



Pre-Purchase Inspection Reports

Buying an apartment? Want to save \$400 - \$600. The inspections you choose, the providers you use and even the order in which you buy your inspection reports can have a significant impact on how much you know about an apartment and therefore the building before you become an owner.

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Much of the law we use today is built upon "common law" which originated from early England. Possibly the best known or most commonly known phrase related to the sale of goods or services is the Latin phrase "caveat emptor" this phrase is often loosely translated to mean "let the buyer beware", more correctly the term translates to "let the purchaser, who ought not be ignorant of the amount and nature of the interest which he is about to buy, exercise proper caution"

In times past this was a warning to purchasers to make enquiries to a depth equal to the amount of worth or the perceived value before buying anything as it was an established principal there was little chance of recourse if the purchase turned out to be less than what was promised. However, there was and still is only one exception, that is, a seller who actively conceals latent defects or otherwise made material misrepresentations. Meaning, they deliberately covered up things a buyer should have been told and this is considered to be fraud.

If you are purchasing a home in Australia a wise person will set out to buy a building report and a pest report before they enter into any binding contract with a vendor. Pest and building reports have been around since the 1920's they became more popular in the 1950's and common in the 1960's now widely used. Initially pest and building reports were introduced as no building standards existed and construction methods used resulted in buildings with termites, serious and catastrophic structural defects and even plagues of rats. Shoddy buildings were common and occupying an affected building would certainly put health and life safety at risk not to mention the cost to correct these issues.

Australia has moved on to much better building standards and building pest control techniques however building and pest reports these days are still rightly seen as an essential pre-purchase requirement when buying a family home.

Is it the same when you purchase an apartment?

The established standards on the surface would seem to apply. You should buy a building inspection and pest inspection as you would not want to buy into a strata scheme if the building was falling down, being eaten away by termites and I suspect you would want to know about any nasty rodent plague. However when it comes to strata schemes are you expecting more than you are going to get and, whilst your expectations may seem reasonable is it possible your expectations exceed the physical capacity of the pest inspector and the building inspector. Lastly, is there another way to get this information about the property with out needing to buy a pest report or building report.

When buying an apartment there are 3 usual inspection reports ordered, these are a pest report, building report and only since 1976 a strata report. All of these reports are designed to alert the purchaser to the potential of cost exposure and problems you may wish to avoid but which report, is going to give you the best "bang for your buck" and also offer the greatest insight into your purchase

The pricing for these reports are hard to show as there is so much variation in pricing and companies across states, cities, suburbs and then there is the size of the building and the size of the apartment. We did an average, a small sample of 10 across intercity suburbs and a large western suburb of Sydney. The figures below are a guide only but they do demonstrate an interesting fact.

	Large 3 Bedroom home.	Large 2 Bedroom apartment
Pest report only	\$280	\$220
Building report only	\$340	\$240
Pest and building report	\$460	\$360
Strata inspection report	N/A	\$300

The first thing we notice is an apartment is less costly to have a pest and a building report done when compared to a 3



bedroom home. A three bedroom home is larger than an apartment but the building, that houses the apartment is many times larger than the 3 bedroom home. In the case of the building report you could easily expect the cost to be considerably more. Most fair minded people would see the building inspector enter the roof cavity to look for structural defects and go below the floor and look for damaged foundations.

The other is a pest report and one may expect the inspector look at the building and crawl around the areas where critters would leave their evidence of residence. I hate to break the confidence but they don't do any such thing and there is a good reason why.

The reality of a pest inspection for an apartment

A pest report for an apartment is an inspection of the subject apartment only. It focuses on finding evidence of pests inside the confines of the apartment. A pest inspector does not look in any other apartment and in most cases is unable to access any inspection worthy common areas.

Like everything there are exceptions and the table at the end of this document hopefully will show the case I present is not always same. At times it depends on the actual strata building, the age of the building and the construction method.

Are pest inspectors being deceptive?

I say "No". If you read a pest inspection report for a strata scheme, in the document you sign before the inspection is carried out, somewhere, it will clearly state that not all areas will be open for access and that means any other apartment. The logic is if you were an owner of an apartment would you allow every inspector who came to your door to fish through your apartment and continue to allow this to happen every time someone showed some interest to buy into your strata scheme. I suspect even the nicest most accommodating amongst us would wear thin of the constant interruptions and invasion of your privacy.

If pest inspectors don't look at common areas and don't look at other units what do they do?

