



Designation: E2018 – 23

Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process¹

This standard is issued under the fixed designation E2018; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ϵ) indicates an editorial change since the last revision or reapproval.

1. Scope*

1.1 *Purpose*—The purpose of this guide is to provide a framework for conducting a *property condition assessment* (PCA) of the *primary improvements at commercial real estate* properties by performing a *walk-through survey* and conducting research as outlined within this guide.

1.1.1 *Physical Deficiencies*—The goal of the *baseline* process for *property condition assessments* is to identify and communicate *material physical deficiencies* to a *user*.

1.1.2 *Walk-Through Survey*—This guide outlines procedures for conducting a *walk-through survey* to identify *physical deficiencies*, and recommends various *building systems* and *building components* that should be *observed* by the *field observer*.

1.1.3 *Document Reviews and Interviews*—The scope of this guide includes document reviews, research, and *interviews* to augment the *walk-through survey* to assist with understanding the *subject property* and identification of *physical deficiencies*.

1.1.4 *Property Condition Report*—The work product resulting from completing a PCA in accordance with this guide is a *property condition report* (PCR). The PCR incorporates the information obtained during the *Walk-Through Survey*, the *Document Review* and *Interviews* sections of this guide and includes *opinions of costs for suggested remedies of observed physical deficiencies*.

1.2 *Objectives*—Objectives in the development of this guide are to: (1) provide a framework for conducting a *property condition assessment* (PCA) of the *primary improvements* located on a parcel of *commercial real estate*; (2) facilitate consistent and pertinent content in PCRs; (3) develop pragmatic and reasonable recommendations and expectations for site *observations*, document reviews and research associated with conducting PCAs and preparing PCRs; (4) establish reasonable expectations for PCRs; (5) assist in developing an industry standard of care for appropriate *baseline observations*

and research; and (6) recommend protocols for the *consultants* for communicating *observations*, opinions, and recommendations in a manner meaningful to the *user*.

1.3 *Out of Scope Considerations and Excluded Activities*—The use of this guide is strictly limited to the scope set forth herein. Section 11 and Appendix X1 of this guide identify, for informational purposes, certain considerations and physical conditions that may exist on the *subject property*, and certain activities or procedures (not an all-inclusive list) that are beyond the scope of this guide but may warrant consideration by parties to a *commercial real estate transaction* to enhance the PCA. *Users* should work with a knowledgeable *consultant* to identify additional considerations and concerns to be evaluated. The decision to inquire into out-of-scope considerations or extend the assessment to include excluded activities is to be made by the *user*. No assessment of out-of-scope considerations is required for a PCA to be conducted in conformance with this guide.

1.4 *Organization of This guide*—This guide consists of several sections, an Annex and two (2) Appendixes. Section 1 is the Scope. Section 2 on Terminology contains definitions of terms both unique to this guide and not unique to this guide, and acronyms. Section 3 sets out the Significance and Use of this guide, and Section 4 describes the User's Responsibilities. Sections 5 through 10 provide guidelines for the main body of the PCR, including the scope of the *walk-through survey*, preparation of the *opinions of costs* to address *physical deficiencies*, and preparation of the PCR. Section 11 provides additional information regarding out-of-scope considerations, activities, and procedures (see section 1.3). Annex A1 provides guidance relating to specific asset types that are considered as integral to this guide. Appendix X1 describes additional concerns a *user* may consider in modification of the scope of the PCR. Appendix X2 and Appendix X3 outline an approach to limited accessibility screenings.

¹ This guide is under the jurisdiction of ASTM Committee E50 on Environmental Assessment, Risk Management and Corrective Action and is the direct responsibility of Subcommittee E50.02 on Real Estate Assessment and Management.

Current edition approved June 1, 2023. Published January 2024. Originally approved in 1999. Last previous edition approved in 2015 as E2018– 15. DOI: 10.1520/E2018-23.

TABLE OF CONTENTS

1	Scope
1.1	Purpose
1.2	Objectives
1.3	Out of Scope Considerations and Excluded Activities
1.4	Organization of This guide
1.5	Multiple Buildings

*A Summary of Changes section appears at the end of this standard

iTeh Standards
(<https://standards.iteh.ai>)
Document Preview

[ASTM E2018-23](#)

<https://standards.iteh.ai/catalog/standards/astm/2e612d70-ca7b-4c86-a55a-b15380016abd/astm-e2018-23>

