besides inspecting the property yourself, you can also arrange for property inspection reports, such as a building inspection report.

When a prospective buyer asks for a contract of sale, the agent must inform them about property inspection reports that have been commissioned. The buyer may then be able to negotiate a cheaper price to repurchase a report. Refer to our Property reports and commercial exemption reforms page for details.

The following information explains what you need to know about property inspections.

Personal inspections

You should personally inspect a property that you are interested in buying. You may wish to take someone with you to gain another perspective.

Property viewings usually last half an hour to an hour. Use this time to do the following checks:

- Check that windows and doors can open easily and don't get caught in their frames.
- Check for damp or mould along skirting boards, walls and ceilings. Be cautious of paint jobs used to cover up mould.
- Check for sagging ceilings or buckling walls.
- Lift up carpet and check for rotting floorboards or damp.
- Try all taps and check how long it takes for hot water to come through.
- Flush the toilet to check for a running cistern.
- Look under sinks and give the plumbing a gentle shake to test sturdiness. Also look for rust and other damage to the pipes.
- Review the hot water system for size and age, and check for damp in all wet areas.
- Try light switches and look at the fuse box to evaluate circuitry age and see if there is an Earth Leakage Safety Switch.
- Look at the general state of the roof, guttering and drain pipes.

- Inspect exterior walls for cracks and other defects.
- Ask if the home has an energy efficiency rating.
- While in different parts of the property, listen out to gauge noise levels. It is a good idea to test the noise levels around the property at different times of day.
- What does the property smell like? Are there strong smells from nearby restaurants or waste treatment plants?

What is a pre-purchase property inspection report?

A building inspection is just one check you can get done **before** buying a property.

Sometimes referred to as a 'standard property report', a pre-purchase property inspection report (subsequently referred to as a 'building inspection report') is a written account of the property's condition. It will include any significant building defects or problems such as rising damp, movement in the walls (cracking), safety hazards or a faulty roof. It is usually carried out before you exchange sale contracts so you can identify problems which, if left unchecked, could prove costly to repair.

Note: A building inspection report is different to a 'pest inspection report'. While a building inspection report should identify any visual damage that may have been caused by termites, it usually won't include termites or other timber destroying pests. You may choose to get a separate pest inspection report done before you buy a property.

Why do I need a building inspection report?

Benefits of getting a building inspection report done before buying a property are:

- knowing in advance what the problems are
- using the information to negotiate a lower price for the property ie. you may have to pay to repair some of the problems
- gaining specialist advice about any major problems and how they will affect the property over time.

Choosing the right person to inspect the property

Always use a suitably qualified person (such as a licensed builder, a surveyor or an architect) to provide a professional building inspection report of the property you are thinking of buying. These professions should see through any cosmetic improvements covering up faults that might otherwise be missed by an untrained eye.

A professional person will ensure that the format and content of the report complies with the relevant Australian Standard.

Ensure that the person you choose has adequate insurance cover, particularly for professional indemnity.

Contents of the report

The report's format, detail and cost will depend on the type of property (including its size, age and condition) and the process used by the consultant or organisation to prepare it.

There is an Australian Standard for pre-purchase building inspection reports which must be complied with, but the report may otherwise vary in style and content. Some use a comprehensive checklist, include photographs, adopt a standard format or are individually tailored to the property. The report should make you aware of the property's condition and any major problems.

A standard building inspection report is generally a visual inspection only. It may not identify major structural defects or other hidden problems. You may choose to gain an additional assessment of the property from a suitably accredited specialist (eg. pest inspector, structural engineer, geotechnical engineer, surveyor, electricity supply authority or water supply authority).

General information

The inspector should check all accessible parts of the property. These include:

- interior of the building
- exterior of the building
- roof space
- under-floor space

- roof exterior
- site.

You may also ask for a particular item or part of the property to be inspected, such as:

- visible signs of asbestos
- existence of an operable electrical safety switch
- operable smoke alarms.

The site

The following 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
- storm water run-off
- paths and driveways.

Make sure you specify any particular items or areas on the site that you would like to be inspected.

Other details

The inspection 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 (considering its age and type) and any major faults found in 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).

Things not included in the report

A building inspection report does not deal with every aspect of the property. Its role is to identify any major problems visible at the time of the inspection. The extent of a problem will be influenced by the age and type of property.

While providing valuable expert advice, the report **will not** generally include:

- parts of the property that were not or could not be inspected
- matters outside the consultant's expertise
- an estimate of repair costs
- minor defects
- termite detection.

A building inspector **would not** normally check such things as:

- footings
- concealed damp-proofing
- electrical wiring and smoke detectors
- plumbing, drainage and gasfitting
- air conditioning
- swimming pools and pool equipment
- watering systems
- fireplaces and chimneys
- alarm and 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.

Strata schemes and company title properties

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

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.

