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RICS Best Practice & Guidance Note for Technical Due Diligence of Commercial, Industrial & Residential Property in Continental Europe

FOREWORD

Technical Due Diligence reports, which detail the physical condition of a property, are increasingly in demand throughout continental Europe, as financial institutions, investors and owner-occupiers look ever more closely at the risks of buying and selling property.

It is therefore critical that both property professionals and their clients understand the issues which may be covered in such reports and have confidence in the due diligence process, which differs from country to country.

This note collates information that is both significant throughout continental Europe and locally relevant. It is important to view this guidance note as a range of services rather than a standard survey. This is because the components of a Technical Due Diligence report may or may not be mandatory in specific countries, may or may not be regulated in law and may or may not be restricted to members of certain professions.

The RICS Europe Due Diligence Working Party intends to add country-specific guidance notes for technical due diligence in the future in order to provide additional understanding of the specific regulatory frameworks in each country.

I am convinced that, in the coming years, this guidance will become an indispensable tool for both property professionals and their clients.

Best regards,



Luciano Capaldo FRICS
RICS Europe Chairman



This is the first guidance note produced by RICS Europe. As such, it reflects our commitment to sharing and promoting best practice throughout continental Europe.

This note has drawn on the worldwide expertise of RICS members and is testimony to the importance of sharing knowledge for the benefit of the public at large.

The RICS Europe Technical Due Diligence Working Party deserves commendation for its efforts in compiling this highly professional and, above all, practical document, and I would like to acknowledge their work:

Luciano Capaldo FRICS, Working Party Chair and RICS Europe Chairman, Italy

Jari Eno MRICS, Gleeds, Spain

Glyn Evans MRICS, King Sturge, Czech Republic

Helen Evans MRICS, Turnbull Associés, France

Joan Gutes MRICS, CBRE, Spain

Coby Hughes AssocRICS, Gleeds, Romania

Iain Leyden MRICS, King Sturge, Poland

Luca Licciardello, REAG, Spain

Veronica Martin MRICS, ARES Building Solutions, Spain

Bernd Rosoly MRICS, REAG GmbH, Germany

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Also, we are grateful to RICS Oceania for providing the initial Technical Due Diligence guidance note on which RICS Europe based this guide, and the RICS Building Surveying Professional Group (UK) for its draft guidance on Technical Due Diligence for the UK, on which the RICS Europe guidance is also partly based.

Finally, thanks for her coordination of the project are due to Sandrine Bardouil MRICS, Bosnia and Herzegovina.

We trust that you will find this guidance useful.

Kind regards,



Liliane Van Cauwenbergh

RICS Europe Managing Director

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“ HOMEBUYER-TYPE SURVEYS IN RELATION TO RESIDENTIAL PROPERTY ARE EXCLUDED ”



1. PURPOSE AND APPLICATION

This document seeks to provide practical guidance in relation to Technical Due Diligence (TDD) reports in continental Europe for the benefit of both property professionals (the professionals providing Technical Due Diligence services) and their clients (the recipients of those services). It therefore applies both to providing and receiving professional Technical Due Diligence advice in connection with transactions and improvements in the property market. It does not detail the components of a standard “European” Technical Due Diligence report, since components differ from country to country. Rather, it outlines the range of services that may be offered as part of a Technical Due Diligence report. From within that range, the property professionals and their clients must agree which services are relevant to a specific instruction.

Since most countries in continental Europe regulate their property market, often only members of the regulated professions are entitled to carry out certain activities detailed in this guidance note. It is important therefore for the parties to be clear as to which activities the property professional is qualified to perform. The RICS expects its members to explain to clients which Technical Due Diligence activities they are able to perform as a result of their RICS qualifications and any other qualifications they may possess under the regulatory regime of the country in which they are operating. Property professionals who are only qualified for certain activities should make this clear to clients who may additionally employ specialists in certain areas if necessary.

Where procedures are recommended for specific professional tasks, these are intended to embody “best practice”, i.e. procedures which in the opinion of the RICS meet a high standard of professional competence, reflecting the best standards expected by clients. It is incumbent on every property professional to ensure that the highest standards of service are provided at all times.

For convenience, when this Guide refers to “property”, it is referring to both land and the buildings on it. In addition, reference to “commercial property” means offices and retail property. Homebuyer-type surveys in relation to residential property are excluded.

“ IT IS IMPORTANT TO VIEW THIS GUIDANCE NOTE AS A RANGE OF SERVICES RATHER THAN A STANDARD SURVEY ”



2. THE NEED FOR TECHNICAL DUE DILIGENCE

Technical Due Diligence is the process of research, analysis and discovery in which a prospective purchaser, occupier or financier of property gathers information about the physical characteristics of the property.

Most properties have defects or deficiencies which could impact on their short, medium, or long term performance. They may include the need for repairs arising from a lack of planned preventative maintenance, neglect or misuse, insufficient capacity and regulatory non compliances.

The benefits of Technical Due Diligence may include:

- (a) gaining an understanding of the technical condition and design of the property through a thorough examination of all available construction documents, including identifying defects, poor performance and opportunities for improvement;
- (b) establishing the suitability of the property for its intended use;
- (c) understanding the need for and quantifying future costs and other liabilities;
- (d) providing a solid foundation for price negotiations and allocation of risk; and
- (e) providing a level of protection for institutional investors.

The majority of large property owners are institutional investors who manage a portfolio of property assets on behalf of their beneficial owners. They may be held in the form of listed or unlisted property trusts, property companies or syndicates. The managers of these investment vehicles have a fiduciary responsibility to the ultimate owners in making acquisitions, to ensure that all reasonable risks and liabilities are understood.

Further, the maxim of “caveat emptor” (let the buyer beware) is still a guiding legal principle in all property transactions. Unless the seller expressly promises something about the physical condition of the property, the seller does not warrant anything in relation to its condition. The party acquiring is legally obliged to take reasonable steps to discover as much about the acquisition as possible. If a purchaser or a seller refuses to further investigate identified irregularities, this should be noted in the TDD final report.

“ TECHNICAL DUE DILIGENCE FOR PURCHASES, OCCUPATION OR DISPOSAL HAVE DIFFERENT EMPHASIS ”



3. CONSIDERATIONS OF TECHNICAL DUE DILIGENCE

3.1 Content

This Guidance Note considers three key types of Technical Due Diligence processes for commercial, industrial and residential property, each of which will have a slightly different emphasis. By commercial, we mean offices and retail properties. By residential, we exclude home-buyer type surveys.

These processes are:

- (a) Purchase, including financing and purchase of development projects;
- (b) Occupation; and
- (c) Disposal.

3.2 Purchase (including financing and purchase of development projects)

The process of undertaking a Technical Due Diligence of commercial, industrial and/or residential property should include the following considerations, taking account of the circumstances of the transaction and the client's requirements, as specified in the client's brief:

- (a) whether the site or surrounding area have any adverse effect on the technical aspects of the property;
- (b) whether significant defects exist in the structure, fabric and building services installations of the property;
- (c) whether there are legal implications of the defects such as non-compliance with statutory standards;

- (d) whether the property is suitable for the client's intended use;
- (e) whether tenants' fittings impact on the current or future use of the property;
- (f) whether the technical characteristics and conception of the building correspond to the use classification of the building and likely tenant requirements; and
- (g) whether the projected capital expenditure (CAPEX see 5.18) are in line with the client's budget.

In the case of a purchase, where there are deficiencies, estimates of the remaining life expectancy of key elements should be provided, along with information regarding the degree and costs of repairs required. The cost estimates may justify a renegotiation of the acquisition terms between the seller and the buyer.

In the case of a purchase of a development project, the role of the Technical Due Diligence is to establish the risks concerning the potential value and viability of the project. Input from specialists will be required where necessary to provide comprehensive advice to a client and the advice must be reviewed, analysed and compiled into a report providing the client with a summary of the key issues to be considered throughout the development process.

It is important to remember that legal and investment aspects of the purchase are also being considered by other specialists on behalf of the client. The technical aspects should be considered in the context of this bigger picture and may require all of these advisors to liaise with each other.

3.3 Occupation

In addition to the issues outlined above for a purchase, if occupation by the client is contemplated, the Technical Due Diligence process should advise on any restrictions or problems likely to be encountered in fitting out or adapting the property for the intended use. The extent of the occupier's responsibility to insure, repair and maintain the property under the lease or other occupation arrangement must be understood in the context of the physical condition of the property.

Where a client proposes to occupy only part of a building and will share in the cost of upkeep of the whole, it is important to assess the likelihood of any major repairs necessary to the fabric of the entire building and its services, which could have a significant impact on the building's outgoings.

3.4 Disposal

The primary purpose of this Technical Due Diligence, also called Vendor Technical Diligence, before a proposed sale is to identify significant physical defects or any statutory non-compliance which may affect the value of the property on the open market, or which may allow an avenue for a purchaser to extend negotiations regarding certain technical issues.

Vendor's Technical Due Diligence should normally precede a valuation but is often a parallel process to the valuation. The valuation can then provide an opinion on the value of the property having regard to its condition. However, a vendor may undertake a Technical Due Diligence as a stand alone process so that information on the physical condition of a property can be made available to prospective purchasers in an attempt to expedite the sale process. For guidance on the valuation process, please refer specifically to the RICS Red Book.

“ A CLEAR UNDERSTANDING
OF A CLIENT’S REQUIREMENTS
IS ESSENTIAL ”



4.

TAKING INSTRUCTIONS

4.1 Client requirements

A clear understanding of the client’s requirements is essential to the successful completion of a Technical Due Diligence report. A “one size fits all” approach cannot be taken. However, as a guide it is recommended that the following items are established before providing an offer of service, such as the:

- (a) address and extent of the premises to be inspected;
- (b) identity of the client;
- (c) identity of the property professional/company;
- (d) scope of service(s) to be provided to the client (refer to Annex A);
- (e) existing or intended use of the property and any timeframes affecting a change of use;
- (f) specific information to be sourced from the relevant authorities (e.g. relevant seismic registered information);
- (g) extent of any information being made available for review to the property professional, and how reliable it is;
- (h) role of any sub-consultants and whether they are to be engaged directly by the client or through the property professional;
- (i) particular safety and access issues which may affect the nature of the inspection;
- (j) specialist access requirements;
- (k) report format by using a sample report;
- (l) limitations on the extent of the inspection and report;

- (m) timeframe for completing the inspection and report, including issuance of draft reports in electronic format. Where time pressure is such that it poses limitations on the report, this should be stated;
- (n) commercial terms of the instruction (such as professional fees and any abortive fees or hourly rates for follow-up consultancy); and
- (o) confirmation of the level of Professional Indemnity cover and any limitations.