2	Terminology
2.2	Definitions
2.3	Abbreviations and Acronyms
3	Significance and Use
3.1	Use
3.2	Clarification of Use of Assessments
3.3	Principles
3.4	Prior PCR Usage
3.5	Use of Prior PCR Information
3.6	Actual Knowledge Exception
3.7	Contractual Issues
3.8	Rules of Engagement
4	User's Responsibilities
4.1	Objectives and Scope of Assessment
4.2	Point of Contact
4.3	Access
4.4	User Disclosure
5	Property Condition Assessment
5.1	Objective
5.2	PCA Components
5.3	Coordination of Components
5.4	Consultant's Duties
6	The Consultant
6.1	Qualifications of the Consultant
6.2	Staffing of the Field Observer
6.3	Independence of the Consultant
6.4	Qualifications of the Field Observer
6.5	Qualifications of the PCR Reviewer
6.6	The Field Observer and PCR Reviewer May Be a Single Individual
6.7	Not a Professional Architectural or Engineering Service
7	Document Review and Interviews
7.1	Objective
7.2	Verification of Information Provided by Others
7.3	Accuracy and Completeness
7.4	Government Agency Provided Information
7.5	Pre-Survey Questionnaire
7.6	Owner/User Provided Documentation and Information
7.7	Interviews
8	Walk-Through Survey
8.1	Objective
8.2	Frequency
8.3	Photographs
8.4	Scope
8.5	Additional Considerations
9	Opinions of Costs to Remedy Physical Deficiencies
9.1	Purpose
9.2	Scope
9.3	Opinions of Costs Attributes
10	Property Condition Report
10.1	Format
10.2	Writing Protocols
10.3	Documentation
10.4	Executive Summary
10.5	Purpose and Scope
10.6	Walk-Through Survey
10.7	Document Reviews and Interviews
10.8	Additional Considerations
10.9	Qualifications
10.10	Limiting Conditions
10.11	Exhibits
11	Out of Scope Considerations
11.1	Activity Exclusions
11.2	Warranty, Guarantee, and Code Compliance Exclusions
11.3	Additional/General Considerations
12	Keywords
Annex A1	GUIDANCE AND ENHANCED DUE DILIGENCE SERVICES
A1.1	Multifamily Properties
A1.2	Commercial Office Buildings
A1.3	Retail Buildings
Appendix X1	GUIDANCE AND ENHANCED DUE DILIGENCE SERVICES
X1.1	Qualifications
X1.2	Modifications to the Baseline Process
Appendix X2	AMERICANS WITH DISABILITIES ACT (ADA) ABBREVIATED ADA SCREENING
Appendix X3	FAIR HOUSING ACT (FHA) ABBREVIATED FHA SCREENING

1.5 *Multiple Buildings*—If the *subject property* is comprised of multiple buildings, it is the intent of this guide that all of the *primary improvements* are discussed in one PCR.

1.6 *Safety Concerns*—This guide does not purport to address all safety concerns, if any, associated with the *walk-through survey*. It is the responsibility of the *consultant* using this guide to establish appropriate safety and health protocols when conducting a PCA.

1.7 *This international standard was developed in accordance with internationally recognized principles on standardization established in the Decision on Principles for the Development of International Standards, Guides and Recommendations issued by the World Trade Organization Technical Barriers to Trade (TBT) Committee.*

2. Terminology

2.1 This section provides definitions, descriptions of terms, and a list of acronyms, where applicable, for the words used in this guide. The terms are an integral part of the guide and are critical to an understanding of this guide and its use.

2.2 Definitions:

2.2.1 *actual knowledge, n*—information that is possessed by an individual, as distinguished from information that is suspected, or would have been expected to be known.

2.2.2 *appropriate inquiry, n*—a request for information conducted by verbal, or written, or electronic request including a good-faith effort conducted by the *consultant* to obtain the information considering the time constraints to prepare and deliver the PCR.

2.2.3 *architect, n*—designation reserved by law for a person professionally qualified, examined, and registered by the appropriate governmental board having jurisdiction, to perform *architecture*.

2.2.4 *architecture, n*—professional services conducted by an *architect*.

2.2.5 *base building, n*—the core (common areas) and shell of the building and its systems that typically are not subject to improvements to suit tenant requirements.

2.2.6 *baseline, n*—the minimum level of *observations, due diligence, inquiry/research, documentation review, and opinions of costs* to remedy *material physical deficiencies* recommended to satisfy the intent of this guide.

2.2.7 *building codes, n*—rules and regulations adopted by the governmental authority having jurisdiction that govern the design, construction, alteration, and repair of *commercial real estate*.

2.2.8 *building component(s), n*—a portion of a *building system, piece of equipment, or building element*.

2.2.9 *building department records, n*—those records of the local government agency in which the *subject property* is located related to permission of the local government to construct, alter, or demolish improvements on the *subject property*.

2.2.10 *building envelope, n*—the outer elements of a building, both above and below ground, that divide the external

from the internal environments; commonly included are exterior walls, windows, doors, roofs, and subfloors.

2.2.11 *building system(s)*, *n*—interacting or independent *building components* or assemblies, that form integrated units that comprise a building and its site work, such as, pavement and flatwork, *structural frame*, roofing, exterior walls, plumbing, HVAC, electrical, etc.

2.2.12 *commercial real estate*, *n*—improved real property, except a dwelling or property with four or less dwelling units exclusively for residential use; including, but is not limited to, improved real property used for industrial, retail, office, hospitality, agriculture, other commercial, medical, or educational purposes; property used for residential purposes that has more than four residential dwelling units; and property with four or less dwelling units for residential use when it has a commercial function, as in the operation of such dwellings for profit.

2.2.13 *commercial real estate transaction*, *n*—a transfer of title to or possession of improved real property or receipt of a security interest in improved real property, except that it does not include the transfer of title to or possession of improved real property with respect to an individual dwelling or building containing four or less dwelling units.

2.2.14 *consultant*, *n*—the entity or individual that is contracted by a *user* and responsible for completion of the tasks outlined in this guide.

2.2.15 *dangerous conditions*, *n*—conditions that may pose a threat or possible injury to the *field observer*, and that may require the use of special protective clothing, safety equipment, access equipment, or any other precautionary measures.

2.2.16 *de minimis*, *n*—any consideration, finding or condition that, in the sole opinion of the *consultant*, does not represent an imminent threat of physical harm to occupants, and (1) can be remedied through *routine maintenance* or (2) where the cost of corrective action is expected to be below the agreed reporting threshold.

2.2.17 *deferred maintenance*, *n*—*physical deficiencies* that could have been remedied with *routine maintenance* or similar action.

2.2.18 *dismantling*, *n*—to take apart, move, or remove any component, device, or piece of equipment that is bolted, screwed, held in-place (mechanically or by gravity), secured, or fastened by other means.

