

Traps to avoid when buying a Property – pre contract inspections

Buying a home is the biggest investment or financial outlay that most of us will make in a lifetime. It is critical to your financial future that you make well-informed decisions when you purchase a property, whether it be for your own home or an investment.

The Contract for Sale of Land basically follows the common law of “caveat emptor”– let the buyer beware. This means that the purchaser must make their own enquiries and investigate the quality of the improvements on the property before they enter into a contract to buy that property.

A vendor or seller of the property is not allowed to deliberately hide defects or deceive the buyer by fraud but the purchaser should undertake searches and inspections of the property to discover any defects in the property. Failure to do this may result in the buyer losing their deposit and being sued by the seller for breach of contract, or the buyer can end up with a property that needs expensive repairs.

Pre-contract inspections

There are various inspections that a purchaser should get done prior to entering into a contract to buy a property. The number of inspections and searches depend on the location and type of property you are purchasing, the inspections may be different for a residential house in town, a strata unit, vacant land, rural property or industrial property.

In this article we shall look at pre-contract inspections for a standard residential house.

Timber Pest Inspection

In locations which are susceptible to pest infestation a qualified and insured pest inspector will conduct a visual inspection of the property to discover if there is any termite or other pest activity at present or in the past.

More detailed inspection such as thermal imaging or photographs of the walls and bathrooms to highlight any damp areas that should not be present may also be conducted if required. The inspector will also conduct a moisture meter reading of the bathrooms and other wet areas as termites are attracted by damp timber. They will also examine the property for any wood decay, borers or rot that will affect the structure of the home.

Termite damage undiscovered can not only increase but can cost many thousands of dollars to repair. Sometimes if the damage is really bad that part of the house might have to be demolished and rebuilt wreaking damage on your investment.

Building Inspections

A qualified and insured building inspector should be commissioned to inspect the property including the house, any garage or other buildings located on the property.

The Inspector will investigate the interior and exterior of the buildings including the most costly items to repair being the roof, kitchen and bathroom/s, looking for any defects that are not usual “wear and tear”.

In an existing home there are usually small defects which accumulate over time due to use and are readily visible but it is the not so visible defects that are costly like a leaking roof that can cost tens of thousands of dollars to repair.

If the inspection reports show issues of concern, other specialist tradesmen may be required to check specific areas or issues.

Plumbing and Electrical

A licensed plumber may be required to inspect drainage issues.

If the property has a septic waste system that is not connected to the town sewerage supply, a plumber’s report should be obtained as a new septic system can cost \$10,000+ to install plus excavation works in trenching a faulty system.

If there is any indication that electrical wiring may be faulty or the house is very old, an electrician may be requested to evaluate the property.

Pools and spas

If the property includes a pool or a spa then the pump and any ancillary equipment as well as the pool or spa itself should be investigated to ensure good working order.

Council records

It may be necessary to make application to the local Council for a copy of the building records for the property which will include any development applications (DA), building site records, floor plans and termite protection installed on building.

The DA for the original dwelling house and other buildings should be carefully matched to the existing structure to make sure that the plans approved by council have been complied with. If an owner builds structures on a property that require council approval and the owner builds without an approved DA, the council can lodge a demolition order against the property or require it to be approved as “continuing use” after payment of hefty fees to council.

Structures such as decks, large sheds, pools and pergolas can also fall into this category.

Building Certificate

If there are unapproved structures on the property you should request that the seller obtains a building certificate to ensure that council will not look to you after the sale to demolish, rectify or obtain approvals.

Survey

A survey shows the dimensions and boundaries of the property. It will also identify any encroachments by structures erected on the land.

In areas inhabited for a long time the fences are often not right on the boundary or there may actually be part of a building encroaching on your land. In more extreme cases, a driveway which appears to be on the property you are buying may actually be on the next door neighbour's property which would mean you may end up with no access to your new home.

Strata

If you are purchasing a strata property then a full examination of the strata management records should be undertaken by an experienced person. The strata records will show not only the financial details of the administrative and sinking funds but will also show plumbing, drainage, fencing, driveway and other problems that may exist or which have been repaired in the past. Any proposal for additional works or levies should be identified via a strata inspection.

A penny saved is a penny earned

Your lawyer can advise you of the pre-contract inspections which should be carried out for each property. Not doing pre-contract inspections before you buy a property is not only risky but it is also false economy. Considering that the cost of a building and pest inspection for an average house costs about \$500-\$650 the outlay represents about 0.1% of the purchase price of an average home!

The traps when buying a property are easily avoidable and the risk far outweighs the cost of proper and diligent investigation before you buy.

If you or someone you know wants more information or needs help or advice, please contact us on (03) 9459 5764 or email admin@rtlegal.com.au.