In determining the scope of the instructions, the property professional should:

- (i) not assume knowledge of what the client wants to achieve from the inspection and report;
- (ii) establish any particular aspects of the property which the client considers to be important;
- (iii) establish the client's objectives; and
- (iv) guide the client if it appears that the client is not fully aware of all of the services available and of country-specific requirements. This may include specialist advice from other disciplines. A checklist for offices (but which can be adapted for other property types) is given in Annex A.

4.2 Confirming the instruction

Instructions are often by telephone from a client and it is important in such cases that the basis of the contract is agreed before the survey is undertaken.

To protect property professionals and their client, it is strongly recommended that instructions are in writing. An email or a letter are acceptable, and should include all the points agreed with the client and to be covered in the report. Property professionals should not be afraid to be very detailed in their letter or email.

The confirmation should be sent out as soon as possible, confirming the client's instructions including the terms and conditions which have been agreed.

In particular, and not exhaustively, the property professionals should also:

- (a) make it clear whether they are willing to assume liability to a third party if the report is assigned;
- (b) clarify the extent of their liability for specialist sub-consultant reports.
If sub-consultants are engaged by the property professional, the level of detail included in the agreement with the client should be replicated in any agreement with the specialist sub-consultant or contractor; and
- (c) notify the client of any limitations of the report (Sample report limitations are noted in Annex B, however these will be unique to each instruction).

It should be remembered that once those terms of engagement have been agreed, they cannot be amended without the client's agreement.

It is advisable that the property professional requests that the client signs a copy of the property professional's letter of confirmation to ensure that the terms and conditions of engagement are understood and agreed by both parties.

Irrespective of how often the property professional has been engaged by a particular client, the property professional should ensure that a clear scope of works is established and that a contract exists before starting each Technical Due Diligence process. Misunderstandings can be eliminated or at least minimised by establishing clear terms of engagement at the outset and confirming all of the client's instructions in writing. Experience suggests that disputes are more often than not based on there not being a clear understanding of the terms at the outset.

4.3 Third party consultants and their appointment

Undertaking a Technical Due Diligence investigation, particularly on a large commercial, industrial or residential property can involve the need for a number of different consultants, each covering their specific area of expertise and requirement under the regulatory framework of the country. It is unlikely that a single consultancy will be able to provide all disciplines required with exclusive in-house personnel. Therefore, on occasions, other specialist consultants will be engaged to assist with the Technical Due Diligence process and the preparation of a Technical Due Diligence report.

These specialist consultants are engaged primarily by one of two methods:

- (a) by the lead consultant; or
- (b) directly by the client.

4.4 Engagement by lead consultant

Where a specialist consultant is to be engaged by a lead consultant via a sub-consultancy agreement, the lead consultant should advise the client which aspects of the report will be undertaken by third party companies or individuals.

The lead consultant should bear in mind the following general requirements to:

- (a) provide the sub-consultant with a comprehensive brief of the services required;
- (b) check the sub-consultant's professional indemnity insurance cover (mandatory for RICS members);
- (c) be responsible normally for paying the fees of the sub-consultant; and
- (d) ensure that the sub-consultant must accept the same conditions as the lead consultant with his client and enter into a separate confidentiality agreement with the lead consultant.

The lead consultant should obtain the client's written instructions to proceed with engagement of specialist sub-consultants and to incur the amount of the additional fees involved if these were not included in the original fee proposal approved by the client. The major benefit of having a lead consultant is that there is only one point of contact for the client.

The scope of the coordination role provided by the property professional acting as lead consultant will normally involve some or all of the following tasks depending on the circumstances of the project:

- (e) assemble the consultant team and brief them on the project;
- (f) make arrangements for site access for the whole team;
- (g) obtain all documentation necessary for the investigation and channel requests for further information via one point of contact;
- (h) implement health and safety policy for all personnel under its control while on site;
- (i) liaise with all consultants during and after the site inspection(s);
- (j) identify and advise the client of any "deal breakers" from a technical perspective as soon as they are identified by the lead consultant or a sub-consultant;
- (k) review progress of each consultant and provide input during all stages of the appointment; and
- (l) review and comment on draft and final reports.

If sub-consultants are engaged, their report should be included as a stand alone report, annexed to the lead consultant's Technical Due Diligence report. Where any summary of the sub-contractor's report is included in the Technical Due Diligence report, there should be a note that it refers to the annexed report of the sub-consultant. Altering or providing a misleading synopsis of a sub-consultant's report can expose the lead consultant to direct legal liability.

4.5 Engagement directly by the client

A client may wish to appoint a specialist consultant directly.

In this instance, the client will issue a brief directly to the third party consultant, and meet the cost of their involvement. In this case the contract is between the client and the specialist consultant. Despite this direct relationship between the client and the specialist consultant, the property professional may be asked by the client to treat the specialist consultant, and the reports produced, in the same manner as they would a sub-consultant so as to provide a holistic service.

4.6 Health and safety for property professionals

Property professionals are advised to ensure that they have a full understanding of the premises and their current condition before embarking on the task. This risk assessment in relation to their own health and safety can be in any form and appropriate to the task at hand but it is strongly recommended that this is recorded and filed.

Each property professional will have its own country-specific Occupational Health & Safety (OH&S) policy to ensure the health, safety and welfare of its employees, sub-consultants and the general public. Each property professional should advise its client if they will not be able to access parts of the property due to safety concerns.

A brief reconnaissance inspection prior to starting the actual survey is recommended in order to identify areas of potential danger. Useful general guidance can be found in the *RICS Surveying Safely* publication.

Areas to consider include caution when:

- entering premises that have been vacant for a long time;
- working close to plant or machinery;
- working high up or in confined places;
- there are traffic movements;
- there is excessive noise, excessive heat or cold, or vibration;
- in the presence of microwaves, radiation and electromagnetic fields;
- chemical emissions;
- increased hygiene needs (e.g. food preparation areas);
- biohazards;
- time restrictions;
- unoccupied areas, one-way opening doors; and
- entering security areas.

“ RESPOND TO THE BRIEF AND TO THE COUNTRY REGULATORY FRAMEWORK ”



5. MAIN COMPONENTS OF THE TECHNICAL DUE DILIGENCE REPORT

5.1 Agreement between parties

The components of the technical due diligence report depend on agreement between the parties. The property professional needs to inform the client of the services which constitute Technical Due Diligence as detailed in this guidance note and agree with the client which components respond to the brief and to the country regulatory framework.

Property professionals should make clear what assumptions have been made when reporting to the client. Where this approach is adopted in the reporting, property professionals always need to separate fact from opinion.

5.2 General property description

This part of the report should give a concise overview of the property under consideration including:

- (a) the name and address of the property, including land registry references;
- (b) the orientation of the property;
- (c) an overview of surrounding areas including zoning/building usage and infrastructure;
- (d) a description of the buildings and structures on the property including external areas, ancillary structures or fixtures on the property;

- (e) the age of the building(s) and details of any extensions and/or refurbishments;
- (f) any listing of the building in say a conservation area; and
- (g) the floor areas of each building.

Where information is not available or an item above has not been reported on, this must be stated in the report.

5.3 Access

Sufficient physical access to undertake the property inspection is vital to get the most meaningful information for the Technical Due Diligence report. A report that consistently refers to “lack of access” will be inadequate to meet a client’s requirements.

The property professional should undertake research on the property before inspection, and also confirm with the client or the on-site contact in advance of the visit whether access will be available to all areas of the property, such as:

- (a) occupied areas;
- (b) common areas;
- (c) roof areas;
- (d) building façades;
- (e) lift motor rooms;
- (f) plant rooms;
- (g) service cupboards;
- (h) switch rooms;
- (i) basement areas; and
- (j) external areas such as gardens and parking.

Depending on the age and type of property being inspected, advance notice regarding lack of access, (eg. roof and façade) will allow the property professional to obtain client’s approval to arrange alternative access and to organise any equipment that may be necessary. The property professional can also discuss any associated additional costs with the client.

The report should also comment, if appropriate, on weather conditions at the time of the inspection and any limitations this may have imposed on the inspection. For instance, snow may have prevented a full inspection of the roof and external areas.

The report should list the areas where no access was possible.

5.4 Tenure

The property professional should enquire about the nature of the transaction by the client (e.g. investment purchase, sale & leaseback, forward purchase). Existing leases or at least a summary of lease obligations should be obtained to determine the client’s liabilities as per the titles.

The report should list all the documents considered relating to tenure and may highlight any missing documents relating to tenure.

5.5 Structure

This is to identify the primary structural components of the property, including potential shortcomings of the design and its condition.

A visual inspection of structural elements may reveal deterioration, signs of distress, overloading or other defects which may warrant further investigation or monitoring.

Typical issues may include:

- (a) spalling of concrete;
- (b) subsidence;
- (c) overloading; and
- (d) other structural distress such as:
 - (i) cracks in external walls and basement retaining walls; and
 - (ii) cracks in the supporting structure and supporting internal walls.

Intrusive investigations with the assistance of a specialist structural engineer may be required by the circumstances or the regulatory framework.

Comments should be made on the suitability of the structural elements to perform their intended purpose. This may range from general suitability to a detailed design review by a structural engineer depending on the scope of the instruction.

5.6 Building fabric

This section of the report usually includes:

- (a) a description of the elements of the building fabric;
- (b) the location of each element of the building;
- (c) an opinion on the fitness of the property for its intended or realistic alternative purpose considering factors such as design, workmanship, choice of material and condition;
- (d) recommendations for repair or replacement of items due to maintenance shortfalls, damage/misuse; and
- (e) lifecycle expectations of each element of the building fabric. Such recommendations should be aligned with the client's intentions or agreed alternative use for the property e.g. refurbishment, remodelling or partial demolition.

