

BULLETIN

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PRE-PURCHASE INSPECTIONS

April 2013

■ This bulletin outlines the role and content of a non-specialised pre-purchase inspection and the key points that inspections need to cover.

■ It outlines the requirements of NZS 4306:2005 *Residential property inspection* and makes some additional comments.

■ This bulletin updates and replaces Bulletin 423 of the same name.

1.0 PRE-PURCHASE INSPECTIONS

1.0.1 A successful building purchase requires four ingredients:

- Independent legal advice.
- Appropriate finance structure if money is being borrowed.
- An accurate assessment of the building's condition.
- A purchase price that reflects the building's condition.

1.0.2 To satisfy the third point, a qualified and experienced consultant can be engaged to carry out a pre-purchase inspection and write a report on the building.

1.0.3 This bulletin outlines the benefits of pre-purchase inspections, how to choose a consultant and the key points the inspections need to cover. It updates and replaces Bulletin 423 of the same name.

2.0 WHAT ARE PRE-PURCHASE INSPECTIONS?

2.0.1 A pre-purchase inspection is a visual (non-destructive) investigation of the property being considered for purchase. Factors are identified as they were seen on the date of the inspection. They include:

- visual defects or symptoms of significant problems that may affect building performance – typical examples are leaks, rot, corrosion, dampness and borer
- defects that affect the appearance of the building but not necessarily its performance, such as poor-quality workmanship and overdue maintenance
- areas of concern that suggest a more specialised investigation is required.

2.0.2 The scope of the pre-purchase investigation must be agreed with the consultant in advance. There can be considerable variation in what is agreed. The inspection may cover the building only or may include outbuildings, fences and so on or may cover the total site. The extent to which maintenance matters are to be covered should also be agreed beforehand. Pre-purchase inspections are not a valuation of a property, but if agreed, they may identify the potential cost of repairs or deferred maintenance that may affect the long-term value of the property.

2.0.3 Client and inspector should agree in advance the limitations of the inspection and specifically what will not be covered. Standard inspections are visual and do not involve invasive procedures (such as boring holes in wall claddings or linings or taking samples of materials away for testing or the removal of any lining, cladding, fixtures or fittings) or the moving of any furniture, unless prior consent is obtained from both the vendor and purchaser.

2.0.4 Standard inspections do not include legal or consent issues, such as a check of the property title or a check of resource consents or building consents or Code Compliance Certificates held on council files.

2.0.5 If a purchaser requires a special-purpose inspection – for suspected serious weathertightness or structural problems, for example – this is a different kind of work that requires an inspector with specialised experience.

3.0 STANDARDS FOR PRE-PURCHASE INSPECTIONS

3.0.1 The emphasis in NZS 4306:2005 *Residential property inspection* is on identifying significant defects.

3.0.2 The standard covers a range of issues around inspections and reporting:

- Competencies required of inspectors to conduct an inspection in accordance with the standard.
- Minimum requirements for the visual inspection of residential buildings and for the basic content of a property report:
 - A property report should reflect a reasonable attempt to identify any significant defects at the time of the inspection.
 - The inspection should include an assessment of the condition of each of the following areas, where safe unobstructed access is provided – site, subfloor, exterior, roof exterior, roof space, interior, services and identified ancillary spaces and buildings. It should be clearly stated in a property report if no access was available or access was to limited areas only at the time the inspection was carried out.
- A clear list of everything a professional inspector should be looking at when making the assessment, including identification of:
 - construction and cladding type, together with possible associated defects
 - gradual deterioration
 - deferred maintenance issues as well as other possible defects
 - identification of infrastructure services (plumbing, gas, electrical and so on) and scope of operational testing (or recommendation for trade-specific testing)
 - positive attributes (insulation, double glazing, solar water heating).
- A list of areas and items that could be the subject of an additional special report. Such a report may be needed for items or areas that are outside the inspector's area of expertise or require invasive testing.
- A pre-purchase report using only non-invasive equipment cannot guarantee any house to be weathertight.

3.0.3 Pre-purchase inspectors working to the standard are required to:

- provide written verification of engagement before the inspection is carried out stating compliance with the standard
- have a relevant technical qualification
- have professional indemnity insurance
- produce a written report
- provide a certificate of inspection with the report.

3.0.4 While some inspectors and inspection companies have adopted the standard as the basis for their reporting, compliance with the standard is not mandatory. The standard sets out only minimum requirements.

3.0.5 The New Zealand Institute of Building Surveyors has a practice standard for the inspection of residential properties and a code of ethics that its members must follow.

3.0.6 The Building Officials Institute of NZ (BOINZ) accredits individual building surveyors to the standard. Building surveyors must be re-accredited annually.