2.2.19 *due diligence*, *n*—the process of inquiring into the characteristics of *commercial real estate*, usually in connection with a *commercial real estate transaction*.

2.2.19.1 *Discussion*—The degree and type of the assessment may vary for different properties, different *user* purposes, and time allotted.

2.2.20 *easily visible*, *adj*—describes items, components, and systems that are conspicuous, patent, and that may be *observed* during the *walk-through survey* without: intrusion, relocation or removal of materials, exploratory probing, or use of special equipment or protective clothing.

2.2.21 *effective age*, *n*—an opinion representing the difference of the *expected useful life* and the *remaining useful life*.

2.2.21.1 *Discussion*—The opinion of *effective age* may be more or less than the actual age and can vary significantly based upon maintenance history, location, weather conditions, and other factors.

2.2.22 *engineer*, *n*—designation reserved by law for a person professionally qualified, examined, and licensed by the appropriate authority having jurisdiction to perform *engineering services*.

2.2.23 *engineering*, *n*—analysis or design work conducted by an *engineer*.

2.2.24 *expected useful life (EUL)*, *n*—the average amount of time in years that a *building system* or *building component* is estimated to function without *material* repair when installed new and appropriate maintenance is performed.

2.2.25 *field observer*, *n*—the individual that conducts the *walk-through survey*.

2.2.26 *fire department records*, *n*—records maintained by or in the possession of the local fire department having jurisdiction over the *subject property*.

2.2.27 *guide*, *n*—a series of options and instructions that do not recommend a specific course of action.

2.2.28 *immediate costs*, *n*—*opinions of costs* to correct *physical deficiencies* that require immediate action as a result of any of the following: (1) conditions that the *consultant* concludes represent an imminent life-safety issue, (2) conditions that if left uncorrected would be expected to result in or contribute to *building system* or *building component* failure or result in a significant escalation of its remedial cost, or (3) recorded or reported violations of *building codes* or *fire codes*.

2.2.29 *interview(s)*, *n*—discussions with those knowledgeable about the *subject property*.

2.2.30 *long-term cost(s)*, *n*—*opinions of cost* for anticipated replacement of *building systems* and *building components* over an evaluation period defined by the *user*.

2.2.30.1 *Discussion*—*Long-term costs* are generally based on the findings of the PCA and are frequently presented in tabular format. Unless expressly agreed between the *user* and *consultant*, *long-term costs* are not intended to represent enhancements or upgrades to the *subject property*. Refer to Section 9 for additional discussion of *opinions of cost*.

2.2.31 *material*, *adj*—that which is pertinent to the objectives of the assessment and which a reasonable observer would expect to influence the judgments and actions of any party to the assessment.

2.2.32 *observation*, *n*—the visual survey of *building systems* and *building components* that are *readily accessible* and *easily visible* during a *walk-through survey* of the *subject property*.

2.2.33 *observe*, *v*—to conduct an *observation* pursuant to this guide within the context of *easily visible* and *readily accessible*.

2.2.34 *obvious*, *adj*—that which is plain, evident; a condition *easily visible* or fact could not be ignored or overlooked by a reasonable observer.

2.2.35 *opinions of cost(s)*, *n*—preliminary, order of magnitude, budgetary projection to assist the *user* in developing a general understanding of the *physical condition* of the *subject property*.

2.2.36 *owner*, *n*—the entity holding the title to the *commercial real estate*.

2.2.37 *owner's representative(s)*, *n*—the person or entity authorized by, and acting on behalf of, the *owner* to provide information regarding and/or access to the *subject property*.

2.2.38 *PCR reviewer*, *n*—the individual that exercises responsible control over the *field observer* and reviews the PCR prior to delivery to the *user*.

2.2.39 *physical condition*, *n*—the physical state of a *subject property*, *building system* or *building component*.

2.2.39.1 *Discussion*—Within the context of the assessment, the *consultant* may offer opinions of the *physical condition* of the *subject property*, or of *observed building systems* or *building components*. Such opinions commonly employ terms such as good, fair, and poor; though additional terms such as excellent, satisfactory, and unsatisfactory may also be used, provided that the utilized terms are defined within the PCR.

2.2.39.2 *good condition*—in working condition and does not require immediate or short term repairs above an agreed threshold as discussed in section 9.3.1.

2.2.39.3 *fair condition*—in working condition, but may require immediate or short term repairs above an agreed threshold.

2.2.39.4 *poor condition*—not in working condition or requires immediate or short term repairs substantially above an agreed threshold.

2.2.39.5 *Discussion*—Where used to describe the physical condition of a *subject property*, *building system*, or *building component* the opinion is intended to reflect the predominant condition. For example, an air conditioning system may be in *good condition* despite a requirement to replace a limited number of units. Alternatively, a range of conditions may be described by combining terms such as “good to fair”, or “fair to poor.” Where conditions are not uniform, an explanation of the various disparate conditions shall be included in the report. Terms not defined above should be defined in the report or agreement for services.

2.2.40 *physical deficiency(ies)*, *n*—*easily visible* defect or *deferred maintenance* of *material building systems* or *building components* as identified during completion of the PCA.

2.2.40.1 *Discussion*—This definition specifically excludes conditions that are *de minimis* or may be remedied with *routine maintenance*, miscellaneous minor repairs, normal operating maintenance, or similar action, and excludes *de minimis* conditions.

2.2.41 *point of contact (POC)*—*owner*, *owner's representative*, or other person or persons identified to the *consultant* as knowledgeable about the physical characteristics, maintenance, and repair of the *subject property*.