The building fabric encompasses a broad range of elements which usually includes:

- (f) Roofs
 - (i) roof coverings
 - (ii) terraces/balconies
 - (iii) awnings
 - (iv) rainwater goods
 - (v) maintenance access
- (g) Façades
 - (i) walls
 - (ii) windows
 - (iii) canopies/sun screens
 - (iv) doors
 - (v) maintenance access

- (h) Interior
 - (i) ceilings
 - (ii) walls/partitions/doors
 - (iii) floors/staircases
 - (iv) finishes
 - (v) fixtures and fittings

5.7 External areas

The external areas may comprise the hard and soft landscaped surfaces and boundary treatments within the curtilage of the property, and may include smaller outbuildings and structures which, due to their limited size and/or material relevance, do not necessarily warrant specific reporting within the main structure and building fabric sections of the Technical Due Diligence report, such as the:

- (a) vegetation;
- (b) boundary treatments; and
- (c) installed fittings such as barriers, furniture, lighting and bicycle stands.

The description usually refers to:

- (d) the condition of hard landscaped surfaces and their suitability for current or intended use. The suitability for intended use may warrant additional investigations and/or testing where an increased load is anticipated (e.g. where heavy vehicle movements are proposed);
- (e) the condition of retaining walls including any evidence of structural distress and whether further investigations are recommended (such as the assistance of a structural engineer);
- (f) the size and relative proximity of mature trees to buildings, structures and infrastructure and any evidence of distress to improvements which appears to have been caused by the trees;
- (g) evidence of mature trees which appear to have been recently cut down, and are relatively close to improvements, (particularly in areas with reactive clay soil due to potential soil heave); and
- (h) any suspicion of possible polluted areas or contamination from former land use together with a recommendation to carry out a separate environmental survey if appropriate.

5.8 Building services

The property professional needs a thorough knowledge of country-specific legislation and in some instances additional specialist engineering input is required. This depends on the brief agreed with the client.

The building services installations need to be compliant with the provisions of the applicable country specific legislation, including energy labels and certifications. These services comprise equipment essential to the operation of the building and typically include services relating to fire safety, and other equipment used by occupiers such as electrical installations, lifts, and automatic doors. These essential services are generally required to be maintained and periodically inspected to ensure that they are in a safe condition of use throughout the life of the building.

Building services, or services engineering, as a proportion of the initial capital costs of a property are significant. Building services also account for a major proportion of the on-going or property life cycle costs, as they will be required to periodically be upgraded or replaced a number of times during the life of the building.

Building services also help assess the energetic performance of buildings in accordance with the European Directive 91/2002/CE. The Directive promotes the improvement of the energy performance of buildings taking into account outdoor climatic and local conditions as well as indoor climate requirements and cost effectiveness.

In most European countries, energy labels are compulsory when selling or letting property and the property professional should refer to existing country legislation.

The condition of building services installations can have a significant impact on the perception of building quality, life cycle cost levels, facilities management and sustainability performance.

The assessment of building services commonly covers, but is not limited to the:

- (a) revision of all existing service contracts for technical equipment, plant and machinery necessary to operate the property as well as a check of the scope of work covered and any options to terminate;
- (b) mechanical (heating, cooling and ventilation systems, and smoke extraction systems);
- (c) electrical (power supply and distribution systems, lighting, and lighting protection);
- (d) small power, data and telecommunications systems (eg. telephones, mobile phones, intercoms, data cables and wireless and internet connections);
- (e) security (access, control and intruder detection);
- (f) building management control systems (BMCS);
- (g) hydraulics (water supply and distribution, below ground foul, storm water and trade waste drainage systems);
- (h) fire protection (hydrants, hose reels, sprinkler systems and other specialist fire extinguishing systems);
- (i) back up services (electrical power, water and communications contingencies); and
- (j) vertical transportation (lifts, elevators, escalators and travelators).

The scope of building services can extend to include:

- (k) fire engineered solutions;
- (l) indoor environmental quality (air, water, lighting and acoustic conditions); and
- (m) specialist equipment (power generation, refrigeration, computers and swimming pools).

Common criteria used to evaluate building services will include:

- (n) design intent, capacity and redundancy;
- (o) age, condition and life expectancy;
- (p) compliance with current codes, standards and practices;
- (q) standard of maintenance;

- (r) apparent defects and deficiencies; and
- (s) operational efficiency.

5.9 Environmental issues

This is a specialised area where the property professional needs to have specific expertise backed up by the corresponding Professional Indemnity Insurance (PII) cover. The evaluation of environmental risk pertaining to the property market tends to be country-specific as each country has its own environmental laws.

Often, there is a stand alone Environmental Due Diligence report carried out by property professionals in this area for the purposes of Mergers and Acquisitions operations or for internal management. Ongoing changes to environmental legislation places a significant duty of care on the property owner. The Environmental Due Diligence report may have legal implications as well as a significant impact on the value and/or the use of the property.

The legislative framework places increasing pressure on owners. There are more rigorous administrative requirements, a greater awareness about certain practices of the past and generally a greater concern about environmental and health issues.

The nature and extent of any environmental assessment must be clearly discussed with the client at the time of taking instructions. The client is likely to require expert opinion as to what type of report is required.

The Environmental Due Diligence (EDD) has a double target:

1. To identify the environmental issues of the activity likely to generate a significant impact on the environment and/or people's health, to determine the degree of compliance with these issues.
2. To identify possible and potential environmental risks, whether through management or accidentally originated, which can be known or otherwise underlie as hidden passives, and quantitatively assess its scope.

The types of reports include:

- (a) Preliminary site investigation – PSI (or Phase 1 site audit)

The PSI involves a desktop review of available documentation and site “walk over” to identify the potential risk of soil pollution associated with past development/usage of the property. Investigations should include, but not be limited to, the following:

- (i) review of historical aerial and other photographs of the site;
- (ii) review of historical study of past soil uses and activities;
- (iii) historical property title review;
- (iv) review of available planning development application(s); and
- (v) site inspection to view likelihood for imported fill, underground storage tanks (USTs) and other operations such as waste storage areas, lifted tanks and raw material storage that could result in land contamination.

- (b) Detailed site investigation – DSI (or Phase II site audit)

A detailed site investigation may be recommended if a PSI deems contamination likely to be present on site. The DSI includes drilling boreholes to allow the collection

of soil samples and installation of groundwater monitoring wells where groundwater is likely to be an issue. Soil and groundwater samples including samples from water supply, water discharge and tank leaks once collected are sent to a laboratory for analysis for chemicals of concern. The results are then checked against the relevant national regulatory criteria and the suitability of the property for its planned use is determined. This would include Legionella management if relevant.

When undertaking a DSI, due to required laboratory analysis, equipment utilisation (such as drill rigs) and safety access constraints, time delays can occur and assessments may take over a month from inception to completion. Furthermore, in many cases initial works may identify environmental issues which require further clarification and in turn additional time delays and costs.

The client should be made aware of the possibility of these delays so that the expectations of the parties as to when the transaction can complete are realistic.

(c) Hazardous materials audit

This is an inspection and testing regime to identify and advise upon common hazardous materials (or “deleterious” or “prohibited” materials), such as:

- (i) asbestos;
- (ii) polychlorinated biphenyls (PCBs);
- (iii) synthetic mineral fibres (SMF) and chlorofluorocarbons (CFCs);
- (iv) lead based paint; and
- (v) coal tar.

If the property professional determines that a material identified on the property is suspect, a sample is usually taken and sent for analysis at an approved laboratory. Any additional costs for such tests should be first approved by the client.

(d) Geotechnical report

Ground conditions should be reviewed and compared to the existing and/or any proposed building so that their suitability relative to the current or planned structures can be confirmed.

The property professional should review any available reports and may recommend to the client that a separate geotechnical study is carried out by specialist consultants.

(e) Acoustics

The need to carry out specialist acoustic testing will depend on the particular circumstances of the building and the client’s objective needs.

Those investigations are normally carried out by specialist engineers.

Building acoustics consist of two parts:

1. Room acoustics deal with sound propagation in a room. It is particularly influenced by the type of partitioning used.
2. Building acoustics deal with sound propagation between rooms and external sources. When there is a problem in the propagation of external sources of noise to inside areas, this should be tested by undertaking testing of impact sound insulation of floors or assessing airborne sound insulation testing of walls and floors.

All results of testing are then cross referenced to technical guidance from relevant Building Codes or client requirements.

(f) Air quality

The need to carry out air emissions and quality testing will depend on the particular circumstances of the building and the client's objective needs. This is not routine practice. This type of investigation would normally be carried out by specialist engineers.

The aim of air quality assessments is to determine airborne concentrations of dust or concentrations of carbon dioxide, carbon monoxide, temperature and humidity within the office environment. These components are typically measured on a real time basis using hand held electrical meters. Results are then compared to relevant Indoor Air Quality (IAQ) guidelines.

(g) Plague control management should report on insects and rodents' infestation where appropriate.

5.10 Sustainability

Increasingly, both building owners and occupiers are seeking to enhance their corporate social responsibility performance and mitigate potential future investment risks by purchasing or developing buildings which offer greater energy efficiency and a reduced environmental impact, or indeed to upgrade assets which do not meet their criteria in this regard.

This often requires a review of the building performance as well as of the performance of the activities in the property.

The building performance can be improved by reducing the environmental impact including:

- (a) structure design efficiency;
- (b) energy consumption efficiency;
- (c) water consumption efficiency;
- (d) materials efficiency;
- (e) waste and toxic reduction of the production of dangerous wastes and storage of dangerous materials (production of CO₂ and chlorofluorocarbons - CFCs); and
- (f) indoor environmental quality enhancement.

The performance of activities is also important. Its environmental impact can be reduced through, for instance, internal regulations and procedures, quality standards monitoring and standards certifications, such as:

- (g) the Building Research Establishment Environmental Assessment Method (BREEAM);
- (h) the Leadership in Energy and Environmental Design (LEED); and
- (i) identified country-specific certificates as defined and required by national legislation.

In some circumstances, this may involve the engagement of specialist consultants should a detailed appraisal or rating estimation be required.

