



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

This standard is issued under the fixed designation E 2018; 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 define good commercial and customary practice in the United States of America for conducting a baseline *property condition assessment* (PCA) of the improvements located on a parcel of commercial real estate by performing a walk-through survey and conducting research as outlined within this guide.

1.1.1 *Physical Deficiencies*—In defining good commercial and customary practice for conducting a baseline PCA, the goal is to identify and communicate physical deficiencies to a user. The term *physical deficiencies* means the presence of conspicuous defects or material deferred maintenance of a subject property's material systems, components, or equipment as observed during the field observer's walk-through survey. This definition specifically excludes deficiencies that may be remedied with routine maintenance, miscellaneous minor repairs, normal operating maintenance, etc., and excludes de minimis conditions that generally do not present material physical deficiencies of the subject property.

1.1.2 *Walk-Through Survey*—This guide outlines procedures for conducting a walk-through survey to identify the subject property's material physical deficiencies, and recommends various systems, components, and equipment that should be observed by the field observer and reported in the *property condition report* (PCR).

1.1.3 *Document Reviews and Interviews*—The scope of this guide includes document reviews, research, and interviews to augment the walk-through survey so as to assist the consultant's understanding of 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 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 probable costs for suggested remedies of the physical deficiencies identified.

1.2 *Objectives*—Objectives in the development of this guide are: (1) define good commercial and customary practice for the PCA of primary good commercial real estate improvements; (2) facilitate consistent and pertinent content in PCRs; (3) develop practical 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 baseline standard of care for appropriate observations and research; and (6) recommend protocols for consultants for communicating observations, opinions, and recommendations in a manner meaningful to the user.

1.3 *Considerations Beyond Scope*—The use of this guide is strictly limited to the scope set forth in this section. Section 10 and Appendix X1 of this guide identify, for informational purposes, certain 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.

1.4 *Organization of This Guide*—This guide consists of several sections, an Annex and an Appendix. Section 1 is the Scope. Section 2 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 PCA, including the scope of the Walk-Through Survey, preparation of the Opinions of Probable Costs to Remedy Physical Deficiencies, and preparation of the PCR. Section 11 provides additional information regarding out of scope considerations (see 1.3). The Annex provides requirements relating to specific asset types, and where applicable, such requirements are to be considered as if integral to this guide. The Appendix provides the user with additional PCA scope considerations, whereby a user may increase this guide's baseline scope of due diligence to be exercised by the consultant.

1.5 *Multiple Buildings*—Should the subject property consist of multiple buildings, it is the intent of this guide that only a single PCR be produced by the consultant to report on all of the buildings on the subject property.

¹ This guide is under the jurisdiction of ASTM Committee E-50 on Environmental Assessment and is the direct responsibility of Subcommittee E50.02 on Commercial Real Estate Transactions.

Current edition approved June 10, 1999. Published August 1999.

1.6 *Safety Concerns*—This guide does not purport to address all of the 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 practices when conducting a PCA.

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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 *architect, n*—designation reserved by law for a person professionally qualified, examined, and registered by the appropriate governmental board having jurisdiction, to perform architectural services including, but not limited to, analysis of project requirements and conditions, development of project design, production of construction drawings and specifications, and administration of construction contracts.

2.2.2 *building codes, n*—rules and regulations adopted by the governmental authority having jurisdiction over the commercial real estate, which govern the design, construction, alteration and repair of such commercial real estate. In some jurisdictions trade or industry standards may have been incorporated into, and made a part of, such building codes by the governmental authority. Building codes are interpreted to include structural, HVAC, plumbing, electrical, life-safety, and vertical transportation codes.

2.2.3 *building department records, n*—records maintained by or in possession of the local government authority with jurisdiction over the construction, alteration, use, or demolition of improvements on the subject property, and that are readily available for use by the consultant within the time frame required for production of the PCR and are practically reviewable by exercising appropriate inquiry. Building department records also may include building code violation notices. Often, building department records are located in the building department of a municipality or county.

2.2.4 *building systems, n*—interacting or independent components or assemblies, which form single integrated units, that comprise a building and its site work, such as, pavement and flatwork, structural frame, roofing, exterior walls, plumbing, HVAC, electrical, etc.