2.2.42 *practically reviewable*, *adj*—describes information that is *readily available* and provided in a manner and form

that, upon review, yields information relevant to the *subject property* without the need for significant analysis, measurements, or calculations.

2.2.43 *primary improvements*, *n*—the site work, structures, *building systems* and *building components* that are of fundamental importance with respect to the *subject property*; excluding ancillary buildings that provide support uses such as maintenance sheds, security booths, utility garages, pool filter and equipment buildings, and similar elements.

2.2.44 *property condition assessment (PCA)*, *v*—the process by which a person or entity *observes* a *subject property*, conducts *interviews*, and reviews available documentation for the purpose of developing an opinion and preparing a PCR.

2.2.45 *property condition report (PCR)*, *n*—a written report, prepared in accordance with the recommendations contained in this guide, documenting the *observations* and opinions developed during completion of the PCA.

2.2.46 *publicly available*, *adj*—describes information to which the source allows access to anyone upon request.

2.2.47 *readily accessible*, *adj*—describes areas of the *subject property* that are made available for *observation* by the *field observer* at the time of the *walk-through survey* and do not require the removal or relocation of materials, such as furniture, floor, wall, or ceiling coverings, equipment, or personal property.

2.2.48 *readily available*, *adj*—describes information that is easily and promptly provided to the *consultant* upon making a request through *appropriate inquiry* and without the need for researching archive files.

2.2.49 *reasonably ascertainable*, *adj*—information that is (1) *publicly available*, (2) obtainable from its source within reasonable time and cost constraints, and (3) is *practically reviewable*.

2.2.50 *remaining useful life (RUL)*, *n*—a subjective opinion of the number of remaining years that an item, component, or system is estimated to be able to function in accordance with its intended purpose before warranting replacement.

2.2.50.1 *Discussion*—An opinion of *remaining useful life* is affected by the initial quality of an item, component, or system, the quality of the initial installation, the quality and amount of preventive maintenance exercised, climatic conditions, extent of use, and other factors, and is not a guarantee of the remaining service life.

2.2.51 *representative observations*, *n*—the *survey* of a reasonable number of samples of repetitive systems, components, and areas, that is conducted by the *field observer* during the *walk-through survey*.

2.2.51.1 *Discussion*—The concept of *representative observations* extends to all conditions, areas, buildings, *building systems* and *building components* to the extent that they are similar and representative of one another.

2.2.52 *routine maintenance*, *n*—an activity that can be conducted within the budget and skill set of typical maintenance staff and does not require specialized equipment, professional services, or contractors.

2.2.53 *short-term costs, n*—*opinions of costs* to remedy *physical deficiencies* that may not warrant immediate attention but require repairs or replacements that should be undertaken on a priority basis.

2.2.54 *shutdown, adj*—*building systems* or *building components* that are not operating at the time of the *walk-through survey*.

2.2.55 *site visit, n*—the visit to the *subject property* during which *observations* are made pursuant to the *walk-through survey* section of this guide.

2.2.56 *specialist(s), n*—individuals or entities with detailed, specialized knowledge and experience in the fields of *architecture* or *engineering*, or with the design, evaluation, operation, repair, or installation of any specific *building systems* or *building components*.

2.2.57 *structural frame, n*—the *building system* that supports the structural loads of a building.

2.2.58 *subject building(s), n*—referring to the primary building or buildings on the *subject property*, and that are within the scope of PCA.

2.2.59 *subject property, n*—the *commercial real estate* consisting of the site and *primary improvements* that are assessed in completion of the PCA.

2.2.60 *suggested remedy, n*—an opinion as to a course of action to remedy or repair an *observed* condition.

2.2.60.1 *Discussion*—Such an opinion may also be to conduct further research or testing for the purposes of discovery to gain a better understanding of the cause or extent of a *physical deficiency* (whether *observed* or highly probable) and the appropriate remedial or reparatory response. A *suggested remedy* may be preliminary and does not preclude alternate methods or schemes that may be more appropriate to remedy the *observed* condition or that may be more commensurate with the *user's* requirements.

2.2.61 *survey(ed), n*—*observations* made by the *field observer* during a *walk-through survey* to obtain information concerning the *readily accessible* and *easily visible building systems* and *building components*.

2.2.62 *technically exhaustive, adj*—describes the use of measurements, instruments, testing, calculations, exploratory probing or discovery, or other means to discover, or a combination thereof, or troubleshoot *physical deficiencies* or develop findings, conclusions, *suggested remedies*, or recommendations.

2.2.63 *timely access, n*—entry provided to the *field observer* at the time of the *site visit*.

2.2.64 *user, n*—the entity or individual that retains the *consultant* to complete the tasks outlined in this guide.

2.2.65 *walk-through survey, n*—nonintrusive *observations* of *readily accessible*, observable property improvements.

2.3 Abbreviations and Acronyms:

2.3.1 *ADA, n*—The Americans with Disabilities Act

2.3.2 *ASTM, n*—ASTM International

2.3.3 *BOMA, n*—Building Owners and Managers Association

2.3.4 *FEMA, n*—Federal Emergency Management Agency

2.3.5 *FHA, n*—Fair Housing Act

2.3.6 *HVAC, n*—Heating, Ventilating and Air Conditioning

3. Significance and Use

3.1 *Use*—This guide is intended to reflect a reasonable *baseline* process for the completion of PCAs for use on a voluntary basis. No implication is intended that use of this guide be required to have conducted a PCA in a commercially prudent and reasonable manner. The *baseline* process described in this guide is subject to a moderate level of uncertainty. Because the objectives, risk tolerance, schedule, and budget of *users* can be dramatically different there are varying levels of PCA and *due diligence* that can be exercised that are both more and less comprehensive than this guide that may be appropriate to meet the objectives of the *user*. In accordance with ASTM protocols, this guide does not recommend a specific course of action or scope of work. *Users* should consider their requirements, the purpose that the PCA is to serve, and their risk tolerance to refine the scope of assessment and *consultant* qualifications in order to establish appropriate objectives for the assessment.