5.11 Town planning

A town planning review usually involves a visual inspection of the property and surrounding area, together with the following research activities:

- (a) obtain, usually from the client all the planning applications and permits in relation to the property;
- (b) review planning controls: a thorough review of existing planning controls affecting the site, including local, regional and state controls;
- (c) review of local planning files: this will involve lodging a request and reviewing local planning files relating to the property in order to establish a history of the planning consents and to ascertain whether the current uses of the property conform to the approved use or uses. Consent from the building owner may be required in which case the property professional may need to be advised of the time to acquire this;
- (d) discuss with planning officers: this will involve holding discussions to gain information on any strategic planning studies being undertaken in the local area and the views on future development opportunities and constraints relevant to the property; and
- (e) assess future development opportunities: this will involve providing an assessment of potential future development opportunities and constraints for the property.

5.12 Statutory compliance review

- (a) Regulatory and building code compliance

This is frequently requested as part of the Technical Due Diligence report and it usually includes:

- (i) an explanation of the role of the applicable building code in relation to the property;
- (ii) a check of planning approvals, building permits, cadastral maps and certificates of urban use;
- (iii) a statement about the need for retrospective compliance and its impact on the future transfer of property. Some guidance on the triggers for retrospective compliance should also be provided (such as a requirement to bring an older building in line with current codes where the building is being substantially refurbished);
- (iv) any applicable annual or periodic inspections or certifications which are required;
- (v) reference to any incoming European or country-specific legislation which may be applicable to the property; and
- (vi) whether evidence of approval to occupy is available such as the following certifications:
 - (A) fit for use certificate;
 - (B) fire prevention approval;
 - (C) essential services;
 - (D) sprinkler system annual flow test;
 - (E) cooling tower registration;
 - (F) backflow prevention testing certification;
 - (G) lift registration;
 - (H) trade waste agreement;
 - (I) thermostatic mixing valve certification; and
 - (J) legionella prevention plan.

Having regard to the client's brief, the purpose of the Technical Due Diligence Report and the proposed use of the property, an opinion should be provided about the commercial implications of non-compliances and the limitations that any non-compliance may have on current and future occupancy.

By way of example, the category and volume of product that can be stored in a warehouse can be largely dependent on the type of sprinkler system despite both high and low capacity systems meeting 'base building open plan' standards. A client would be left ill-informed if the report confirms that the base building complies with appropriate standards without referring to the limitations on the type and volume of product that can be stored in a building with that type of sprinkler system.

It is recommended that the report makes clear whether a review or detailed audit has been carried out.

In summary, this part of the report should include an opinion on:

- (vii) the risks arising from any compliance issues;
- (viii) a quantification of the costs to rectify the non-compliances; and
- (ix) the timeframe within which non-compliances should be rectified and the various priorities for the rectification or upgrade works.

(b) Accessibility

This aspect is about commenting generally on the property's compliance with country-specific applicable access legislation. Depending upon factors such as the building's age, current or proposed use and location, the property professional may recommend to the client that an access audit is undertaken.

An access audit should determine the property's compliance with relevant country-specific legislation relating for instance to legislation on disability discrimination. The audit should include a review of:

- (i) external and internal paths of travel;
- (ii) parking;
- (iii) building entry points;
- (iv) disabled toilets; and
- (v) lifts, stairs and ramps

to define the level of compliance achieved and the prioritisation of any non-compliances.

The types of disability to be considered within the audit should include:

- (vi) people using a wheelchair;
- (vii) ambulant persons with a mobility impairment;
- (viii) people with a hearing disability; and
- (ix) people with a sight disability.

The audit should include comment on the presence of any accessibility action plans previously prepared for the property and a review of the strategy adopted for the building and site under review.

Accessibility action plans are a strategy for changing business practices in order to mitigate or eliminate the risk of a complaint being made against a building owner.

5.13 Heritage significance assessment

Whether or not a heritage significance/conservation assessment on a property is required would be determined by the current or potential listing of a property (or neighbouring properties) on the local or national heritage register. A property may be listed due to historical, aesthetic, scientific or social attributes and therefore subject to specific approval prior to undertaking any works.

The heritage significance assessment will usually:

- (a) comprise a visual inspection of the property and surrounds;
- (b) research the property's status (on a statutory heritage register) and restrictions affecting it;
- (c) be undertaken by a property professional with relevant expertise in the type of property under assessment and its location;
- (d) provide a review of the heritage attributes of the building and property and the level of cultural significance;
- (e) address the implications for the future use and occupancy, and redevelopment potential of the property; and
- (f) form the basis for policies and management structures implemented by the owner to enable conformity with the applicable statutory controls.

The property professional needs to refer to country-specific legislation in relation to the property and involve a specialist planner if required.

5.14 Floor space ratio, car parking ratio and efficiency

The floor space ratio and car parking ratio of a property are often determined by the local authority and implemented through local planning controls. These factors determine the maximum amount of gross and net floor areas as well as volumes which can be constructed on a property, along with the number of car parking spaces which are permitted. This information will be important to a client in assessing the "highest and best use" of a property, and information regarding current controls should be included within the Technical Due Diligence Report.

The building efficiency may be calculated by comparing gross areas against the usable lettable areas according to the practice in the local market.

5.15 Identification surveys

Site identification surveys are usually prepared by country-registered property professionals specialised in land surveying and their purpose is twofold:

- (a) to identify/verify the position of the building(s) and other improvements on the property; and
- (b) to identify easements, rights of way, encroachments and other issues that either burden or favour the property.

The information gained from this section of the Technical Due Diligence report is usually shared with the legal due diligence team as there are "cross-overs" of information that will assist both teams during the investigation process.

In undertaking an identification survey, the property professional will access records from the appropriate land title's office that contain specific details of the property title. Such a review will identify site boundary information and will note the existence of easements,

rights of way, apartment rights, rights to overbuild and any other covenants and other legally enforceable issues that either favour or burden the property.

The location of easements, for example, may affect the potential for future development of the property as costs to build over water or sewer easements can be prohibitive. A right of way may exist on the property that gives an adjoining owner the right to use part of the property for access; therefore the land affected by this right of way cannot be built upon in the future.

A site survey will then be conducted to verify:

- (c) boundary dimensions;
- (d) whether the building(s) or other improvements constructed have been built entirely on the property. In some instances, boundary walls may have been constructed over the boundary which can have serious implications for the property owner, particularly if the client is contemplating strata subdivision; and
- (e) whether neighbouring buildings/fences encroach onto the property.

5.16 Tax depreciation/capital allowances

Each country has its own legislation in relation to tax depreciation/capital allowance. The property professional needs to refer to country-specific legislation to best advise the client. Often, this assessment tends to be part of the valuation work rather than part of the Technical Due Diligence report. Its place should be specifically clarified with the client who should identify the property professional for this type of instruction.

These allowances are generally available to property owners as a deduction or adjustment to assessable income attributed to property assets and their effective lives.

Generally, the effective life of a depreciating asset is how long it can be used by any entity for a taxable or income producing purpose as set out in the relevant legislation. A depreciating asset is one which effective life is limited, and that can reasonably be expected to decrease in value over its useful life. Understanding both the legislation and its application to various property assets, depending on age, condition, cost or classification is the key to realising the maximum benefit available.

5.17 Reinstatement cost assessment

A reinstatement cost assessment is an estimate of the total cost to rebuild a property which has been subject to a major incident of damage eg. fire or explosion. The assessments are prepared for the purpose of assessing a rebuild cost to be factored into insurance cover for a particular building.

The extent of the assessment should be discussed and agreed with the client and with reference to leases which state the landlord/tenant obligations. For instance, it assesses whether tenants' fixtures and fittings are to be included; whether a basic landlord fit out is to be included; or a shell only assessment with all other items to be included under a separate document.

The accuracy of the assessment is dictated by the scope of the instruction, as this area is often part of a separate valuation exercise, and can vary from a simple square metre rate for a particular building type to an area measure of drawings supplemented by a site inspection. In broad terms, the more simplistic the approach the greater the potential margin of inaccuracy.

The cost assessment should take into account:

- (a) demolition;
- (b) rebuilding the improvements to the same/similar specification as the existing building (where there has been a change in building code requirements since the original building was approved, the rebuild cost should allow for current code requirements);
- (c) re-documentation;
- (d) consultants;
- (e) statutory approvals and cost escalation; and
- (f) loss of rent incurred during the reinstatement process based on rental information provided by the client.

For further information, please refer to the *RICS Guide Carrying out Reinstatement Cost Assessment*.

5.18 Capital expenditure (CAPEX) forecasts

Cost estimates associated with due diligence are generally concerned with capital expenditure (CAPEX) forecasts, normally reflecting a 5 or 10 year planning period which is agreed with the client. Hence, these estimates are typically indicative only and are provided as an “order of magnitude cost allowance” for specifically identified works. Items of work are often not fully described or detailed reflecting the high level nature of the assessment, the amount of information available and the purpose for which they are prepared.

Consideration should be given to any pre-existing CAPEX records or budgets, where available.

On occasions and as specifically agreed with the client, CAPEX forecasts may be estimated on the basis of being undertaken as part of a major upgrade or refurbishment. Under such circumstances more details should be prepared or sought regarding the scope of works, design, specifications and programme.

Further, any assumptions or exclusions material to the CAPEX forecasts should be stated. These could include but are not limited to details of:

- (a) preliminaries, builders’ margins, overheads or contingencies;
- (b) negotiated, staged or other special forms of contract;
- (c) approval, consents or compliance orders;
- (d) costs associated with further investigations;
- (e) professional/consultant fees for further investigation and testing, design, documentation and management of rectification works, or any resulting change in the scope of rectification works;
- (f) costs associated with the relocation, temporary accommodation, disruption to business or loss of profit of the building owner or tenants;
- (g) work outside site boundaries;
- (h) goods and services tax (GST);

- (i) future escalation; and
- (j) out of hours working, VAT and inflation.

The client may also have specific requirements for proposed expenditure which may include:

- (k) refurbishment of the property to reposition it in the market;
- (l) sustainability improvements such as replacement of building services equipment with more energy efficient equipment;
- (m) remodelling or extensions/additions to a building; and
- (n) redevelopment of the property for a different use.

Estimating the costs involved in the scope of proposed capital works of this nature can be involved, and the client's brief and reporting expectations should therefore be accurately defined.

The presentation of capital expenditure forecasts varies subject to specific reporting requirements. A common format is a tabular report. Typically this would include a series of line items detailing the element under consideration, the proposed scope of works and the associated costs. A suggested rectification timeframe and risk rating are also commonly specified for each item which aids in framing the context of the suggested expenditure.