2.2.5 *component, n*—a fully functional portion of a building system, piece of equipment, or building element.

2.2.6 *dismantling, n*—to take apart or remove any component, device or piece of equipment that is bolted, screwed, secured, or fastened by other means.

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

2.2.8 *engineering, n*—analysis or design work requiring extensive formal education, preparation and experience in the use of mathematics, chemistry, physics, and the engineering sciences.

2.2.9 *fire department records, n*—records maintained by or in the possession of the local fire department in the area in which the subject property is located. These records should be practically reviewable and readily accessible for use by the consultant by exercising an appropriate inquiry within the time frame required for production of the PCR.

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

2.2.11 *interviews, n*—discussions with those knowledgeable about the subject property.

2.2.12 *material, adj*—having significant importance or great consequence to the subject property’s intended use or physical condition.

2.2.13 *practice, n*—a definitive procedure for performing one or more specific operations or functions that does not produce a test result.

2.2.14 *publicly available, adj*—the source of the information allows access to the information by anyone upon request.

2.2.15 *recreational facilities, n*—facilities for exercise, entertainment or athletics including, without limitation, swimming pools, spas, saunas, steam baths, tennis, volleyball, or basketball courts; jogging, walking, or bicycle paths; and playground equipment.

2.2.16 *structural frame, n*—the components or building system that supports the building’s nonvariable forces or weights (dead loads) and variable forces or weights (live loads).

2.2.17 *standard, n*—as used by ASTM, a document that has been developed and established within the consensus principles of the Society and that meets the approval of the ASTM procedures and regulations.

2.2.18 *system, n*—a combination of interacting or interdependent components assembled to carry out one or more functions.

2.3 Definitions of Terms Specific to This Standard:

2.3.1 *actual knowledge, n*—the knowledge possessed by an individual rather than an entity. Actual knowledge, as used in this guide, is to be distinguished from knowledge provided by others, or information contained on documents obtained during the course of conducting a PCA.

2.3.2 *appropriate inquiry, n*—a request for information conducted by Freedom of Information Letter (FOIL), verbal request, or by other written request made either by fax, electronic mail, overnight courier, or U.S. mail. *Appropriate inquiry* includes a good-faith effort conducted by the consultant to obtain the information considering the time constraints to prepare and deliver the PCR.

2.3.3 *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.

2.3.4 *baseline, n*—the minimum level of observations, due diligence, inquiry/research, documentation review, and preparation of opinions of probable costs to remedy material physical deficiencies for conducting a PCA as described in this guide.

2.3.5 *building envelope, n*—the enclosure of the building that protects the building’s interior from outside elements, namely the exterior walls, roof and soffit areas.

2.3.6 *commercial real estate, n*—improved real property, except a dwelling or property with four or less dwelling units exclusively for residential use. This term includes, 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.

2.3.7 *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 transfer of title to or possession of improved real property with respect to an individual dwelling or building containing four or less dwelling units.

2.3.8 *consultant, n*—the entity or individual that prepares the PCR and that is responsible for the observance of and reporting on the physical condition of commercial real estate in accordance with this guide. The consultant generally is an independent contractor; however, the consultant may be an employee of the user. The consultant may be an individual that is both the field observer and PCR reviewer as described in Section 6.

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

2.3.10 *deferred maintenance, n*—physical deficiencies that cannot be remedied with routine maintenance, normal operating maintenance, etc., excluding de minimis conditions that generally do not present a material physical deficiency to the subject property.

2.3.11 *due diligence, n*—the process of conducting a walk-through survey and appropriate inquiries into the physical condition of a commercial real estate's improvements, usually in connection with a commercial real estate transaction. The degree and type of such survey or other inquiry may vary for different properties and different purposes.

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

2.3.13 *expected useful life (EUL), n*—the average amount of time in years that an item, component or system is estimated to function when installed new and assuming routine maintenance is practiced.

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

2.3.15 *immediate costs, n*—opinions of probable costs that require immediate action as a result of any of the following: (1) material existing or potential unsafe conditions, (2) material building or fire code violations, or (3) conditions that if left unremedied, have the potential to result in or contribute to critical element or system failure within one year or will result most probably in a significant escalation of its remedial cost.