3.2 Clarification of Use of Assessments:

3.2.1 *Specific Point in Time*—A *user* should only rely on the PCR for the point in time that the *observations* and research were conducted.

3.2.2 *Site-Specific*—The PCA prepared in accordance with this guide is site-specific in that it relates to the *physical condition* of *primary improvements* on a specific parcel of *commercial real estate*. Consequently, this guide does not address many additional issues in *commercial real estate transactions* such as economic obsolescence, the purchase of business entities, or *physical deficiencies* relating to off-site conditions.

3.2.3 *Specific Objectives*—PCAs are completed to address specific objectives identified to the *consultant* by the *user*. The *consultant* should be consulted prior to use of the PCA to address any other objective.

3.2.4 *Intended Users*—PCAs are typically completed for use by contracting parties. In some cases, the use of or reliance on reports may be extended to additional parties by mutual agreement of the contracting parties. Use of or reliance on PCAs by others may violate the rights of contracting parties and fail to satisfy the objectives of such unauthorized parties.

3.3 *Principles*—The following principles are an integral part of this guide. They are intended to be referred to in resolving ambiguity, or in exercising discretion accorded the *user* or *consultant* in conducting a PCA, or in judging whether a *user* or *consultant* has conducted *appropriate inquiry* or has otherwise conducted an adequate PCA.

3.3.1 *Uncertainty Not Eliminated*—No PCA can wholly eliminate the uncertainty regarding the presence of *physical deficiencies* and the performance of *building systems* or *building components*. Preparation of a PCR in accordance with this guide is intended to reduce, but not eliminate, the uncertainty

regarding the potential for *building system* or *building component* failure and to reduce the potential that such *building system* or *building component* may not be initially *observed*. This guide also recognizes the inherent subjective nature of reported opinions as to such issues as workmanship, quality of original installation, and estimating the RUL of any given component or system. *Users* should work with their *consultant* to consider modifications to the scope of the PCA that may reduce uncertainties.

3.3.2 *Suggested Remedies*—The guide recognizes that a *suggested remedy* may be determined under time constraints, formed without the aid of *engineering* calculations, testing, exploratory probing, the removal or relocation of materials, design, or other *technically exhaustive* means. Furthermore, there may be other alternatives or more appropriate schemes or methods to remedy a *physical deficiency*. The *suggested remedies* are generally formed without detailed knowledge from those familiar with the historical or actual performance of the *building system* or *building component*.

3.3.3 *Not Technically Exhaustive*—The PCA is not intended to be construed as *technically exhaustive*. There is a point at which the cost of information obtained, or the time required to conduct the PCA and prepare the PCR, may outweigh the usefulness of the information and, in fact, may be a *material detriment* to the orderly and timely completion of a *commercial real estate transaction*. It is the intent of this guide to attempt to identify a balance between limiting the costs and time demands inherent in performing a PCA and reducing the uncertainty about unknown *physical deficiencies* resulting from completing additional inquiry.

3.3.4 *Representative Observations*—The purpose of conducting *representative observations* is to convey to the *user* the expected magnitude of commonly encountered or anticipated conditions. Recommended *representative observation* quantities for various asset types are provided in [Annex A1](#); however, if in the *consultant's* opinion, the recommended *representative observations* are unwarranted as a result of homogeneity of the asset or other reasons deemed appropriate, the *field observer* may survey sufficient units, areas, buildings, *building systems*, and *building components* so as to comment with reasonable confidence as to the representative presence of *physical deficiencies* at such repetitive or similar areas, *building systems*, and *building components*. If there is more than one building on the *subject property*, and they are homogeneous with respect to approximate age, use, basic design, materials, and systems, it is not a requirement of this guide for the *field observer* to *observe* the *building systems* and *building components* within each individual building to describe or comment on their condition within the PCR. The descriptions and *observations* provided in the PCR are to be construed as representative of all similar improvements.

3.3.4.1 *User-Mandated Representative Observations*—A *user* may mandate the *representative observations* required for a given *subject property* or a particular *building system* or *building component*. Such *representative observations* may be more or less detailed than this guide's recommended *representative observations* as provided in [Annex A1](#).

3.3.4.2 *Extrapolation of Findings*—*Consultant* may reasonably extrapolate *representative observations* and findings to all typical areas or systems of the *subject property* for the purposes of describing such conditions within the PCR and preparing the *opinions of costs* for *suggested remedies*.

3.3.5 *Level of Due Diligence is Variable*—Not every *subject property* will warrant the same level of assessment. The appropriate level of assessment is guided by the purpose the PCA is to serve; type of *subject property*; age of the improvements; expertise and risk tolerance of the *user*; and time available for preparing and reviewing the opinions contained in the PCR.

3.4 *Prior PCR Usage*—This guide recognizes that PCRs prepared in accordance with this guide may include information that subsequent *users* and *consultants* may want to use to avoid duplication and to reduce cost. Therefore, this guide includes procedures to assist *users* and *consultants* in determining the appropriateness of using such information. In addition to the specific procedures contained elsewhere in this guide, the following should be considered:

3.5 *Use of Prior PCR Information*—Information contained in prior *property condition reports* may be helpful to assist in understanding the *subject property* and planning the *walk-through survey* and research for the completion of a current PCR. Such information should serve only as an aid to a *consultant* in fulfilling the requirements of this guide and to assist the *field observer* in the *walk-through survey*, research, and the *field observer's* understanding of the *subject property*; and should be verified during the completion of a current assessment.