5.19 Operational expenditure (OPEX) assessment

Operational Expenditure (OPEX) is different from CAPEX in that it can ordinarily be recovered in part from the tenants of a building (in an investment transaction), or can be offset as a deduction against rental income for taxation purposes.

OPEX typically includes both statutory charges (such as municipal rates, water and sewerage rates, land taxes and other miscellaneous charges), and operating costs (such as insurance premiums, cleaning, energy costs associated operating base building services installations, repairs and maintenance, management, administration, security and other miscellaneous expenses). These costs, together, are commonly known as "outgoings".

If OPEX assessment is required as part of the instruction, the property professional needs to obtain information from the client or vendor regarding the apportionment between landlord and tenant outgoings for a property, including maintenance costs. An assessment is then undertaken against industry benchmarks for such costs in order to provide the client with an indication of the operating costs for the building.

“THE REPORT SHOULD ASSIST THE CLIENT’S DECISION MAKING PROCESS”



6.

INTERPRETATION OF THE REPORT

6.1 Cost findings

An assessment of costs associated with the issues identified in the report is critical to the Technical Due Diligence process. This is particularly the case in a highly competitive market when the viability of a proposed transaction is based on achieving a certain yield or rate of return generally within a short period of time.

The cost implications of the various defects, anomalies, non-compliance and shortcomings are therefore a significant component in the Technical Due Diligence report.

6.2 Time frame

It is not sufficient to only identify the cost of the various defects. It is important to establish when the cost is likely to be incurred. It is generally accepted in the property industry that time periods are identified as follows:

- (a) Immediate: within one year
- (b) Short term: one to two years
- (c) Medium term: three to five years
- (d) Long term: five to ten years

Definitions of the time frames used in the report need to be identified for the avoidance of any doubt.

When providing advice as to costs and their anticipated period of expenditure, account must be taken of the purchaser’s intention for the property, as established at the brief stage.

6.3 Risk ratings

Risk ratings involve balancing liabilities and opportunities, both in terms of capital and life costs, and hence are an integral part of Technical Due Diligence. A risk can be defined as the chance of something happening that will have an impact upon the objectives in compliance with European market practice. Risks and their response can be classified as follows:

- (a) Extreme: immediate action required
- (b) High: senior management attention needed
- (c) Moderate: management responsibility must be specified
- (d) Low: management by routine procedures

Risk management can be qualitative and/or quantitative, enabling the client to better identify, analyse, respond to, monitor and report on risks. For Technical Due Diligence this can assist in determining what responses are recommended to the client and which risks to avoid, transfer, mitigate or accept. Such decisions are linked to the corresponding design, construction and facilities management issues and the associated capital and operational expenditure (CAPEX and OPEX) forecasts.

6.4 Reasons for defects

When identifying a defect, an assessment determines the cause, effect as well as the recommendations for remedial actions/further investigations.

Defects generally fall into one of the following categories:

- (a) capital expenditure;
- (b) repairs and maintenance;
- (c) statutory compliance issues. This is not simply an assessment by the building code consultant, but needs to include comments on any essential fire services certificate, fire precautions, workplace issues; and
- (d) lease obligations.

6.5 Incorporating costs into investment analysis and strategy

There is an essential relationship between Technical Due Diligence and commercial due diligence, and it is important that costs are placed in a commercial context. It is rare that no issue arises during the Technical Due Diligence process, and it is important that the process be used as a proactive tool in a property transaction.

The challenge is for the client to identify those aspects of the property that will impact in a materially negative way on the transaction and to put in place a strategy to negate or limit their impact. As the reasons for a property transaction will vary from client to client, it is essential to identify those aspects that can be turned to an advantage. Hence the importance of gaining a clear understanding at briefing stage as to the goals of your client.

A correctly structured Technical Due Diligence report should assist the client's decision-making process and be easy to understand to extract relevant information from.

“TYPICALLY THE TECHNICAL DUE DILIGENCE SERVES TO INFORM THE SCOPE OF THE LEGAL DUE DILIGENCE”



7.

MATTERS FOR THE LEGAL ADVISORS' ATTENTION

There is an important relationship between Technical Due Diligence and the legal due diligence which is undertaken by legal advisors, and often there is some overlap.

Sometimes, the same tasks can be performed by the property professional and the legal advisors, but clients are of course best served by the two advisors working together to minimise duplication. It should be noted that the client would normally appoint the legal advisor directly.

Typically the Technical Due Diligence is undertaken before the legal due diligence. The outcome of the technical due diligence serves to inform the scope of the legal due diligence, and the drafting and negotiation of the relevant contract, be it a sale agreement or lease.

Specifically (but not exhaustively), the outcome of the Technical Due Diligence may affect the following legal aspects of a transaction and the property professional should liaise fully with the clients appointed legal advisors in relation to areas of common interest and overlap:

- (a) the extent of vendor/lessor warranties;
- (b) disclosure;
- (c) statutory compliance warranties and declarations;
- (d) the extent to which statutory records need to be searched;
- (e) the management and assumption of risk;
- (f) the negotiation of indemnities; and
- (g) the conditions of completion/vendor/lessor obligations.

These are some of the issues which the property professional may have to draw the client's attention to:

7.1 Title and tenure

- (a) title or other statutory instrument;
- (b) tenure;
- (c) evidence of occupation, tenancies, licences or sub-lettings, or vacant possession;
- (d) evidence of possible trespass;
- (e) evidence that suggests possible rights of way adversely affecting the property;
- (f) evidence of the need for rights of way or easements to access the property;
- (g) evidence that an authority may have an interest in the resumption of an abutting roads or footpaths; and
- (h) inventory of inclusions and exclusions (particularly in leased premises).

7.2 Boundaries

- (a) evidence of poorly defined site boundaries;
- (b) riparian rights (relating to banks of rivers or waterways);
- (c) evidence of the conduct of the business being outside the boundaries of the subject property (whether as to core operations or ancillary facilities); and
- (d) evidence of encroachments.

7.3 Guarantees and warranties

This relates to the availability and transferability of guarantees with respect to the construction of the building such as:

- (a) underpinning;
- (b) timber and/or damp treatment works;
- (c) cavity wall tie replacement works;
- (d) double glazing;
- (e) cavity wall insulations;
- (f) flat roofing;
- (g) remedial works to service installations;
- (h) recent significant building repairs;
- (i) collateral warranty from the original construction and design teams; and
- (j) previous technical reports that may be assignable to the purchaser.

7.4 Leases

- (a) evident breaches of repair covenants in leases;
- (b) evident breaches of permitted use covenants; and
- (c) details of vacancies.

7.5 Statutory compliance issues

- (a) compliance of the property with building titles;
- (b) compliance of the property with cadastral maps;
- (c) compliance of the property with fit for use authorisation; and
- (d) compliance of the property with fire prevention certificate.

8.

INSURANCE

The property professional must carry Professional Indemnity Insurance cover commensurate with the tasks being undertaken and services being provided.

All RICS chartered surveyors are required by RICS Rules to carry Professional Indemnity Insurance. RICS members should also be protected with insurance for personal injury and third party claims. RICS members must ensure they comply with any stipulations of their insurance company.

ANNEX A

CONFIRMATION OF SERVICES CHECKLIST

Technical Due Diligence for existing office buildings (checklist can be adapted to other types of buildings). Always apply relevant country-specific regulations

	Checks	Yes/no	Prompts
0.0	Documents listing from database		List all required/submitted documents.
1.0	Location/position/building description		Take photos.
1.0.1	City Country		
1.0.2	Macro location		Description of area: town centre, suburbs, surrounding area. In line with area planning use?
1.0.3	Micro location		Public transport, suburb railway, motorways, public roads, other roads.
2.0	Building rights/licences/official plans and documents		
2.0.1	Historical monument/building protection		Individual monument protection?
2.0.2	Local/conservation/design aspects		Official restrictions?
2.0.3	Nature conservation		
2.0.4	Site plan(s)		
2.0.5	Existence of a prior building permit		Most important statements/conditions/additional requirements. Request copies.
2.0.6	Conformity with building laws		Does building conform to building permit?
2.0.7	Land register map extract(s)		
2.0.8	Development plan		
2.0.9	Zoning plan (land use plan or master plan)		
2.0.10	Cadastral register - land register extract		
2.0.11	Line route plans		
2.0.12	Other official permissions		Planning permission(s)?
2.0.13	Drain plans/drainage ways/drainage permit		
2.0.14	Extract from register of building encumbrances or equivalent		Request to public building authority. E.g outstanding mortgage loans, unpaid taxes, easements etc.
2.0.15	Copy of public development costs certification		Request to public building authority.