3.0.7 The New Zealand Institute of Building Inspectors was set up in 2008. This body has its own standards and ethics.

4.0 WHY GET A PRE-PURCHASE INSPECTION DONE?

4.0.1 A pre-purchase inspection can identify visually the general condition of a building before the purchase agreement is finalised or becomes unconditional.

- 4.0.2** A pre-purchase inspection can be used:
- as an expert opinion to assist the potential purchaser
 - to identify visually available evidence of current problems with a property
 - to identify potential problems that may occur after the purchase has been completed
 - to confirm the initial impressions of the condition of the property – ‘it looked good but we wanted to be sure’ or ‘it looked bad but we wanted to know how bad’
 - as a negotiating tool – where defects are identified and the prospective purchaser still wishes to buy the property, allowance may be made in the purchase price
 - to enable a purchaser to withdraw from a sale where the condition of the building is worse than thought or where a building has been found to have defects that the potential purchaser is not prepared to accept.

5.0 WHO SHOULD CARRY OUT THE INSPECTION?

5.0.1 Pre-purchase inspections should only be carried out by specialist professionals who are experienced in building surveying work.

- 5.0.2** These consultants should:
- have public risk and professional indemnity insurance cover
 - have years of experience in construction and in the performance of buildings and building materials used in the subject building
 - have systems in place to methodically inspect and report on the building in question – ideally in

accordance with the standard

- be independent – the consultant should have no interest other than providing the report, for example, the consultant should not stand to gain in any way by recommending any work to be done
- have appropriate qualifications – at the very least, a Trade Certificate in a construction-related area
- hold current membership of a professional organisation related to building inspection.

5.0.3 Some builders and other tradespersons have traditionally offered a building inspection service as an add-on to their usual business. These may not fit the criteria listed above, may not provide an objective overall assessment of the building or may not have indemnity insurance cover.

6.0 HOW LONG SHOULD AN INSPECTION TAKE?

6.0.1 A thorough inspection of a standard stand-alone dwelling is likely to take between 2 and 3 hours. The actual time will be influenced by:

- the size and complexity of the building
- its condition
- ease of access to all parts of the building
- the extent of the inspection as agreed with the purchaser.

6.0.2 The results of the inspection must be written in a formal report. The time this takes also varies according to the complexity of the building, the consultant's findings and any additional factors the consultant is asked to investigate and consider.

6.0.3 The wording of any conditional purchase clause in the sale and purchase agreement should allow sufficient time for the inspection, report preparation and consideration – a minimum of 10 working days is recommended.

7.0 HOW SHOULD THE INFORMATION BE PRESENTED?

7.0.1 The inspection findings should be presented as a clearly written report and not just a ‘tick box’ document.

- 7.0.2** Reports should identify:
- the name(s) of the person(s) commissioning the report
 - the date(s) it was carried out
 - the address of the property
 - the scope and type of inspection undertaken
 - the name of the consultant and their qualifications
 - other persons present
 - any areas of the building that could not be inspected – for example, a suspended floor or ceiling space where no access was available
 - areas where additional or more specialised inspections should be carried out, such as an invasive weathertightness investigation

- weather conditions at the time of the inspection
- any limitations applicable to the report.

7.0.3 The report should include the following:

- A summary of the overall condition of the building.
- Identification of significant items or areas of concern that affect the overall condition within the scope of the inspection. Reports will not generally provide exact causes or reasons for a defect nor provide recommendations on how to remedy the problems – to do so may require a further and more intrusive or invasive form of inspection. However, the report may give a general guide to the cost of remedial work.
- A list of minor faults and defects that may become significant if not remedied.
- Identification of hazardous or dangerous conditions (although this is not a requirement in the standard).
- Any comments the consultant deems relevant to the particular building.

8.0 WHAT SHOULD A PRE-PURCHASE INSPECTION COVER?

8.1 EXTERIOR

8.1.1 Typically, exterior inspections should cover:

- subfloor – for buildings with a suspended floor, this should include gaining access to the underfloor area (although the standard notes that inspectors would not normally check the adequacy of footings or structural stability)
- wall cladding (structure is not able to be visually inspected) including clearances to the outside ground or paving level
- roof cladding, including flashings, gutters and downpipes where safely accessible
- waterproof decks – where the waterproofing is visible and not hidden by other elements such as tiles
- balcony barrier walls
- conservatories
- verandas, timber decks and steps
- pools and spas (if agreed)
- exterior joinery
- visual condition of chimneys and flues (but not their operation)
- retaining walls and fences (if agreed)
- type of electrical supply (whether overhead or underground)
- type of water supply and sewage system.

