



This information is split into two parts: Conclusion and FAQs. Scroll down to find out more.

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Conclusion

Tell Me What I Need to Know About the Building Report Condition in the ADLS Agreement For Sale and Purchase Of Real Estate (ADLS Agreement)

What is the building report condition?

The "building report condition" is a standard condition in the ADLS Agreement. The purpose of this condition is to protect the Purchaser by making the purchase of the property conditional upon the Purchaser being able to obtain a satisfactory building report. Normally, the Purchaser has 15 working days to confirm this condition. This is an **objective test** i.e. the Purchaser's decision to fulfill the condition must be reasonable and not arbitrarily withheld.

How does the condition work?

This is how the building report condition works:

1. The Purchaser has 15 working days to obtain a written building report at its cost.
2. The building inspector needs to provide an independent report in writing.
3. The Purchaser must assess the building report on an objective basis.
4. The Seller needs to allow the building inspector access to complete the report.
5. The building inspector can't be invasive i.e. cannot break anything whilst completing the report.
6. If the Purchaser wants to cancel the agreement for an unsatisfactory building report, the Purchaser needs to show the written report to the Seller.

Why is it important?

A building report is essential to investigate the property's structural defects, maintenance requirements, and future repairs. Depending on the results of the building report, you can either:

1. cancel the agreement;
2. request the Seller fixes any issues by settlement; or
3. negotiate a discounted purchase price with the Seller.

Remember, you are buying a second-hand good and it is important to be reasonable and objective in your assessment of the property.

Ready to submit an offer?

Before you submit your offer, you should also work through HouseMe Legal's Free Two-Stage Checklist to See If You Are Ready to Make an Offer.

Final warning

Remember, the building report condition is only about getting a building report. To make sure you're protected, put in extra conditions and check with your lawyer before you sign an agreement.



FAQs

What does the building report condition in the ADLS Agreement say?

"9.3 Building report condition

(1) If the Purchaser has indicated on the front page of this agreement that a building report is required, this agreement is conditional upon the Purchaser obtaining at the Purchaser's cost on or before the fifteenth working day after the date of this agreement a report on the condition of the buildings and any other improvements on the property that is satisfactory to the Purchaser, on the basis of an objective assessment.

(2) The report must be prepared in good faith by a suitably-qualified building inspector in accordance with accepted principles and methods and it must be in writing.

(3) Subject to the rights of any tenants of the property, the vendor shall allow the building inspector to inspect the property at all reasonable times upon reasonable notice for the purposes of preparation of the report.

(4) The building inspector may not carry out any invasive testing in the course of the inspection without the vendor's prior written consent.

(5) If the Purchaser avoids this agreement for non-fulfillment of this condition pursuant to clause 9.10(5), the Purchaser must provide the vendor immediately upon request with a copy of the building inspector's report."

How do I select that I want a building report condition?

You will need to cross out the No or circle the Yes on the "Building report required" section on the front page. The example snipped in below is what the first page of your agreement will look like if you have selected a building report condition.

CONDITIONS (refer clause 9.0)

Finance required (clause 9.1):

Yes/~~No~~

Finance date: 10 working days from the date of this agreement

LIM required (clause 9.3):

Yes/No

Building report required (clause 9.4):

Yes/~~No~~

Toxicology report required (clause 9.5):

Yes/No



What information is in a building report?

A building report should discuss

1. Moisture levels
2. Weathertightness
3. Structural integrity
4. Cladding
5. Roofing
6. Flooring
7. Bathrooms
8. Code Compliance Certificates
9. Any concerns or defects
10. Recommendations and conclusions

Do I need a building report when buying a house in New Zealand?

It's not required by law, but it's highly recommended that you get a building report when buying a house in New Zealand. It can help you make an informed decision about whether to buy the property or not.

How do I find a building inspector?

You can find a building inspector by searching online, asking for recommendations from friends or family, or contacting a professional organization like the New Zealand Institute of Building Inspectors. [HouseMe Legal has received recommendations for the following builders - click here.](#) [HouseMe Legal recommends you ask your building inspector the following questions.](#)

How much does a building report cost?

The cost of a building report can vary depending on the size of the property and the complexity of the inspection. It's best to get quotes from several building inspectors to compare prices. Normally, you can expect between \$400-\$900 plus GST.

What does a building inspector look for during the inspection?

A building inspector will look for any defects or issues with the property, including cracks in walls or foundations, water damage, rot, and pests. They will also check for compliance with building codes and regulations.

How long does it take to get a building report?

The time it takes to get a building report can vary depending on the availability of the building inspector and the complexity of the inspection. It's best to ask for an estimated timeframe to complete an inspection and to provide you with a written report.

What happens if the building report reveals problems with the property?

If the building report reveals problems with the property, you can use this information to negotiate with the Seller about the price or conditions of the sale. In some cases, you may decide not to go through with the purchase.



Do I need to tell my lender or insurer about the building report?

Yes, it is always best to disclose the report to your insurer and lender.

I have a mate who is a builder. Can they do a walk-through and point out any issues to me?

Yes, you can, however, you will not be able to rely on the building report condition unless you receive an independent and written report. It will be difficult to negotiate anything on your behalf if you choose this method.

If you do want a mate to walk through the property with you and you need wider protection than the building report condition, then you will need to either do all your due diligence before you sign the agreement or [use a due diligence clause](#).

Need more information?

[For more information about building inspections, click here.](#) Please note the building report needs to be in your name for you to rely on it.

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