	Checks	Yes/no	Prompts
2.0.16	Certification of possible exemptions from legal requirements or conditions		
3.0	Plot/soil/contaminated sites/general contaminations		Take photos.
3.0.1	Plot size		[.....] m2
3.0.2	Topographical features/layout/substance of soil of plot		
3.0.3	Foundation soil inspection/soil expert's report		
3.0.4	Ground water level		[.....] m. Highest high tide level. [.....] m in relation to earth's surface.
3.0.5	Flood risks region		
3.0.6	Ground water analysis report		Aggressive ingredients damage to concrete.
3.0.7	Risk of problem site/pollutant/contamination		Which? Existence of expert's reports or soil investigations?
3.0.8	Record of problem site/suspecting problem site		Which? Existence of expert's reports or soil investigations?
3.0.9	Risk of old means/bombs/weapons in the ground		Which? Existence of expert's reports or soil investigations?
4.0	Surrounding area/environment		Take photos.
4.0.1	Constant influences caused by industrial emissions		Distance [.....]. Which? Noise, dust, smoke, odours. E.g brewery, industrial sites?
4.0.2	Electromagnetic pollution		Close to transmission lines or transformers?
4.0.3	Other impacts to the building		Which?
4.0.4	Mobile phone antennas		
5.0	Access: accessibility of the plot and building		Take photos.
5.0.1	Direct access to plot		
5.0.2	Number of entrances to the building		Main entrances and other side/rear entrances.
5.0.3	Public entrance into building/exits		
5.0.4	Access via plots of third parties		Which?
5.0.5	Rights of way for neighbours' or other third parties		Which?
5.0.6	Secured rights to pass		
5.0.7	Internal opening of the building		Description.
6.0	Building Data /as build plans/ acceptance documents		
6.0.1	Existence of official authorisation for office use		Permit?
6.0.2	Certificate of acceptance from the building authority		
6.0.3	Certificate of acceptance of all technical installations and facilities		
6.0.4	Acceptance report of the complete building from the general contractor		

	Checks	Yes/no	Prompts
6.0.5	Acceptance reports from the current building owner (under private law)		Including list of deficiencies, supporting documents of repair works.
6.0.6	List of all sub contractors from the general contractor		Important for future maintenance works.
6.0.7	Maximum permitted number of employees in the building		[.....] employees.
6.0.8	Building uses/other authorised uses		Offices, retail, shopping mall, hotel, mixed used buildings or residential properties.
6.0.9	Existing building usage		Single offices, group offices, open space, combined offices, mixed forms, others.
6.0.10	Detailed building specification		
6.0.11	Separate building specification for tenants		Including a description of the complete equipment of the building and the tenants' area.
6.0.12	Plan documents to scale, detailed plans, cut drawings		Scale [.....]. Revision plans and as build documents?
6.0.13	All floor plans		Revision plans and as build documents?
6.0.14	Installation plans for all technical installations and facilities		Heating, ventilating and air-conditioning (HVAC) and all electrical and mechanical installations and parts.
6.0.15	Plans of façades and front view		Revision plans and as build documents?
6.0.16	Year of construction		Year [.....]. If not known, approximately [.....].
6.0.17	Modifications and/or extensions of the building/redevelopments		Year [.....]. Refurbishments? What was done? Description.
6.0.18	Condition of maintenance in general		Take photos. Description.
6.0.19	Type of building/type of construction		Steel concrete skeleton construction, steel skeleton construction, masonry, mixed construction.
6.0.20	Number of main floors		[.....] floors.
6.0.21	Maximum floor loading capacity		kN/m ² or kg/m ² [.....]. If not known, see stability calculations.
6.0.22	Calendar of warranties		Check and describe time limit situation in connection with the warrantee proceedings.
6.0.23	Building stability calculations		See also certificate of acceptance from the building authority.
6.0.24	Documented evidence of conformity for heat protection		Copy of the test document or calculation.
6.0.25	Documented evidence of conformity for noise protection		Copy of the test document or calculation.
7.0	Effective areas/floor areas		Existence of as build plans as a basis for calculations for cubature and rental floor areas ?
7.0.1	Total gross floor area		[.....] m ² . If necessary land surveyor to be instructed before or after purchase for check.
7.0.2	Gross floor area above ground		[.....] m ² . Detailed measurements may lead to additional costs.
7.0.3	Gross floor area below ground		[.....] m ² . Division/tenants' mix: Retail [.....] units.

	Checks	Yes/no	Prompts
7.0.4	Cubature of the building/building volume calculations		Offices [.....] units.
7.0.5	Total net residential living areas		[.....] m2 Residential [.....] units.
7.0.6	Total net lettable area		[.....] m2. Specify basis of areas calculations.
7.0.7	Check on total lettable area indicated by landlord		If necessary re-measure.
7.0.8	Proportion of sub terrain gross floor area to lettable area		[.....].
7.1	Efficiency of construction and floor space		Existing or possible flexible use of floor areas ?
7.1.1	Grid of façade axes		[.....] Good when 1.25m up to 1.50m.
7.1.2	Grid of construction axes		[.....] Pillars or columns? Grid size?
7.1.3	Depth of building		[.....] m. See floor plans.
7.1.4	Separation of offices		[.....] m; corridor width [.....] m. Double loaded corridor or other?
7.1.5	Compliance with occupational health and safety principles		If no, description [.....].
7.1.6	Additional areas/areas without light/dark zones		
7.1.7	Interiors: Staircase(s)/floor space		
7.1.8	Structural floor heights		[.....] m.
7.1.9	Clear ceiling height in offices/clear ceiling height in lobbies and corridors		[.....] m. Finished floor to ceiling or suspended ceiling heights?
7.1.10	Single office room depth		[.....] m. Good when approximately 5 to 6 m.
7.1.11	Window parapets		If yes, height? [.....] m.
7.1.12	Possibility of retrofitting cooling system		If yes, how ? Which type ? How difficult?
7.1.13	Possibilities for another floor usage as build		Consider variation of use. If yes, only when no additional substantial work and expense in shell and core.
8.0	Underground garage and basement		Check dimensions of parking spaces.
8.0.1	Number of parking places in underground car park		[.....] spaces. Range/lift parker systems or regular parking spaces?
8.0.2	Number of parking places outside		[.....] spaces. Existence of exterior facilities plan?
8.0.3	Storage rooms		[.....] m2. What is stored?
8.0.4	Plant rooms		[.....] m2. What is there?
8.0.5	Other rooms and usage in the basement		Description.
8.0.6	Ventilation		Description. How is it technically organised? See also section 10.0. Ventilation rates?
8.0.7	Sprinkler/fire alarm system/smoke detectors		Description. See also section 10.0.
8.0.8	Access ramp/rolling gate/sectional gate or similar. Control system.		dto.
9.0	External and internal condition of building		Take photos. Assessment of damages and building defects.

	Checks	Yes/no	Prompts
9.0.1	Type of roof/roofing material/rain water disposal		Damages/defects? Flat roof, pitched roof, gable roof, shed roof or other type?
9.0.2	Plant rooms and building equipment on roof top		Damages/defects? Air condition boxes, ventilation machines, extractor hoods?
9.0.3	Dormers/dormer windows/skylights		Damages/defects?
9.0.4	Sloping dormer window		dto.
9.0.5	Under frame/roof truss		dto.
9.0.6	Roof: Rain water proof sealant/thermal roof isolation		Damages/defects? Synthetic foil system or bitumen system, UV-safe-system?
9.0.7	Balconies/terraces and drains/rain water disposal		Damages/defects?
9.0.8	Façade		Description: type and condition.
9.0.9	Windows		dto.
9.0.10	Outside sun screen outside/jalousie		Type, condition, age of windows, anti-glare shield, mechanical, electrical, building management system (BMS)?
9.0.11	Interior sun screen		Dazzling screen? Owner/tenant's responsibility ?
9.0.12	Shop window installations		Description: type/condition.
9.0.13	Entrance doors		dto.
9.0.14	Letter box		dto.
9.0.15	Bell board		dto.
9.0.16	Floor paving		Description: type/condition. Cement, anhydride, melted asphalt? Type of bedding? Impact sound?
9.1	Internal condition of building/equipment of common areas		Take photos.
9.1.1	Staircase(s)		Description: cases, entrance hall, lobbies, lift landing. Type of materials/condition.
9.1.2	Hand rail		Description: type/condition.
9.1.3	General lighting in common areas		dto.
9.1.4	Marking and lighting of escape routes		Description: type/condition. See section 11.0 on fire protection installations.
9.1.5	Floor covering		Description of quality of top floor: type/condition.
9.1.6	Walls		Description: type/condition. Wall coating/surfaces.
9.1.7	Ceilings		Description: type/condition. Plaster board/suspended/plastered ceilings?
9.2	Interior fittings: offices areas/equipment		Take photos. Interior fittings paid by the tenant(s) or owner?
9.2.1	Internal walls		See internal fit out plans. description: type/condition.
9.2.2	Ceilings/suspended ceilings/suspended cooling panels		Description: type/condition. Louvered strip waffle slab ceiling?
9.2.3	Office partition walls: partition wall system/dry wall/solid wall		Description: type/condition.

	Checks	Yes/no	Prompts
9.2.4	Corridor partition walls: partition wall system/ dry wall/solid wall		dto.
9.2.5	Floor covering		Description: type/condition. Carpet, parquet flooring, linoleum, PVC?
9.2.6	Heating/radiator/static heating		Description: type/condition.
9.2.7	Sanitary equipment/toilets		dto.
9.2.8	Disabled toilet		Description: type/condition. Number of disabled toilets? Location in building?
9.2.9	Fire doors/fire lobbies/existence of fire separation sections in each floor		Description: type/condition.
9.2.10	Lighting level (500) lux at workstation		Description: tpe of lighting/lighting system, condition. Attention: different requirements.
9.2.11	Office doors/frames		Description: type/condition.
9.2.12	Office entrance doors/frames		dto.
9.2.13	Raised floor(s)		dto.
9.2.14	Pantry		Description: type/condition. Ventilation rates? Panic bars in doors? Tea kitchen? Equipment?
9.3	Commercial area /retail/restaurants		Take photos. Current usage.
9.3.1	Walls/ceilings		Description: material/type/condition.
9.3.2	Floor		Description: material/type/condition. Type of flooring, raised floor, egg carton floor?
9.3.3	Floor finish		Description: material/type/condition. Natural stone/parquet/carpet?
9.3.4	Lighting		Description: material/type/condition.
9.3.5	Heating system		dto.
9.3.6	Sanitary equipment/toilets		dto.
9.3.7	Fire protection doors/smoke protection doors/fire separation sections		dto.
9.3.8	Internal door frames		dto.
10.0	Mechanical and electrical installations (M&E)		Take photos.
	Heating/ventilating/air-conditioning (HVAC), water, sanitary and electrical installations		Possibility to re-install/repair? i.e. vertically in shafts?Under raised floors? Parapet/under screed channels?
10.1	Sanitary		Description: material/type/condition.
10.1.1	Toilets		Condition of maintenance and repair. Description, technical equipment, warm water?
10.1.2	Booster system for water conduits		Who is the owner? Who is responsible for the system?
10.1.3	Elevating plant for waste water pipes		Who is the owner? Who is responsible for the system?
10.1.4	Grease or oil extractor		Particularly for restaurants. Who is the owner? Who is responsible for the system?
10.1.5	Main water connection		Who? [.....]. Counter systems? Utility company?

