

# Investors Beware!

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**Building inspections are part of a property investor's due diligence, but how do you know you have the right house inspector in an unregulated industry? Know how to find a good house inspector and what you should expect.**



**By Sarah Symon**

Sarah Symon is the Manager of Realsure Ltd, one of New Zealand's leading home inspection companies. Established in 2000, Realsure is ISO 9001 registered, was involved in the development of the NZ Inspection Standards and is currently involved in further industry development and regulation.

As any property investment seminar, course or book will tell you, property inspections are part of your due diligence when purchasing property, so ensuring that you obtain a thorough and accurate inspection is a critical risk management tool. Getting it wrong could cost you everything.

But how do you know you have a good house inspector? It is important for potential investors, or anyone looking to buy or sell property, to realise that New Zealand's property inspection industry is currently unregulated.

House inspectors are not all the same – anyone can conduct inspections and you only have to scratch the surface to find a bad story about property inspections that have failed to detect fundamental issues with buildings, or worse, those that have failed to commission any inspection at all.

Take for example the investor who conducted his own inspection prior to purchasing an investment property. When he eventually put this property on the market, a potential buyer commissioned Realsure to undertake an inspection of the home. It was then discovered that the hot water cylinder had been leaking and had damaged the floor, sub-floor and bottom plates, resulting in several thousand dollars worth of repairs and significantly affecting his

profit. The same investor, this time much wiser, engaged Realsure to conduct an inspection on a property he was interested in purchasing. The property inspection revealed that the foundation of the house had been excavated for storage, undermining the ring foundation and piles; and was then able to re-negotiate the contract to mitigate some of the necessary repair bills, whilst still making for a good investment.

These examples show that the price of failing to obtain a thorough property inspection can be detrimental to your profit margins, and in some instances may even impact on the safety and health of your tenants.

In choosing a property inspector, the first indicator that they will have basic levels of competency in inspecting and reporting will be their compliance with the New Zealand Property Inspection Standards. These standards came into effect February 2005 to introduce consistency and reliability into the property inspection process.

Importantly, these Standards set the requirement for a relevant technical qualification for inspectors within the industry; along with the processes to follow and documents to provide, to give the consumer informed and objective advice.

You should only choose an inspector who is compliant with these

standards. But note however that there is still huge variation in competency and levels of reporting between Standards-compliant companies, so you need to ask more questions about their work, or seek a trusted referral from either your lawyer or broker, or a third party without a vested interest in the property.

It is important to remember that a good property inspection will not eliminate all risks, as it is a visual, non-invasive inspection of the home. However, a good property inspector should know the clues to look for when identifying potential issues, thus minimising your risk.

They should also be using tools such as non-invasive moisture and resistance meters to assist them in determining whether risk details and visual clues are indeed indicating possible moisture ingress; such as that caused by weather tightness problems or faulty plumbing.

Weather tightness, or "leaky-building syndrome" is a classic example of where you need to be aware of limitations, yet be able to rely on this knowledge. If you are purchasing a property with monolithic or "plaster" cladding, it is imperative to ensure that the issue of weather tightness is taken into account during the inspection process, because taking on a leaky home could instantly cost you dearly.

A recent inspection for a purchaser identified issues that required remedial work, and the purchaser was advised by a cladding expert that the necessary work to re-clad the leaking home would start at \$100,000 – without taking into account the condition of any internal framing that might need repair! This information was crucial for the purchaser in making an informed decision to buy.

An investment property is about "dollars" and "sense". Whether it is for long-term capital gain, income, or maybe to do-up and sell, a robust, accurate and informative property

inspection and report is a critical tool to help you make an informed property investment decision.

Taking a shortcut or penny-pinching on this critical part of the property investment process would be foolhardy – because getting it wrong could cost you everything.



For more information contact: Realsure Ltd – a reputable company compliant with the New Zealand Property Inspection Standards, and is recognised as a leader within the property inspection industry. Realsure currently operates in Wellington, Auckland and Hamilton.

## Minimise risk, be in control

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### REAL ASSURANCE

- receive a comprehensive written report to NZ Property Inspection standards
- deal with a respected house inspection company that has been at the forefront of introducing standards to the local property inspection industry
- work carried out by experienced property inspectors with recognised qualifications

### REAL BENEFITS

- lessen the chances of missing costly problems a trained inspector would find
- an essential tool in making an informed property decision

**REAL SUCCESS - with a Realsure house inspection report**