3.5.1 *Comparison with a Previously Prepared PCR*—Discrepancies between a PCR and a previously prepared PCR are not indicative that either PCR is deficient. *User* requirements and objectives, the purpose of the PCR, qualifications and experience of the assessment team, time available to complete the PCR, access to and availability of information, hindsight, new or additional information, enhanced visibility because of improved weather or site conditions, equipment not in a *shutdown* mode, specific *building systems* and *building components observed*, and other factors may significantly impact the findings and opinions of the PCR. It should not be concluded or assumed that a previous PCR was deficient because the previous PCA did not discover a certain *physical deficiency*, or because *opinions of costs* in the previous PCR are different. Because a PCR contains a representative indication of the condition of the *subject property* at the time of the *walk-through survey* and is dependent on the information available to the *consultant* at that time, the PCR should be evaluated on the reasonableness of judgments made at the time and under the circumstances in which they are made.

3.5.2 *Conducting Current Walk-Through Surveys*—At a minimum, for a PCR to be consistent with this guide, a new *walk-through survey*, *interviews*, and solicitation and review of building and *fire department records* for recorded *material violations* should be performed.

3.6 *Actual Knowledge Exception*—If the *user* or *consultant* conducting a PCA has *actual knowledge* that the information

from a prior PCR is not accurate, or if it is *obvious* to the *field observer* that the information is not accurate, such information from a prior PCR should not be used.

3.7 Contractual Issues—This guide recognizes that contractual and legal obligations may exist between prior and subsequent *users* of PCRs, or between *users* and *consultants* who performed prior PCRs, or both. Consideration of such contractual obligations is beyond the scope of this guide. Furthermore, a subsequent *user* of a prior PCA should be apprised that the report may have been prepared for purposes other than the current desired purpose of the PCR and should determine the contractual purpose and scope of the prior PCA.

3.8 Rules of Engagement—The contractual and legal obligations between a *user* and *consultant* (and other parties, if any) are outside the scope of this guide. No specific legal relationship between the *user* and *consultant* was considered during the preparation of this guide.

4. User’s Responsibilities

4.1 Objectives and Scope of Assessment—The *user* should identify the objectives of the PCA and work with the *consultant* to modify the scope of assessment to satisfy those objectives. In the absence of other notation in the PCR the objective should be assumed to be the identification of *physical deficiencies* to support continuation of the current use of the *subject property* without rehabilitation, change of use, or other modification.

4.2 Point of Contact—Prior to the start of work the *user* should identify a person with good knowledge of the physical characteristics, maintenance, and management of the *subject property* to arrange access and coordinate information to facilitate the PCR.

4.3 Access—*User* should arrange for the *field observer* to receive timely complete, supervised, and safe access to the *subject property* (including roofs). In addition, *timely access* to the *subject property’s* POC, staff, vendors, and appropriate documents should be promptly provided by *owner*, *owner’s representative* or made available by the *user*, or a combination thereof. In no event should the *field observer* seek access to any portion of the *subject property*, interview property management staff, vendors, or tenants, or review documents, if the *owner*, *user*, or occupant objects to such access or attempts to restrict the *field observer* from conducting any portion of the *walk-through survey*, research or *interviews*, or taking of photographs. Any conditions that significantly impede or restrict the *field observer’s walk-through survey* or research, or the failure of the *owner* or occupant to provide access, information, or requested documentation should be communicated to the *user* in a timely manner. If such conditions are not remedied, the *consultant* should document all such limiting conditions that would be expected to significantly impact their ability to satisfy the objectives of the assessment.

4.4 User Disclosure—The *user* should seek to obtain relevant information to assist in completion of the PCR and disclose all relevant information in the *user’s* possession that may assist the *consultant’s* efforts. The *user* should not withhold any pertinent information that may assist in satisfying the

assessment objectives including, but not limited to, previously prepared PCRs; any study specifically prepared on a *building system*, *building component* or the *subject property*; any knowledge of actual or purported *physical deficiencies*; or any information such as pending proposals or costs to remedy known *physical deficiencies*.

5. Property Condition Assessment

5.1 Objective—The purpose of the PCA is to *observe* and report, to the extent feasible pursuant to the processes prescribed herein, on the *physical condition* of the *subject property*.

5.2 PCA Components—The PCA should have four components:

5.2.1 Documentation Review and Interviews—Refer to Section 7.

5.2.2 Walk-Through Survey—Refer to Section 8.

5.2.3 Preparation of Opinions of Costs to Remedy Physical Deficiencies—Refer to Section 9.

5.2.4 Property Condition Report—Refer to Section 10.

5.3 Coordination of Components:

5.3.1 Components Used in Concert—The Documentation Review, Interviews, and Walk-Through Survey components of this guide are interrelated in that information obtained from one component may either indicate the need for more information from another or impact the preparation of Opinions of Cost to Remedy Physical Deficiencies.

5.3.2 Information Provided by Others—The *consultant* should note in the PCR the sources of information that were used in identifying any *physical deficiencies* of the *subject property* that were not *observed* by the *consultant* or that supplemented the *consultant’s observations*.

5.4 Consultant’s Duties:

5.4.1 Who May Conduct Portions of the PCA—The documentation review and interviews, walk-through survey, and preparation of opinions of cost to remedy physical deficiencies, and the writing of the PCR may be performed by the *consultant*, *field observer*, members of the *consultant’s* staff, or third party contractors engaged by the *consultant*.