Factors affecting the report

Certain conditions will affect the final report including:

- problems 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 may 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, have not been used for some time. For example, if the shower has not been used recently, leaks or damp may not be obvious.

Using the report for other purposes

A building inspection report gives an expert's view of the condition of the property you are interested in buying.

It is not intended 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, for which a 'special-purpose' property report is required instead.

Normally your conveyancer or solicitor will deal with all law-related matters. The building inspection report cannot comment on things like the location of fencing in relation to boundaries, as this needs to be done by a registered surveyor.

Ordering a report

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

When ordering your building inspection report, 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.

Inspections done during the cooling-off period

When you buy a property in NSW, there is a 5 business day cooling-off period after you have exchanged contracts. During this period, you may get out of sale 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. Always check with your solicitor or licensed conveyancer that you have a cooling-off period, and have the process explained to you.

To get a building inspection done during the cooling-off period, give the consultant as much notice as possible. They will have to do the inspection, prepare the report and still give you time to decide and potentially withdraw from the contract (requiring a letter to the vendor or their agent saying so). If you withdraw, you forfeit 0.25% of the purchase price.

Other types of reports

Special-purpose property reports

A special-purpose property report normally covers the same items as a building inspection (pre-purchase property inspection) report. It may also include:

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

Check with the building consultant on information normally included in their reports. Inform them if you need extra information.

Pest inspection reports

While the building inspection report should identify any visual damage caused by termites, it won't include whether termites and other pests that destroy timber are still around.

Consider getting a pest inspection done as well, especially if the property is located where termites are a known problem.

Pre-sale (vendor) building reports

Vendors may get a building report on the property they are selling to give to interested buyers. This can help but it is not a substitute for your own independent report.

Loose-fill asbestos insulation

Canberra-based company Mr Fluffy installed loose-fill asbestos insulation in the ceiling spaces of ACT and NSW premises in the 1960s and 1970s. If disturbed, loose-fill asbestos fibres can become airborne and breathed in, which may cause health risks. The NSW Government has determined that demolition, comprehensive site remediation and disposal are the only options to remove the health risk from affected properties.

Loose-fill asbestos is unlike other forms of asbestos. The building inspection report won't confirm the presence of loose-fill asbestos and it can't be identified by sight alone. The only way to confirm whether a home is affected by loose-fill asbestos insulation is to have it tested by a competent person, such as a licensed asbestos assessor.

The NSW Government is providing free sample testing to owners of pre-1980s residential premises in 27 identified NSW local government areas. Owners of premises built before 1980 have until 1 August 2016 to register for free testing under the Government's Voluntary Purchase and Demolition Program. For more information on the Program, visit the Loose-fill asbestos insulation section of the Fair Trading website.

Swimming pools

If the property you are looking at has a swimming pool check that the pool is fenced and meets fencing

requirements. Please visit the pool safety checklists page on the NSW Swimming Pool Register for further information.

From 29 April 2016, the following must be attached to the sales contract of a property with a swimming pool or spa pool:

- a copy of a valid certificate of compliance, or
- relevant occupation certificate and evidence that the pool has been registered, or
- valid certificate of non-compliance.

This requirement does not apply:

- to a lot in strata or community schemes that have more than two lots, or
- for any off-the-plan contract.

To check if a certificate of compliance has been issued, go to the NSW Government's Swimming Pool Register.

If an occupation certificate is used, evidence that the swimming pool is registered must also be provided with the sales contract.

If a certificate of non-compliance is attached to the contract for sale, the vendor is transferring the obligation to obtain a certificate of compliance to the purchaser. The purchaser will have 90 days from the date of settlement to rectify defects listed in the certificate of non-compliance and obtain a certificate of compliance.

The Office for Local Government is the main authority for swimming pool laws.

For more details ask your local council or visit the Swimming pools page on the Fair Trading website.

If you are not satisfied

If you are dissatisfied with any aspect of the report or your dealings with a consultant, try to resolve the problem with them first. If they are members of an industry association, you may be able to get access to a free complaint handling service.

If you buy a property and later find problems not identified in the building inspection report, you may need to seek legal advice, particularly if the consultant's negligence ends up costing you a lot of money. 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 consultants that have adequate insurance cover, particularly for professional indemnity.

Fixing problems

If you end up buying the property, you may need to organise repairs or renovations before you move in.

When using a builder or tradesperson for work where the value is over \$5,000 the builder or tradesperson must:

- be licensed with NSW Fair Trading for the work they are doing
- provide you with a written contract where the value of work (labour and materials) is over \$5,000
- give you a copy of the Home Building Compensation Fund certificate for the work before taking any deposit and before starting the work if the job costs more than \$20,000 (some exemptions apply).

There were major changes to home building laws in early 2015. For details, visit our Major changes to home building laws page.

Check the licence details of a builder or tradesperson before you engage them. Refer to our online licence check or call Fair Trading on 13 32 20.