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BUILDING REPORTS

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Disclaimer: I do not accept any liability for losses caused by any reliance on this information. It is designed to be generally informative and to provide guidance only. All doubts and queries should be referred to a specialist advisor.

BUILDING REPORTS

1 GENERAL

Purchasers of residential property should always get a written pre-purchase building report before confirming an offer on a property.

A pre-purchase building report will indicate any issues or problems with the structural integrity and weather-tightness of the property which will help determine whether the purchase price being asked for the property is reasonable or not or whether the property is worth buying at all and the offer on it should be withdrawn.

If building defects are located in the building report then there will inevitably be a cost of remediation or repair to a new owner. The cost of fixing any such defects could be a good reason for a reduction in the asking price of the property.

So, for example, if it is reasonably estimated that the costs of carrying out repairs on the property will be $7,000 then, possibly, the asking purchase price might be reduced by $5,000 (to make reasonable allowances for the fact that the estimated costs of repair are uncertain). Of course, there is no reason not to negotiate for a greater reduction up to the full $7,000 (or more) – it is entirely up to the parties to the transaction to agree between themselves.

A pre-purchase builder's report may also be a requirement of the bank before it agrees to lend you any money. If a mortgage is to be registered over the property as security for the bank's lending to you then the bank must be satisfied that the value of the security is sufficient to cover the repayment of the loan in case of a worst case scenario (mortgagee sale following default on the loan by you).

The other reason for the bank's interest in the condition of the property is assurance that the property is insurable. A property may not be insurable if, for example, there are major problems with it that have been indentified in a building report. No bank

will lend money to a customer if the proposed security for that lending is a property that is unable to be insured.

My advice is that a comprehensive building report is far more preferable to one that does not address all of the potential problems associated with the location, design or construction of the building concerned. Obviously the scope of the building inspection will depend at least to some extent on the client's particular instructions. If the client wants a comprehensive report that takes more time to do than something that is less thorough then it will cost more (and vice versa). It is entirely up to the client. This form of expenditure is arguably an investment and not a cost.

The written building report should focus on the dwelling house but it should also include, to a lesser extent, any garage.

2 CLIENT INSTRUCTIONS

It is really important to tell the building inspector what you expect and want to be included in the pre-purchase building inspection and written report.

The main point is that you want something that is thorough and professional and which you can rely on. If there is something wrong with the condition of the property you need to know about it since you will be spending a lot of money buying it.

The best way to avoid any confusion or uncertainty (and potential embarrassment) is to have a written brief with the building inspector that states what you want and what will be delivered in the building report.

It is reasonable to include inspection of at least some of the following matters:

EXTERIOR – GENERAL

(Tick if included and comment if unsatisfactory)

- ☐ Subfloor - for buildings with a suspended floor, this should include gaining access to the underfloor area (but inspectors are not usually required to check the adequacy of footings or structural stability)
- ☐ Wall cladding including clearances to the outside ground or paving level, cracking (where appropriate), rust, rot and general lack of waterproofing (such as condition of paint or sealing with particular emphasis on window flashings and door joinery) or any other areas for potential water or moisture entry (such as a lack of building paper in the wall)
- ☐ Roof cladding, including condition of the cladding itself and condition of any paint or evidence of any rust, rot or general decay) flashings, gutters and downpipes and any other areas that indicate water or moisture entry (such as a lack of building paper underlying the roof)
- ☐ Whether the house has eaves and, if so, the design of the eaves is adequate to deflect rain off the walls and reduce the risk of leaks
- ☐ Checking that the roof complies with minimum pitch requirements for low slope roofs
- ☐ Paying particular attention to flashing and lap details where a low slope roof meets walls
- ☐ Waterproofed and structurally sound decks, verandas and steps
- ☐ Checking the deck for fall (using a spirit level) to ensure adequate water run-off and no potential pooling of water potentially causing rot
- ☐ Condition of any pools and spas
- ☐ Visual condition of any chimneys and flues (but not their operation)

- ☐ Retaining walls and fences
- ☐ Type of electrical supply (whether overhead or underground)
- ☐ A general inspection of all weak points in the building where potential leaking has been well-established as occurring with at least two levels of waterproofing protection at every joint or junction (for example flashing and underflashing, rain screen and sealant, flashing and air gap, sealant and air gap, primer paint and topcoat/s)
- ☐ Taking note of any recent painting particularly in areas of likely water or moisture penetration such as around doors and windows and any deck junction to ensure this has not been done to cover over very serious problems with the underlying condition of the building