5.4.2 Responsibility for Lack of Information—The *consultant* is not responsible for providing or obtaining information should the source contacted fail to respond, respond only in part, or fail to respond in a timely manner.

5.4.3 Opinions of Costs Contingent on Further Discovery—The *consultant* is not required to provide *opinions of costs* to remedy *physical deficiencies* that may require the opinions of *specialists* or the results of testing, intrusive evaluation, exploratory probing, or further research to determine the cause of the *physical deficiency* and the appropriate remedy, scope, and scheme for repair or replacement unless *user* and *consultant* have agreed to such an expansion of the scope of work.

5.4.4 Representative Observations—The *field observer* is not expected to survey every recurring component or system during a *walk-through survey*. For example, it is not the intent to survey every HVAC unit, balcony, window, roof, toilet room facility, utility closet, every square foot of roofing, etc. Only *representative observations* of such areas are to be conducted.

The concept of *representative observations* extends to all conditions, areas, buildings, *building systems* and *building components* to the extent that they are similar and representative of one another.

6. The Consultant

6.1 *Qualifications of the Consultant*—This guide recognizes that the competency of the *consultant* is highly dependent on many factors that may include professional education, training, experience, certification, or professional licensing/registration. It is the intent of this guide to identify factors that should be considered by the *user* when retaining a *consultant* to conduct a PCA and by the *consultant* in selecting the appropriate *field observer* and *PCR reviewer*. No standard can be designed to eliminate the role of professional judgment, competence, and the value and need for experience during the *walk-through survey* and to conduct the PCA. Consequently, the qualifications of the *field observer* and the *PCR reviewer* are critical to the performance of the PCA and the resulting PCR. This guide further recognizes that the *consultant* has the responsibility to select, engage, or employ the *field observer* and the *PCR reviewer*. Therefore, each PCR should include as an exhibit a statement of qualifications of both the *field observer* and the *PCR reviewer*.

6.2 *Staffing of the Field Observer*—This guide recognizes that for most of the *commercial real estate* subject to a PCA, the *field observer* assigned by the *consultant* to conduct the *walk-through survey* most likely will be a single individual having a general, well rounded knowledge of pertinent *building systems* and *building components*. However, a single individual is not likely to have knowledge, expertise, or experience with all *building codes*, whether such codes are nationally or locally accepted, *building systems*, *building components*, and asset types. The decision to supplement the *field observer* with *specialists*, mechanics, specialized service personnel, or any other specialized contributor to the PCA, should be a mutual decision made by the *user* and *consultant* prior to engagement. This decision should be made in accordance with the requirements, risk tolerance, and budgetary constraints of the *user*, the purpose the PCA is to serve, the expediency of PCR delivery, and the complexity of the *subject property*.

6.3 *Independence of the Consultant*—This guide recognizes that the *consultant* normally is a person or entity, acting as an independent contractor, who has been engaged by the *user* to conduct a PCA. In the event the *consultant*, the *field observer*, the *PCR reviewer*, or members of the *consultant's* staff are employees of, or subsidiary of, the *user*, such affiliation or relationship should be disclosed in the Executive Summary of the PCR.

6.4 *Qualifications of the Field Observer*—Refer to **X1.1.1** for guidance on the qualifications of the *field observer*.

6.5 *Qualifications of the PCR Reviewer*—Refer to **X1.1.2** for guidance on the qualifications of the *PCR reviewer*.

6.6 *The Field Observer and PCR Reviewer May Be a Single Individual*—The *PCR reviewer* also may act as the *field observer* and conduct the *walk-through survey*. In such an

event, the *PCR reviewer* should identify such dual responsibilities and sign the PCR indicating that they have performed both functions.

6.7 *Not a Professional Architectural or Engineering Service*—It is not the intent of this guide that by conducting the *walk-through survey* or reviewing the PCR that the *consultant*, the *field observer*, or the *PCR reviewer* is practicing *architecture* or *engineering*. Furthermore, it is not the intent of this guide that either the *field observer* or the *PCR reviewer*, if they are an *architect* or *engineer*, must either sign or seal the PCR as an instrument of professional service or identify their signatures as being that of an *architect* or *engineer*.

7. Document Review and Interviews

7.1 *Objective*—The objective of the document review and interviews is to augment the *walk-through survey* and to assist the *consultant's* understanding of the *subject property* and identification of *physical deficiencies*. Records or documents, that are *readily available* and *reasonably ascertainable* may be reviewed during completion of the PCA.

7.2 *Verification of Information Provided by Others*—The *consultant* is not required to independently verify the provided information and may rely on the information provided to the extent that it appears reasonable.

7.3 *Accuracy and Completeness*—Accuracy and completeness of information vary among information sources. The *consultant* is not obligated to identify mistakes or insufficiencies in the provided information. However, the *consultant* should make a reasonable effort to compensate for mistakes or insufficiencies that are *obvious* considering other information obtained in the process of conducting the PCA or otherwise known to the *consultant*.

7.4 Government Agency Provided Information:

7.4.1 *Document Review*—*Consultant* should solicit and review: the *base building* certificate of occupancy, along with *material* outstanding and recorded *building code* and *fire code* violations.

7.4.2 *Reasonably Ascertainable/Standard Government Record Sources*—Availability of records or document information varies from information source to information source, including governmental jurisdictions. The *consultant* should make *appropriate inquiry* and review only such record information that is *reasonably ascertainable* from standard sources. If information is not *practically reviewable* or not provided to the *consultant* in a reasonable time for the *consultant* to formulate an opinion for inclusion in the PCR, such fact should be stated in the PCR, and the *consultant* is to have no further obligation of retrieving such documentation or reviewing it if it is subsequently provided.