They look for evidence of cockroaches, mice, silverfish, and spiders. In some cases where timber actually exists termites, borers and dry rot. Pest inspectors always recommend a pest treatment and offer a discounted rate.

The reality of a building inspection for an apartment

A building report for a strata scheme should be called an apartment report. This is a visual report identifying obvious structural damage, cracks, water penetration, fixtures condition ie kitchen cupboards, leaking taps, water pressure but all comments made in the report will relate only to matters inside the apartment. In most cases the inspector is unable to access any inspection worthy common areas and never gains access to any other apartment.

In rare cases a building inspector may get access to some common areas however the reality is most apartment buildings constructed since the early 1970's have been constructed with brick and concrete so there is little in the way of timber to be inspected. There are exceptions and to be fair to the building inspectors the table at the end of this document outlines some of the exceptions

Are building inspectors being deceptive?

I say "No" as, it is the same as the pest inspection report if you read the fine print that is given to you before you get the work done, in the document somewhere it will clearly state that not all areas will be open to allow an inspection that means no access to any other apartment.

What do building inspectors find when they do strata reports?

It does depend on the building. Structural issues are rarely found but minor cracks, leaky balconies which allow water to come inside, leaky showers from your apartment into one of your adjoining rooms or moisture from some unknown source into your apartment are common. In most of these cases there is a responsibility for the strata scheme to pay to have these fixed, but at least you know before you move in that there may be some disruption whilst corrective action is carried out.

A strata inspection report.

A strata inspection report does not carry out any visual inspection of the building. This report audits the records held by the strata manager. A strata report covers a wide scope of matters such as financial balances and debt, upcoming special levies, levy arrears, legal action, bylaws, state of harmony, and compliance matters to name a few. All of this information is presented in detail and should be of great interest to a potential new owner. This report will provide much more detail on pest and building defect matters than it is possible for a pest or building inspector to discover from a single apartment inspection.



How does the strata inspector get the information for the strata report?

All information is sourced from records held by the strata manager or the scheme's secretary. For this example we will just focus how the strata inspector would know about building defects and maintenance.

It is usual for maintenance and defect matters to be raised by owners or tenants in writing and most commonly by email or correspondence. This correspondence must be kept on file and this is a requirement under the law. Notice of matters must be recorded in minutes and acted upon by the strata manager. Assessment of matters or notices of defects must be followed up. For instance, if a matter is raised by an apartment owner that there is water entering their apartment when the rain comes from the South, the strata manager must arrange an inspection to confirm this. A building inspector will be appointed to inspect the claim. If proven the defect will be recorded on file and the inspection result will also be put on file. If the inspection calls for new waterproofing the strata manager will call for quotes and these quotes will be put on file. A quote will be accepted and recorded in the Minutes of the next meeting and once the work is done there will be a record of payment to the contractor.

If you consider this at a building level, there would be many such matters reported in any one year. Reports would also relate to balconies, steps, rusty structural steel in the downstairs storage room, water seeping into Unit 5's garage, loose balcony rails, a big crack above the stair entry on level 4 and the list would go on. Each matter presented must follow the same procedure and each matter is recorded, investigated and brought to a result.

A strata report will detail all matters related to building defects but it will also detail plumbing problems and will have a section that outlines the history of the building generally from the build date. Strata reports also have copies of documents attached. These are documents that a potential owner would have an interest to know. To mention a few only, attachments to a strata report will include pest treatment history, structural or engineering problems, reports on defects, quotes to correct defects discovered and a report detailing projected maintenance costs for the next 10 years.

How to save money when buying into a strata scheme?

Buy a strata report from a strata inspection company. Avoid strata reports sourced from the real estate agent, this report is usually sanitised of information. It often does not even mention serious matters the whole idea of this report is to get a sale not scare a potential buyer away. Avoid report broker companies, pest inspection companies these reports are the result of finding the cheapest report in the market from any source and adding a substantial mark up. The inspectors who produce these reports come from failed strata manager ranks, failed lawyers and real estate agents they rarely know what they are doing. We are well aware of their work as we are often asked redo inspections as an independent inspector when legal action has resulted from something they missed at one of their inspections.

You have the Strata report now what?

If you have bought your strata report from a strata inspection company, these companies will stand behind their product their contact details will be on the report and these companies will be happy to talk you through the report and discuss any section of the report that may not be clear to you. Read the strata report. Look closely at water penetration, plumbing problems, building defects and building history and the 10 year sinking fund plan.