2.1 EXTERIOR - SPECIFIC

- ☐ Condition of subfloor areas including obvious dampness or wetness, an evaluation of subfloor ventilation, subfloor clearances (ground to timber/flooring and ground to cladding), lateral support of suspended floors (such as bracing), insulation, fixing condition
- ☐ Condition of any piles or evidence of any settlement in foundations, ground and retaining walls (also check for cracks in window sills, doors not closing properly and cracks in the cladding)
- ☐ Rot in timber (foundations, subfloor framing, weatherboards, timber windows, fences, barge boards and fascia boards)
- ☐ Insect attack in timber (including borer)
- ☐ Corrosion of metals (fixings, roofing, flashings, gutters, brackets and hardware)
- ☐ Condition of paintwork
- ☐ Indications of water entry through claddings

- ☐ Indications of water or moisture 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)
- ☐ Presence and condition of flashings, sealants and window seals
- ☐ Apparent concealment of defects
- ☐ Identifying more obvious potential weathertightness risks such as direct-fixed monolithic cladding, no eaves, internal decks, encapsulated handrail barriers, internal and membrane roofs and cladding touching or embedded in the ground

2.2 EXTERIOR NON-TIMBER CLADDING

- ☐ With concrete or clay-brick exteriors the inspection should check for the existence of cavity ventilation weepholes and, if possible, check to see if there is a functional cavity between the back of the veneer and the main structural wall (the vendor's permission might be needed to do this as some structural damage to the property may be required to get access)

2.3 INTERIOR – GENERAL

- ☐ Roof space (where accessible) including condition of roof framing, any insulation details, roofing underlay and services
- ☐ Doors, including trim and hardware
- ☐ Internal wall and ceiling linings and finishes (including whether insulated)
- ☐ Switchboard, wiring, power outlets and light fittings (use a registered electrician if necessary)
- ☐ Heating appliances including solid fuel appliances and heat pumps, stoves and ovens and any gas hobs and gas hot water and heating systems
- ☐ Plumbing fittings and visible plumbing including hot and cold water and water pressures (taps, showers and baths)

- ☐ Floor and floor coverings
- ☐ Curtains, blinds and drapes
- ☐ Kitchen cabinetry, benchtops and fitted appliances
- ☐ Stairs
- ☐ Chimneys and flues
- ☐ Type of water heating and space heating

2.4 INTERIOR – SPECIFIC

- ☐ Dampness or wetness around showers, toilets and other bathroom fittings, under hot water cylinders and around doors and windows
- ☐ Wiring type and condition (not rubber)
- ☐ Water pressure – mains or low pressure and a comment if unusually low
- ☐ Size, age and external condition of any hot water cylinder
- ☐ Operation of doors and windows
- ☐ Condition of finishes
- ☐ Safety of handrails and balustrades, fireplaces and wood burners
- ☐ Seismic restraint of wood burners, hot water cylinders and exposed fires
- ☐ Evidence of any mould or mildew (including any smell of dampness)
- ☐ Level and rigidity of floors
- ☐ Condition and stability of brick or concrete chimneys

- ☐ Any visible defects such as cracking or flaking, sagging ceilings, stains and damage, loose or poorly stuck tiles or worn carpet, damaged basins or toilets
- ☐ Insulation (non-existent or poorly installed)
- ☐ Safety of roof space wiring, transformers, fans, stoves and ovens, heating appliances and flues
- ☐ Extractor units and wall-mounted gas heaters are vented to the outside
- ☐ Apparent concealment of defects

2.5 WEATHERTIGHTNESS

As a general rule, houses built or subject to major renovations after the early 1990s are more at risk of having leaky building problems so the age of the house and the date when any major renovations were done is very important for generally assessing the potential risk of any issues.

Weathertight Services in the Department of Building and Housing (0800 324 477) can be contacted to see if the house has been the subject of any reported weathertightness problems. Also, LIM reports are required to note if a property has been subject to Weathertight Services claims.

- ☐ For older properties, checking for leaks and water entry is effectively checking the weathertightness of the property as sagging, wall or carpet stains, rot, mould or mildew, paint bubbles, swelling of skirtings or other trim, water dripping from the underside of a soffit well after rain has ceased, lifting of vinyl floors dampness and musty smell can often (usually) indicate at least the lack of proper ventilation if not weathertightness problems with the property
- ☐ For newer properties the design of the house and the construction standard of the house preventing weathertightness issues will be more important because such issues may not yet have emerged and show

- ☐ If any of these signs of water and dampness are found in the property it is really important to find out what is causing them and how bad the problem is or could be

- ☐ Invasive moisture readings are a minimum requirement in an area where evidence of water entry has been found

- ☐ Finding the source of the problem may require the removal of linings or cladding (with the vendor's prior consent)

2.6 Other Factors

- ☐ Testing for methamphetamine ("P") use and contamination (often critical)

- ☐ Reviewing the local territorial authority building records and the comparison of the house with the original building plans to see if there have been any subsequent structural changes to the property and, if so, whether those changes have been fully permitted or consented (as the case may be)

- ☐ Checking that any other building repairs, maintenance or changes have not compromised the structural integrity and weathertightness of the property

