

The importance of a building and pest report

The building and pest inspection is a crucial part of the property buying process. It is an important tool for both buyers and sellers because it can result in the termination of a contract in some instances.

When buyers visit an open home, unless they are a qualified building inspector it's unlikely they can spot the hidden issues that a building can have. A building and pest inspection is generally designed to reveal the hidden bones of the building, looking at structural integrity, any renovation work and its structural soundness, as well as identifying any past or present pest and termite activity. It is vital that a buyer investigates any potential property thoroughly prior to purchase to ensure that there are no expensive and unexpected problems with a property.

As a buyer proceeds through the steps of buying a property, it is highly recommended that any contract that is drawn up is subject to a building and pest inspection. Depending on the outcome of the inspection (and the specific contract terms), a building and pest report can provide the means to terminate the purchase process should anything unsatisfactory be revealed.

From the seller's side of the transaction, it is something I often urge sellers to consider doing – have your own building and pest inspection done so that you can present potential buyers with the report.

It's a good idea for a couple of reasons. Firstly, it conveys transparency and helps potential buyers have confidence that they can trust the seller and the agent. At the very least it gives them an independent third party they can talk to further about the property they are thinking of purchasing.

Secondly, if the property is going to auction and buyers arrive on auction day without having done their due diligence, it is an opportunity to reassure them that the building is sound. Or it can present any flaws or issues that the building may have in a clear, independently verified report. This is important because it helps build trust. It shows the buyers you aren't hiding anything and that you are being open and transparent about all aspects of the building.

A final note about terminating contracts on the basis of a pest and building inspection report. Firstly, a buyer is not required to rectify any problems discovered. Secondly, the REIQ standard building and pest condition does not give an automatic right to terminate a contract – the buyer must act reasonably. This will depend on the age of the property, the extent of the problems identified and the costs associated with rectification. Major structural issues or severe termite infestation are some examples where it may be reasonable to terminate but discovering a defect that may only require minor expenditure to repair may not be valid grounds for termination. The

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purpose of the pest and building inspection is not to seek a sale price reduction or fund changes to the property after the contract has been signed. For example, I had an experience where the buyer attempted to seek a \$15k price reduction to repaint the house.

Remember, even if you discover a defect in the property, you can always seek to negotiate with the seller rather than terminating the contract. Talk to the real estate agent or your lawyer about your options so you can make an informed decision.

Good luck!

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