	Checks	Yes/no	Prompts
10.1.6	Water softener installation or any other treatment		Who? [.....].
10.1.7	Water pipes (warm water)/legal drink water regulations and compliance/ risk of legionnaires disease/check country-specific regulations		Warm water? Length of water pipes? Frequency of water tap? Material of water pipes and condition? Water temperature spectrum? Availability of disinfection facilities with ultraviolet? Irradiation or electrolytic methods?
10.1.8	Ground inlet with intercepting disconnecting trap		
10.1.9	Discharge pipe/soil and rainwater sewer connection		
10.1.10	Cleaning rooms available		Number per floors [.....].
10.1.11	Others		
10.2	Electricity: cable isolation type		Halogen free? Meter systems? Possibility to have single meters?
10.2.1	High voltage system/low voltage system		Description: type/condition. When only small areas are let?
10.2.2	Room for service line/supply		By whom? [.....] Meter cupboard?
10.2.3	Supplier/utility company		Who? [.....].
10.2.4	Connect load		[.....] KVA.
10.2.5	Transformer room (oil or dry transformer)		Description: type/condition. Delivery by the utility company or own transformer? Transformer power [.....] kW). PCBS?
10.2.6	Existence of a UPS system with battery power		Description: type/condition. Existence of a separate battery room?
10.2.7	Emergency power unit		Diesel engine?
10.2.8	Existence of lightning protection system/ ring conduit		
10.2.9	Routing of main connection		Description: type/condition.
10.2.10	Main distributing frame		dto.
10.2.11	Distributing frame on floors		How is the sub-distribution technically organised? Any reserves?
10.2.12	Installation in raised floors/floor boxes		Electrical and IT installations? Lining up, wiring, EDP network.
10.2.13	Installation in floor channels		
10.2.14	Window parapet channels		
10.2.15	Equipment		Short description. Switches, sockets, lighting, office lighting, house lighting. Cabling, DATA, network, telephone equipment, structured cabling.
10.2.16	CCTV Control systems/control of HVAC equipment		If so - which type? Description? Which parts are monitored and controlled?
10.2.17	Antenna array/transmitting installation		Telecom, mobile phone?
10.2.18	Condition and lining up of vertical shafts		Fire protection compartments? Which cables or other medias are in the shaft?

	Checks	Yes/no	Prompts
10.2.19	Building management system (BMS)		Type, size, connected functions and controlled units.
10.2.20	Lightning level in office areas in LUX (see 9.2.10)		Description. Type of lighting, lighting system, condition?
10.3	Heating		
10.3.1	Existence of a long distance heating system		Connected load: [.....].
10.3.2	City heat/transfer substation, primary system, secondary system		Description: type/condition. Substation under leasing contract with supplier?
10.3.3	Existence of a public gas supply		Description: type/condition. Which kind of gas?
10.3.4	Gas central heating		Description: type/condition.
10.3.5	Electrical heating		dto.
10.3.6	Block heating power station		dto.
10.3.7	Oil heating		dto.
10.3.8	Heating with other alternative energies/ renewable energy sources		dto. i.e. wood chips, timber pellets, solar energy, geothermic energy.
10.3.9	Solar system/photovoltaic		dto.
10.3.10	Heat pumps/other pumps		dto.
10.3.11	Radiator, pipes, valves, possibilities to control		dto. Control system/control board, manufacturer?
10.4	Heating, ventilation and air-conditioning (HAVC)		Check all existing fire protection facilities in connection with HVAC installations. Which areas/rooms are mechanically ventilated?
10.4.0.1	Discharging air unit/extract fans/ ductwork		Type, number, condition. Description and condition of fireproof bulkheads.
10.4.0.2	Discharged air vents/air grills		Type, number, condition. Description and condition of fireproof bulkheads.
10.4.1	Ventilation with one thermodynamic air handling function		Heating: including mechanical discharged air system. Description: type/condition.
10.4.1.1	Air grill for ventilation		Channels, filters, mechanical parts, periodical replacement of filters, maintenance sequence?
10.4.1.2	Heat recovery/technical heat exchanger system description		Type/condition. Interconnection circuit system via liquid or cross flow heat exchanger via air?
10.4.1.3	Air mixing unit to take in fresh external air		Description: type/condition.
10.4.1.4	Ductwork fire dampers		Ductwork access?
10.4.2	Air-conditioning system with two thermodynamic air handling functions		Heating and cooling: including mechanical discharged air system. Description: type/condition.
10.4.2.1	Cooling: chiller/compressor		Which cooling liquid is in use? (R22 is prohibited).
10.4.2.2	Absorption		Heated with [.....].
10.4.2.3	Recooling. Cooling tower		Channels, filters, mechanical parts, periodical replacement of filters and maintenance sequence?
10.4.2.4	Air-cooled condenser		Description: type/condition.

	Checks	Yes/no	Prompts
10.4.2.5	Free cooling		
10.4.2.6	Heat recovery/technical heat exchanger system description		Interconnection circuit system via liquid or cross flow heat exchanger via air? Type/condition.
10.4.2.7	Ductwork fire dampers		Ductwork access?
10.4.3	Air-conditioning system with three thermodynamic air handling functions		Heating, cooling, humidification, including mechanical discharged air system. Type/condition.
10.4.3.1	Humidification		Description. Water or steam?
10.4.3.2	Steam generation/boiler		Electrical? District heating (DH)? Separate aggregate?
10.4.3.3	Cooling: chiller/compressor		Which cooling liquid is in use? (R22 is prohibited).
10.4.3.4	Absorption		Heated with [.....]
10.4.3.5	Recooling/cooling tower		Channels, filters, mechanical parts, periodical replacement of filters and maintenance sequence?
10.4.3.6	Air-cooled condenser		Description: type/condition.
10.4.3.7	Free cooling		
10.4.3.8	Heat recovery/technical heat exchanger system description		Interconnection circuit system via liquid or cross flow heat exchanger via air ? Description: type/condition.
10.4.3.9	Ductwork fire dampers		Ductwork access?
10.4.4	Air-conditioning system with four thermodynamic air handling functions		Heating, cooling, humidification, dehumidification. Description: type/condition.
10.4.4.1	Humidification		Water or Steam ? - Description
10.4.4.2	Dehumidification		Description: function/condition.
10.4.4.3	Steam generation/boiler		Electrical? District heating (DH) ? Separate aggregate?
10.4.4.4	Cooling: chiller/compressor		Which cooling liquid is in use? (R22 is prohibited).
10.4.4.5	Absorption		Heated with [.....]
10.4.4.6	Recooling/cooling tower		Channels, filters, mechanical parts, periodical replacement of filters and maintenance sequence?
10.4.4.7	Air-cooled condenser		Description: type/condition.
10.4.4.8	Free cooling		
10.4.4.9	Heat recovery/technical heat exchanger system description		Interconnection circuit system via liquid or cross flow heat exchanger via air ? Type/condition.
10.4.4.10	Ductwork fire dampers		Ductwork access?
10.4.5	Cooling on site with centralised cold production		
10.4.5.1	Cooling: chiller/compressor		Which cooling liquid is in use? (R 22 is prohibited).
10.4.5.2	Absorption		Heated with [.....]
10.4.5.3	Recooling/cooling tower		Channels, filters, mechanical parts, periodical replacement of filters and maintenance sequence?

	Checks	Yes/no	Prompts
10.4.5.4	Air-cooled condenser		Description: type/condition.
10.4.5.5	Free cooling		
10.4.5.6	Heat recovery/technical heat exchanger system description		Interconnection circuit system via liquid or cross flow heat exchanger via air ? Type/condition.
10.4.5.7	Cooling ceilings: Integrated in a plastered ceiling or suspended		Tubes: plastic tubing or metal tubing?
10.4.5.8	Control: individual per room		Description: type/condition.
10.4.5.9	Control: in groups		dto.
10.4.5.10	Fan coils/ceiling mounted fan coil units, wall or parapet mounted		dto.
10.4.5.11	Suspended panel for radiant cooling/ ceiling suspended cooling panel		dto.
10.4.5.12	Control: individual per room		dto.
10.4.5.13	Control: in groups		dto.
10.4.5.14	Ductwork fire dampers		Ductwork access?
10.4.6	Split units: air-cooled		Mounting of condensators.
10.4.6.1	Water-cooled		dto.
10.4.6.2	Air supply system via raised floor		Channels, filters, mechanical parts, change of filters and maintenance sequence?
10.4.6.3	Low pressure air diffuser/grille/supply system		dto.
10.4.6.4	Free window ventilation/window airing		Slow velocity ventilation/natural ventilation?
10.4.6.5	Interlock controlled mechanical ventilation system/forced ventilation		Description: type/condition. If yes, which areas/ rooms?
10.4.6.6	Air change rate: for offices minimum: 2 - 2.5 a.c.r. per hour		[.....] a.c.r per hour.
10.4.6.7	Ductwork fire dampers		Ductwork access?
10.5	Lifts and escalators		Existence of all maintenance documents for technical lift checks?
10.5.1	Lifts/escalators/traction or hydraulic		Number of lifts, equipment. Description: type/condition/capacity.
10.5.2	Lift cabin interior		Description: type/condition. Painted steel or stainless steel?
10.5.3	Lift doors/lift cabin doors		dto.
10.5.4	Existence of a separate lift exclusively for the fire brigade		dto.
10.5.5	Lifts for special transports (heavy weights)		dto. Maximum lifting capacity [.....] kgs. Velocity?
10.5.6	Plant room for lifts		Description/condition.
10.5.7	Installations for emergency call in the lift cabin/control system		dto.
10.5.8	Existence of all protocols of acceptance (i.e. official acceptance for use)		dto. Any existing deficiencies?