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

2.3.17 *observe, v*—to conduct an observation pursuant to this guide.

2.3.18 *obvious, adj*—plain, evident and readily accessible; a condition or fact not likely to be ignored or overlooked by a field observer when conducting a walk-through survey or that

which is practically reviewable and would be understood easily by a person conducting the PCA.

2.3.19 *opinions of probable costs, n*—determination of probable costs, a preliminary budget, for a suggested remedy.

2.3.20 *owner, n*—the entity holding the title to the commercial real estate that is the subject of the PCA.

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

2.3.22 *physical deficiency, n*—conspicuous defects or significant deferred maintenance of a subject property's material systems, components, or equipment as observed during the field observer's walk-through survey. Included within this definition are material life-safety/building code violations and, material systems, components, or equipment that are approaching, have reached, or have exceeded their typical EUL or whose RUL should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, exposure to the elements, lack of proper or routine maintenance, etc. This definition specifically excludes deficiencies that may be remedied with routine maintenance, miscellaneous minor repairs, normal operating maintenance, etc., and excludes de minimis conditions that generally do not constitute a material physical deficiency of the subject property.

2.3.23 *practically reviewable, adj*—describes information that is provided by the source in a manner and form that, upon review, yields information relevant to the subject property without the need for significant analysis or calculations. Records or information that feasibly cannot be retrieved by reference to the location of the subject property are not generally considered practically reviewable.

2.3.24 *primary commercial real estate improvements, n*—the site and building improvements that are of fundamental importance with respect to the commercial real estate. This definition specifically excludes ancillary structures, that may have been constructed to provide support uses such as maintenance sheds, utility garages, pool filter and equipment buildings, etc.

2.3.25 *property, n*—the site improvements, which are inclusive of both site work and buildings.

2.3.26 *property condition assessment (PCA), v*—the process by which a person or entity observes a property, interviews sources, and reviews available documentation for the purpose of developing an opinion and preparing a PCR of a commercial real estate's current physical condition. At the option of the user, a PCA may include a higher level of inquiry and due diligence than the baseline scope described within this guide or, at the user's option, it may include a lower level of inquiry or due diligence than the baseline scope described in this guide. Such deviations from this guide's scope should be disclosed in the PCR's executive summary.

2.3.27 *property condition report (PCR), n*—a written report, prepared in accordance with the recommendations contained in this guide, that outlines the consultant's observations, opinions as to the subject property's condition, and opinions of probable costs to remedy any material physical deficiencies observed.

2.3.28 *readily accessible, adj*—describes areas of the subject property that are promptly made available for observation

by the field observer at the time of the walk-through survey and do not require the removal of materials or personal property, such as furniture, and that are safely accessible in the opinion of the field observer.

2.3.29 *readily available*, *adj*—describes information or records that are easily and promptly provided to the consultant upon making a request in compliance with an appropriate inquiry and without the need for the consultant to research archive files.

2.3.30 *reasonably ascertainable*, *adj*—describes information that is publicly available, as well as readily available, provided to the consultant's offices from either its source or an information research/retrieval service within reasonable time, practically reviewable, and available at a nominal cost for either retrieval, reproduction or forwarding.

2.3.31 *remaining useful life (RUL)*, *n*—a subjective estimate based upon observations, or average estimates of similar items, components, or systems, or a combination thereof, 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. Such period of time 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, etc.

2.3.32 *representative observations*, *n*—observations of a reasonable number of samples of repetitive systems, components, areas, etc., which are conducted by the field observer during the walk-through survey. The concept of representative observations extends to all conditions, areas, equipment, components, systems, buildings, etc., to the extent that they are similar and representative of one another.

2.3.33 *short-term costs*, *n*—opinions of probable costs to remedy physical deficiencies, such as deferred maintenance, that may not warrant immediate attention, but require repairs or replacements that should be undertaken on a priority basis in addition to routine preventive maintenance. Such opinions of probable costs may include costs for testing, exploratory probing, and further analysis should this be deemed warranted by the consultant. The performance of such additional services are beyond this guide. Generally, the time frame for such repairs is within one to two years.

