

Due Diligence Reports – how do they work and who pays for them?

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Conducting due diligence is an essential step when purchasing a property. It generally involves obtaining and reviewing a building report and pest report for Torrens Title properties or a strata report (strata search) for units, villas and townhouses. How does the process work, and who ultimately bears the cost?

Real estate agents and agencies sometimes organise these reports from companies such as EYEON Property Inspections and Before You Buy (BYB), primarily to make them available to prospective buyers at a reduced cost, and also for their own understanding of the property.

The model works like this: the agent pays for the cost of the report upfront and passes on either the full cost or a portion of it to the vendor. Buyers can then access the report/s at a significantly lower price. This creates transparency, builds buyer confidence, and helps attract serious, qualified buyers. Arranging a report through a third-party provider typically ensures that licensed inspectors conduct the inspection. Some providers also offer independent reviews, that is, a written summary of the report's key findings, and access to a customer support team that can help clarify any findings.

For agents, it helps streamline the sales process and encourages buyer engagement. Over 85% of buyers who purchase a report go on to bid or buy the property, which can increase competition and sale price. So, while agents do arrange and pay for reports, the main goal is to benefit buyers and improve the overall sale outcome. The agent doesn't mark up the price; they simply facilitate access to the report. Buyers typically pay a small upfront fee to view the report, with an additional successful buyer fee only if they purchase the property. Report costs vary, with the exact price dependent on the size of the property, it's age and ease of access.

Vendors, have a couple of options:
If selling via an agent:
As mentioned above, the agent may offer a shared cost model where the vendor pays a portion of the fee, and the report is then made available to buyers at a reduced cost. Pricing varies depending on the agency and their pricing model.

If selling privately:
The vendor may commission a report directly from a reporting company, paying the full fee, and making it available to prospective buyers. Property reports



privately commissioned by a vendor are often discouraged because they may be viewed as a cottage operation, with one person responsible for both the inspection and buyer enquiries. This arrangement may be considered insufficiently transparent.

Strata reports work the same way. A vendor can order one directly via reporting companies such as EYEON or BYB or if they are working with an agent, they may offer a shared-cost model where they pay a portion, which buyers can access at a reduced rate.

Once ordered, an inspector contacts the strata managing agent directly to organise access to the strata records. The report typically takes 2–4 business days. A letter of authority is required (from an agent or solicitor) for the strata inspection to take place.

Strata reports arranged via a third-party company are professionally compiled, organised, and presented in a clear format that highlights key information like the strata roll, levies, special levies, meeting minutes, building defects, insurances, major contracts and a 10-year capital works plan. For a prospective buyer or their solicitor / conveyancer, it saves time and makes it easier to understand what they are looking at, especially if not familiar with strata documentation.

Under Section 182 of the Strata Schemes Management Act (NSW), prospective purchasers can request to view strata records directly from the strata management agency for the legislated statutory fees which are set out under the Strata Schemes Management Regulation 2016 (Schedule 4). This is a valid option if a prospective purchaser is comfortable reviewing the records themselves. Inspecting the books and records, meeting minutes, accounts, contracts, budgets and correspondence for a strata scheme can be a minefield for the untrained eye.

Aside from the fees prescribed for strata inspections, NSW legislation does not currently regulate charges for pest and building reports. Costs may vary according to the property and the third-party provider, while agents may also differ in how they pass these fees on.

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