	Checks	Yes/no	Prompts
11.0	Fire protection installations		Take photos. General testing of conformity of all fire protection installations in line with regulations.
11.0.1	Security of employees during building operation		Is the building safe in the actual state? Where necessary ask a fire prevention expert.
11.0.2	Fire prevention report		
11.0.3	Structural fire protection/cladding of steel beams with fire proof material		Description: type/condition. Check asbestos deposit in older buildings.
11.0.4	Fire protection equipment		Description: type/condition. Sufficient/insufficient. Any upgrades required by the authorities?
11.0.5	Fire alarm system/central fire alarm station in the building		Direct connection to fire brigade station?
11.0.6	Fire compartments/fire resistant doors/smoke protection doors		Division, separation, length of corridors.
11.0.7	Emergency doors		Description: type/condition.
11.0.8	Fire extinguishers/fire hoses		Contents? Dry or wet? Type of extinguishing device, test certificate and maintenance.
11.0.9	Smoke alarm system		Description: type/condition.
11.0.10	Acoustical alarm devices in case of fire/ alarm hooter		dto.
11.0.11	Optical alarm devices in case of fire/ flash lights		dto.
11.0.12	Fire dampers in vertical and horizontal ventilation shafts		Description: type/condition. Manufacturer/connection to a controlling-system?
11.0.13	Fire detectors/smoke detectors connected with alarm hooters		Connection to a control-system in a central fire alarm station?
11.0.14	Sprinkler system: if so, where/which rooms and areas		Connection to a control-system? Sprinkler water tank?
11.0.15	Dry or wet system/fire water pipelines/ hydrant risers in shafts		Description: type/condition.
11.0.16	Hydrants in the building and externally		dto.
11.0.17	Emergency staircase(s)/special staircase for fire brigade		dto.
11.0.18	Lightning of escape routes/emergency lightning/lightning/functioning checked		dto. i.e pictogram with battery power.
11.0.19	Emergency exits plans		dto.
11.0.20	Fire brigade mission plans		dto.
11.0.21	Acceptance report of the complete building from the local fire brigade		Local fire brigade or local building authority. Certificate for safe building use.
11.0.22	Documents demonstrating periodical maintenance		If yes: which?
11.0.23	Are vertical installation shafts locked with fire proof material in each floor		Description: type/condition. Fire proof bulkheads?
11.0.24	Other fire protection facilities		Any upgrades of existing fire protection facilities required by authorities?

	Checks	Yes/no	Prompts
12.0	Disposal services		Waste disposal arranged by tenants or by property management?
12.0.1	Existence of waste disposal concept		How is waste disposal organised? Description.
12.0.2	Cubicle for garbage in the building		With cooling facilities or ventilation?
12.0.3	Outdoor garbage boxes		Other temporary location for garbage container until pickup by external service provider?
12.0.4	Garbage press and/or garbage cooling system		Condition, recycling? Description.
13.0	Hazardous materials/contaminations		
13.0.1	Pollution or hazardous materials in the building: existing or suspected		In case of suspicion, obtain expert opinion. Check asbestos in fire protection doors, frames, torcrete asbestos in shafts, glass wool coated or mineral wool coated pipe insulation, freezing mixture in air condition facilities (i.e. R22?), mineral fibre heap insulation, break lining of lift systems building material containing PCP, PCB, PAH, FCHC, artificial mineral fibrous isolating material.
13.0.2	Foul water quality test		Results: [.....]
14.0	Security		
14.0.1	Security concept		Description.
14.0.2	Central locking system		Description.
14.0.3	Security service (24 hrs.)		Description.
14.0.4	Video control. Which areas, rooms, halls, lobbies are controlled		Description. Number of cameras: [.....]. Black & white or colour? Digital or analogue?
14.0.5	Desk officer		Hours in service from [.....] to [.....].
15.0	Service contracts		Which?
15.1	Supply and disposal contracts		Which services, costs, contract running time, cancellation possibilities?
15.2	Facility management contracts		dto.
15.2.1	Plant management HVAC and M&E installations		dto.
15.2.2	Maintenance and repair		dto.
15.2.3	Energy management		dto.
15.2.4	Transport services (internal)		dto.
15.2.5	Other technical services		dto.
15.3	Property management contracts		Which services, costs, contract running time, cancellation possibilities?
15.3.1	Area management		dto.
15.3.2	Cleaning services		dto.
15.3.3	Security service		dto.
15.3.4	Janitor services		dto.
15.3.5	External building services		dto.
15.3.6	Catering services		dto.
15.3.7	Laundry services		dto.

	Checks	Yes/no	Prompts
15.3.8	Removal management		dto.
15.3.9	Disposal services		dto.
15.3.10	Other infrastructural services		dto.
15.4	Administrative building management contracts		Which services, costs, contract running time, cancellation possibilities?
15.4.1	Calculation/control		dto.
15.4.2	Object accounting		dto.
15.4.3	Contract management		dto.
15.4.4	Marketing of lettable area		dto.
15.4.5	Other administrative services		dto.
15.4.6	Documents of the building		Building history building permission, take-over reports, plans, building description.
15.4.7	Property documents		Including property and revision plans. HVAC.
16.0	Maintenance contracts and documentation		
16.0.1	Mechanical conveying and handling systems		Lifts? Escalators? Which services, costs, contract running time, cancellation possibilities?
16.0.2	Sanitary installations		dto.
16.0.3	Fire extinguishing systems		dto. Hydrants, sprinklers?
16.0.4	Heat supply systems		dto.
16.0.5	Ventilation and chiller plants		dto.
16.0.6	Power plants		dto.
16.0.7	Communication facilities		dto.
16.0.8	Building automation (BMS)		dto.
16.0.9	User specific systems		dto.
17.0	Documents collation		Existing plans/documents for build plans in computer files or paper form.
17.0.1	Mechanical conveying and handling systems		dto. Lifts/escalators?
17.0.2	Sanitary installation		dto.
17.0.3	Fire extinguishing systems		dto. Hydrants, sprinklers?
17.0.4	Heat supply systems		dto.
17.0.5	Ventilation and chiller plants		dto.
17.0.6	Power plants		dto.
17.0.7	Communication facilities		dto.
17.0.8	Building automation (BMS)		dto.
17.0.9	User specific systems		dto.
18.0	Operating costs		Analysis/assessment, comment on value, calculations, optimisations?
18.0.1	Heating costs		Request data from property management.
18.0.2	Ventilation costs		
18.0.3	Air-conditioning costs		

	Checks	Yes/no	Prompts
18.0.4	Water supply costs		[.....] m3/year. Specification of what is included.
18.0.5	Sewage water disposal costs		
18.0.6	Garbage/litter disposal costs		
18.0.7	Security service costs		
19.0	Sustainability criteria of property		
	Sustainability certificate (BREEAM, LEED, DGNB)		1) Ecological quality 2) Economic quality 3) Sociocultural and functional quality 4) Process quality 5) Location quality
19.1	Building energy certificate (BEC)		BEC national statutory requirements? E.g Germany EnEV 2009 Energy Saving Act 2009.
20.0	Maintenance costs		
	Current average maintenance costs Per year/m ² and specification of what is included in such costs		Analysis, assessment, experience value, calculation. [.....] m2/year. Request data from property management
21.0	Future maintenance		
	Specification of necessary maintenance		Assessment list and priority list in short, medium and long term. Eg. 1 year; 1-5 years; 5-10 years.
22.0	Repairs and corrections of building defects, HVAC installations		List of all measures and cost estimations for each item in priority urgent list.
	M&E installation deficiencies		Dto for medium and long term items.
23.0	Acronyms		PAH = Polycyclic aromatic hydrocarbons present in waste materials. PCB = Polychlorinated Biphenyls which were used mainly in insulation materials and paint. PCP = pentachlorophenol used in building materials against insect and fungal attacks. R22 = Chlorodifluoromethane or difluoromonochloromethane gas used in air-conditioning applications.

ANNEX **B**

SAMPLE REPORT LIMITATIONS

These will be unique to each situation:

1. Parts of the building built in, covered up or otherwise made inaccessible during construction, alteration or fitting out, have not been inspected. This generally relates to ceiling voids, wall cavities and service risers. Therefore we are unable to comment as to whether such elements are free from defect or infestation.
2. We have not undertaken any work of a specific engineering nature, such as engineering calculations, structural analysis, testing or measurements. The report reflects our interpretation of the condition of the building as apparent from the inspection.
3. Building services have been visually inspected where exposed to view only. No internal inspections have been undertaken of plant, equipment and machinery or where services are covered up or hidden by the building structural element or finishes. Building services have not been tested and no design calculations have been undertaken.
4. The property has not been inspected specifically for termite infestation and we would only report on such if termite evidence was apparent during our inspection.
5. Where a variety of multiple units are inspected, a random selection of each type of unit was inspected and used for the basis of this report.
6. This report is not a certification, a warranty or guarantee and has been scoped in accordance with the instructions given and the time allowed.
7. The scope of the report is described in [refer to appointment documentation] and disciplines not specifically mentioned are excluded from this report.
8. The report has been prepared for the benefit of [insert client's name]. This report is not to be reproduced, in whole or in part, without the express written authorisation of [insert name of property professional].

ANNEX C

TYPICAL SURVEY KIT

In addition to adequate supplies of pens and paper, a dictaphone or hand held computer, the survey kit is likely to include:

- checklist;
- overalls, hard hat and other suitable protective clothing and footwear;
- mobile phone (in case of emergencies);
- digital distance measurement equipment;
- selection of screwdrivers, pliers;
- hammer, bolster, jemmy, crowbar;
- chalk;
- torch;
- manhole keys;
- binoculars, spotter scope;
- camera;
- moisture meter;
- plumb bob; and
- sampling bags.

RICS Best Practice & Guidance Note for Technical Due Diligence of Commercial, Industrial & Residential Property in continental Europe

This best practice guide is written for any property professional, owner, investor, occupier, manager, or lawyer involved in the purchase, sale, lease or management of commercial, industrial and residential property. It deals with every aspect of the Technical Due Diligence process in continental Europe including:

- defining the nature and benefits of Technical Due Diligence;
- taking instructions and clarifying terms of engagement;
- understanding the relationship between various consultants,
- detailing the main components of a Technical Due Diligence report;
- identifying matters for the legal advisor's attention;
- a confirmation of services checklist for confirming the scope of the Technical Due Diligence required for existing office buildings.

Written by experienced European RICS members, the intent of the guidance note is to:

- clarify the nature and benefits of the Technical Due Diligence process;
- encourage property owners and occupiers to understand how risk can be minimised;
- reinforce the need for professional objectivity;
- encourage property professionals to act in accordance with best practice procedures.

This edition has been written to apply to the continental European property market and excludes homebuyer-type surveys.

RICS Europe 2011

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RICS

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property
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worldwide

Europe

The Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London SW1P 3AD

United Kingdom

T + 44 (0)870 333 1600

contactrics@rics.org

www.rics.org

RICS Europe

Rue Ducale/Hertogstraat, 67

BE-1000 Brussels

Belgium

T + 32 2 733 10 19

ricseurope@rics.org

www.ricseurope.eu