1. If there are no recent or unresolved building engineering problems or current defects that is great news. Save your money and forget the building report.
2. If there are many building issues which are ongoing give the strata report to your building inspector and ask him to investigate each item. The report you get back from the building inspector should be quite useful in helping you decide to buy this apartment or run away. The building report will certainly be more expensive and will take about a week or more to enable the inspection to take place. Most of that time will be spent negotiating access to other areas not normally available.
3. If there are no reported issues with pests forget the pest report.
4. If there are a lot of reported pest and vermin issues, the strata manager knows about it and will certainly be trying to resolve it very quickly. In the meantime don't worry about the pest report spend the money to arrange a fumigation of your apartment before you move in.

No Pest Report

What is the exposure if I fail to get a pest or building report and only get a strata report on your apartment?

Pest Problems. If you fail to get a pest report, you may find cockroaches in your apartment similar to 4.2 million other Australian properties. Can I suggest cockroach bombs...they work for a while. Bush/Nature settings, you may find spiders. Mortein surface spray works well, be choosy about the surfaces you spray and be careful if you have kids, fish or birds.



Thongs and a tissue also work well. Mice, they are common in apartments but easily caught in traps, lettuce works much better than cheese. Avoid the squashy traps, go for the compartment traps which give you the option of relocation rather than the emotional stress of a funeral.

Building Problems (I'll call these apartment home handyman challenges)

If the strata report suggest the building has major structural issues and legal issues, unless you are gifted with oodles of money avoid this purchase. If there are no serious structural issues noted most of what you find will be minor. Sometimes you may find leaks from the outside into your apartment. Report these to the strata manager. They will fix them and if there is damage to your carpets an insurance claim to clean or replace will be possible. You may find the cupboards need adjusting. You Tube, shows you how to adjust kitchen cupboard doors. You may find a number of maintenance issues such as leaky or tight taps, sticky doors, hairline cracks in the wall, power points which may be broken. You Tube is helpful in the basics or ask someone who knows for help. For any electrical or gas stuff get an appropriate tradesman.

Each and every matter raised in this document is based on a majority which leaves the minority. The table below tries to cover some of the less common types of apartment buildings which may require another approach. We would like to say there is a golden rule that fits all properties, there isn't. In all decisions seek advice.

Construction Type	Comment	Strata Report	Pest Report	Building Report
Brick and concrete, concrete roof	No timber	Yes	See notes 3 & 4	See notes 1 & 2
Brick and concrete, pitched roof tiles or corrugated iron	Timber roof	Yes	See notes 3 & 4	See notes 1 & 2
Brick, timber floor construction, pitched roof tiles or corrugated iron	Timber everywhere	Yes	See notes 3 & 4	Note 2 Yes
Old buildings converted into apartments	Confirm fire certificate	Yes	See notes 3 & 4	Note 2 Yes
Old factories converted into apartments	Should consider environmental report	Yes	See notes 3 & 4	Note 2 Yes
Once large residential homes converted into apartments	Old/New often modern finishes cover poor structure	Yes	See notes 3 & 4	Note 2 Yes
Anything built before 1960	Can be approaching end of life	Yes	Yes All area inspection	Note 2 Yes
Anything built before 1950	Can be approaching end of life	Yes	Yes All area inspection	Note 2 Yes
Anything built before 1940	Likely to be approaching end of life	Yes but only if managed by strata manager. Otherwise building report first	Yes All area inspection	Note 2 Yes. If many problems avoid purchase
Any building built on a substantially falling or sloping land	Building often slides down the hill. Risk of significant structural issues	Yes If many building problems avoid purchase	See notes 3 & 4	Yes Be suspicious.
Any building with less than 6 apartments	Often self managed or don't care next to no records	Yes but only if managed by strata manager. Otherwise building report first	Yes All area inspection	Yes Full building report
Any building less than 15 meters from the sea or coast	Corrosion, concrete cancer, salt affects roof tiles salt affected brick mortar	Yes but only if managed by strata manager. Otherwise building report first	See notes 3 & 4	Yes Full building report
Any apartment building where the owner has previously rented all apartments and is now selling the apartments individually. This includes newly renovated or un-renovated buildings	Commonly find more than fair share of defects across the building. Caution required	No – unlikely to help usually no records or highly sanitised information	Yes All area inspection	Yes Be very suspicious all areas Full building report