- ☐ Checking for any signs of potential stability, subsidence or erosion problems with the property (and getting a geo-technical report if considered necessary) for houses built on hillsides, sloping ground or within a reasonable distance of the coastline

- ☐ Getting a LIM report if there is a suggestion that the house may have been a former drug-making laboratory or if the house is located in a more vulnerable part of the country which, with a changing climate and flooding or earthquake activity, has been identified as having a higher risk of suffering damage from natural events or disasters

- ☐ Searching local territorial authority records to determine if there is any subdivision or other consents for adjoining land that may indicate future development and a change in the surrounding ambience of the property

- ☐ Obtaining a flood report from the local regional council to determine if any flooding has occurred on the property (and, if so, when and how bad)
- ☐ Environmental concerns such as privacy, security and safety, sunlight or noise and whether or not the zoning of the location of the property may be changed in future under changes to the local district plan and, if so, what effect the zoning change may have on the property (especially value)
- ☐ How well the (older) building meets the current standards for thermal insulation and structural bracing (if possible)
- ☐ Illegal or unauthorised structural works applied to the house and whether or not they were done before 1991 or not (when compulsory final code compliance certificates were first introduced into the country)
- ☐ Detailed reporting on weathertightness risk features present on the building but not yet triggered
- ☐ Ease of maintaining the house
- ☐ Scope for additions or alterations
- ☐ Activities in the general neighbourhood that could be considered to be a nuisance
- ☐ The condition of the immediate neighbouring properties
- ☐ A list of areas and items that could be the subject of an additional special report which is outside the inspector's area of expertise or which requires invasive testing

3 THE BUILDING INSPECTOR

A building inspector should have an appropriate qualification and practical experience so that you can rely on the resultant written building report with total confidence.

You could ask around to find somebody who has already established a reputation for being highly professional and competent and is personally recommended accordingly.

A building inspector should have professional indemnity and public liability insurance. You should ask for proof of this.

The inspector should preferably belong to either The New Zealand Institute of Building Surveyors or The New Zealand Institute of Building Inspectors as both of these organisations have their own practice standards and code of ethics that members must follow. You should ask for proof of this.

You should always ask for and get a written building report as verbal building reports are totally unacceptable. The main problem with a non-written building report is that you are unable to refer to anything in future if there are subsequent problems with the property that should have been identified by the inspection and report. A written building report is the written evidence and proof of what level of service was provided by the inspector (for which payment was made) and for which the inspector can be held accountable.

4 THE REPORT

The report should be written. It should include a general introduction that states the identity of the inspector and the inspector's qualifications (if any) and experience. The address of the property should be identified and also the date of the inspection. This part of the report should also identify the scope of the inspection that was undertaken and what was actually inspected.

The report should also say what parts of the building could not be inspected. It should also note what other inspection could be necessary for a more complete picture of the condition of the property (such as invasive moisture

testing or general weathertightness investigation or a specialist electrician or plumber's report on the state of the wiring or plumbing). The report should state the weather conditions at the time of the inspection and any limitations applicable to the report.

At the very minimum, a report should provide a good and accurate summary of the overall condition of the property. It should identify any significant items or areas of concern that affect the overall condition of the building within the scope of the inspection. A good report would include a rough guide of the cost of repairing any structural problems found in the building.

The building report should also include a list of more minor defects and faults that could become worse if not remedied.

Finally, the report should include any other comments that the inspector thinks are relevant to the particular building.

5 METH USE AND LABS

Secret methamphetamine ("P") Labs are a rising problem in New Zealand for people wanting to buy a property.

It is important to complete due diligence on this issue as insurers are reluctant to insure properties that have not been properly decontaminated after being used to manufacture P.

Decontaminating a property that was used as a P Lab is expensive. Sometimes it is not worth it and the best option is to demolish the house.

LIM reports must note if a house has been used as a P Lab if that has been notified to the local territorial authority by the police (as it should be). That information is then entered onto the LIM even if the property is subsequently decontaminated (which is denoted by the comment "satisfied" on the LIM), However the fact that a house was once used as a P Lab can reduce the value of a property even if and after it has been decontaminated because of risk that it is not entirely clear of contamination or the stigma attached to P use or manufacture occurring on the property.

Buyers should look for signs of illegal drugs use if the house has been tenanted or has recently been repainted. A preliminary meth test costs about $100.

Buyers need to know that even if the property has been professionally decontaminated to below the recommended level in the guidelines (0.5 micrograms per cubic centimetre) there is still a risk that the true extent of the contamination has not been fully revealed or determined. In other words, it could actually be worse than what people currently think.

Also, the current guidelines do not say that an exposure level below 0.5 is actually “safe” for occupants of the affected property.

Decontamination contractors are unlikely to guarantee that there will not be any adverse health effects on occupants of the property after it has been decontaminated.

The lesson here is to be careful. If you have reasonable doubts about the history of the property don’t ignore them.