7.4.3 *Drawings*—*Readily available* plans, as-built drawings, or other design/construction documents drawings should be provided to the *consultant* by the *user*, *owner*, *owner's representative* to serve as an aid to the *consultant* in describing the *primary improvements*, in developing quantities for *opinions of cost* for *suggested remedies*, and to assist in preparing brief descriptions of the *building systems* and *building components*; however, such review is not intended to serve as a verification of as-built conditions.

7.4.4 Reasonable Time and Cost—It is the intent of this guide that information will be provided to the *consultant* within ten (10) business days of the source receiving *appropriate inquiry*, without an in-person request by the *consultant* being required, and at no more than a nominal cost to cover the source’s cost of retrieving and duplicating the information. However, this is not to preclude the *consultant* from personally researching such files if, in the opinion of the *consultant*, this could be reasonably accomplished at the time of the *site visit*.

7.5 Pre-Survey Questionnaire—The *consultant* may provide the *owner*, POC, or *owner’s representative* with a pre-survey questionnaire. The questionnaire, complete with responses, should be included as an exhibit within the PCR unless directed otherwise by *user*. If the *user* directs the *consultant* to omit the questionnaire from the PCR or directs the *consultant* not to forward the questionnaire to the *owner*, the *consultant* should disclose this information within the PCR.

7.6 Owner/User Provided Documentation and Information—The *consultant* should review the following documents and information that may be in the possession of or provided by the *owner*, *owner’s representative*, *user*, or combination thereof, as appropriate. Such information also could aid in the *consultant’s* knowledge of the *primary improvements*, extent and type of use, or assist in identifying *material* discrepancies between reported information and *observed* conditions, or a combination thereof. The *consultant’s* review of documents submitted should not include commenting on the accuracy of such documents or their preparation, methodology, or protocol. If the *consultant* discovers a significant discrepancy, it should be disclosed within the PCR.

7.6.1 Appraisal, either current or previously prepared.

7.6.2 Certificate of Occupancy.

7.6.3 Safety inspection records.

7.6.4 Warranty information (roofs, boilers, chillers, cooling towers, etc.).

7.6.5 Records indicating the age of *material building systems* such as roofing, paving, plumbing, heating, air conditioning, electrical, etc.

7.6.6 Historical costs incurred for repairs, improvements, recurring replacements, etc.

7.6.7 Pending proposals or executed contracts for *material* repairs or improvements.

7.6.8 Descriptions of future improvements planned.

7.6.9 Outstanding citations for *building code*, and *fire code* violations.

7.6.10 All existing ADA and FHA evaluations and status of any improvements implemented to effect physical compliance.

7.6.11 Previously prepared PCRs or studies pertaining to any aspect of the *physical condition* of the *subject property*.

7.6.12 Records indicating building occupancy percentage.

7.6.13 Building rent roll as it relates to tenant count or leasable area.

7.6.14 Leasing literature, listing for sale, marketing/promotional literature such as photographs, descriptive information, reduced floor plans, etc.

7.6.15 Drawings and specifications (as-built or construction).

7.7 Interviews—The *consultant* should contact the POC to forward the pre-survey questionnaire to inquire about the *subject property’s* historical repairs and replacements and their costs, level of preventive maintenance exercised, pending repairs and improvements, known deficiencies, frequency and history of repairs and replacements, age of the systems and components, warranties and bonds in effect, and existence of ongoing or pending litigation related to the *physical condition* of the *subject property*. In connection with the research or *walk-through survey*, the *consultant* may also *interview* others who are knowledgeable of the *physical condition* and operation of the *subject property*. It is within the discretion of the *consultant* to decide what questions to ask before, during, or after the *site visit*.

7.7.1 Method—Questions to be asked pursuant to this section are at the discretion of the *consultant* and may be asked in a method chosen by the *consultant*.

7.7.2 Incomplete Answers—While the *consultant* should make inquiries in accordance with this section, the persons to whom the questions are addressed may have no obligation to cooperate. The inability to conduct desired *interviews*, refusal to respond to requests for information, and limited knowledge of those interviewed should be disclosed in the PCR along with any additional limitations encountered.

8. Walk-Through Survey

8.1 Objective—The objective of the *walk-through survey* is to visually *observe* the *subject property* so as to obtain information on *material building systems* and *building components*.

8.2 Frequency—It is not expected that more than one *site visit* to the *subject property* be conducted.

8.3 Photographs—*Consultant* should document representative conditions with photographs and use reasonable efforts to document typical conditions present including *material physical deficiencies*, if any. Photographs should include as a minimum: front and typical elevations and exteriors, site improvements, parking areas, roofing, structural systems, plumbing, HVAC, and electrical systems, conveyance systems, life safety systems, representative interiors, and any special or unusual conditions present, provided that such *building systems* and *building components* are within the scope of the PCA as defined between the *user* and *consultant*.

8.4 Scope—During the *site visit*, and in accordance with the principles of conducting *representative observations*, the *field observer* should *observe* *material building systems* and *building components* in order to evaluate their condition and identify *physical deficiencies*. The schedule of specific items of the *building systems* and *building components* to be *observed*, which are presented in the subsequent subsections, should not be considered all-inclusive, and the *consultant* should utilize professional judgment regarding adding or deleting subsections as necessary to complete the PCR. Similarly, subsections identified as “out of scope considerations” identified at Section 11 and elsewhere in this document are provided for clarification and should not be construed as all-inclusive. The extent of improvements *surveyed* in each construction phase should be