8.1.2 Specific items that should be looked for during the exterior inspection include:

- condition of subfloor areas (if accessible) including:
 - obvious dampness or wetness in subfloor areas
 - an evaluation of subfloor ventilation
 - subfloor clearances (ground to timber/flooring and ground to cladding)
 - lateral support of suspended floors – for example, is there sufficient subfloor bracing?
 - insulation
 - fixing condition
- obvious settlement in foundations, ground and retaining walls (this is good practice although not a

requirement in the standard)

- rot in timber (foundations, subfloor framing, weatherboards, timber windows, fences, barge boards and fascia boards)
- insect attack in timber
- corrosion of metals (fixings, roofing, flashings, gutters, brackets and hardware)
- condition of paintwork
- indications of water entry through claddings
- indications of water damage in areas that are known to be high-risk water-entry points (balcony barrier walls, parapets, around windows and doors, waterproof decks and low-slope roofs)
- safety of barriers and handrails
- presence and condition of flashings, sealants and window seals
- apparent concealment of defects
- identified potential weathertightness risk – obvious elevated risk factors include direct-fixed monolithic cladding, no eaves, internal decks, encapsulated handrail barriers, internal and membrane roofs, and cladding touching or embedded in the ground.

8.1.3 With masonry veneer cladding (concrete or clay brick), the inspection should check for the existence of the cavity ventilation weepholes and, if possible, identify whether there is any obstruction in a functional cavity between the back of the veneer and the main structural wall, such as retrofitted insulation. (This may not be possible without invasive work such as engaging a bricklayer to remove some bricks, which is not part of a standard inspection.)

8.2 INTERIOR

8.2.1 Interior inspections should cover:

- roof space (where accessible) including roof framing, insulation, roofing underlay and services
- doors, including trim and hardware
- internal wall and ceiling linings and finishes (bearing in mind the emphasis is on looking for significant defects)
- switchboard, wiring, power outlets and light fittings – where a detailed inspection and report is required, engaging a registered electrician is recommended
- heating appliances, including solid fuel appliances – where a detailed inspection and report is required, engaging a suitably qualified tradesperson is recommended
- plumbing fittings and visible plumbing – where a detailed inspection and report is required, engaging a registered plumber is recommended
- floor and floor coverings
- kitchen cabinetry, benchtops and fitted appliances
- stairs
- chimneys and flues – where a detailed inspection and report is required, engaging a suitably qualified tradesperson is recommended
- type of water heating and space heating.

8.2.2 Specific items that should be looked for during the interior inspection include:

- dampness or wetness, particularly around showers and other bathroom fittings, under hot water cylinders and around windows and exterior doors
- wiring type and condition

- water pressure – mains or low pressure and a comment if unusually low
- size, age and external condition of the hot water storage cylinder if accessible
- seismic restraint of items such as wood burners, hot water cylinders and header tanks
- operation of doors and windows
- condition of finishes
- safety of handrails and balustrades, fireplaces, woodburners and exposed flues
- occurrences of visible mould and mildew (or signs that they have recently been removed)
- level and rigidity/stability of floors
- condition and stability of brick or concrete chimneys
- defects observed, such as sagging ceilings, damage, cracking, loose or poorly stuck tiles, damaged basins or toilets
- poorly installed or insufficient levels of insulation
- safety of insulation retrofitted around existing downlights
- safety of roof space wiring, transformers, fans, heating appliances and flues
- extract units that are not vented to the outside and are discharging into the roof space
- apparent concealment of defects.

8.3 OTHER FEATURES

8.3.1 Other features that may be inspected and covered by the report include:

- a comparison with plans held by the local council to identify any alterations that may not have been consented
- building changes that may have compromised structural integrity or weathertightness
- signs of potential stability problems with the site
- standard of workmanship for particular areas of work such as renovations.

8.3.2 Inspection reports may also be used to identify or comment on (when specifically asked for):

- council records, for example, applicability of available documents (such as consents or drainage or other plans) relating to the property or allowable potential development on adjacent properties
- environmental concerns, such as privacy, sunlight or noise
- quality of materials used and quality of detailing, particularly in more recent buildings
- how well the (older) building meets modern standards for thermal insulation, structural bracing, the timber likely to have been used for framing and its likely treatment and the level of acoustic insulation – to effectively report on these items, typically the removal of some existing materials will be required for inspection/testing
- illegal or unauthorised work carried out
- detailed reporting on weathertightness risk features present on the building
- ease of carrying out maintenance on the building
- security aspects of the building
- scope for additions and alterations
- activities in the general neighbourhood that may be considered a nuisance.

9.0 WEATHERTIGHTNESS

9.0.1 The inspections described in this bulletin should not be confused with a full weathertightness survey. Weathertightness investigation is a highly specialised area that requires specific types of skill and experience. A pre-purchase inspection using only non-invasive investigation techniques cannot give any guarantee about the weathertightness of the building, although it should identify high-risk details that may require further investigation.

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HEAD OFFICE AND RESEARCH STATION

Moonshine Road, Judgeford

Postal Address – Private Bag 50 908, Porirua 5240, New Zealand

Telephone – (04) 237 1170, Fax – (04) 237 1171

www.branz.co.nz

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