2.3.34 *shutdown*, *n*—equipment, components or systems that are not operating at the time of the field observer's walk-through survey. For instance, equipment, components, and systems that may be shutdown as a result of seasonal temperatures.

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

2.3.36 *specialty consultants*, *n*—individuals or entities either in the fields of engineering or in any particular building component, equipment, or system that have acquired detailed, specialized knowledge and experience in the design, evaluation, operation, repair, or installation of same.

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

2.3.38 *subject property*, *n*—the commercial real estate consisting of the site and primary real estate improvements that are the subject of the PCA described by this guide.

2.3.39 *suggested remedy*, *n*—an opinion as to a course of action to remedy or repair a physical deficiency. 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 might be more appropriate to remedy the physical deficiency or that may be more commensurate with the user's requirements.

2.3.40 *survey*, *n*—observations made by the field observer during a walk-through survey to obtain information concerning the subject property's readily accessible and easily visible components or systems.

2.3.41 *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 architectural or engineering findings, conclusions, and recommendations, or combination thereof.

2.3.42 *timely access*, *n*—entry provided to the consultant at the time of the site visit.

2.3.43 *user*, *n*—the party that retains the consultant for the preparation of a baseline PCA of the subject property in accordance with this guide. A user may include, without limitation, a purchaser, potential tenant, owner, existing or potential mortgagee, lender, or property manager of the subject property.

2.3.44 *walk-through survey*, *n*—conducted during the field observer's site visit of the subject property, that consists of nonintrusive visual observations, survey of readily accessible, easily visible components and systems of the subject property. This survey is described fully in Section 8. Concealed physical deficiencies are excluded. It is the intent of this guide that such a survey should not be considered technically exhaustive. It excludes the operation of equipment by the field observer and is to be conducted without the aid of special protective clothing, exploratory probing, removal of materials, testing, or the use of equipment, such as scaffolding, metering/testing equipment, or devices of any kind, etc. It is literally the field observer's visual observations while walking through the subject property.

2.4 Abbreviations and Acronyms:

2.4.1 *ADA*, *n*—The Americans with Disabilities Act.

2.4.2 *ASTM*, *n*—American Society for Testing and Materials.

2.4.3 *BOMA*, *n*—Building Owners and Managers Association.

2.4.4 *BUR*, *n*—Built-up Roofing.

2.4.5 *EIFS*, *n*—Exterior Insulation and Finish System.

2.4.6 *EMF*, *n*—Electro Magnetic Fields.

2.4.7 *EMS*, *n*—Energy Management System.

2.4.8 *EUL*, *n*—Expected Useful Life.

2.4.9 *FEMA*, *n*—Federal Emergency Management Agency.

2.4.10 *FFHA*, *n*—Federal Fair Housing Act.

- 2.4.11 *FIRMS, n*—Flood Insurance Rate Maps.
- 2.4.12 *FOIA, n*—U.S. Freedom of Information Act (5 USC 552 et seq.)⁵ and similar state statutes.
- 2.4.13 *FOIL*—Freedom of Information Letter.
- 2.4.14 *FM*—Factory Mutual.
- 2.4.15 *HVAC*—Heating, Ventilating and Air Conditioning.
- 2.4.16 *IAQ*—Indoor Air Quality.
- 2.4.17 *NFPA*—National Fire Protection Association.
- 2.4.18 *PCA*—Property Condition Assessment
- 2.4.19 *PCR*—Property Condition Report.
- 2.4.20 *PML*—Probable Maximum Loss.
- 2.4.21 *RTU, n*—Rooftop Unit.
- 2.4.22 *RUL, n*—Remaining Useful Life.
- 2.4.23 *STC, n*—Sound Transmission Class.

3. Significance and Use

3.1 This guide is intended for use on a voluntary basis by parties who desire to obtain a baseline PCA of commercial real estate. This guide also recognizes that there are varying levels of property condition assessment and due diligence that can be exercised that are both more and less comprehensive than this guide, and that may be appropriate to meet the objectives of the user. Users should consider their requirements, the purpose that the PCA is to serve, and their risk tolerance level before selecting the consultant and the level of due diligence to be exercised by the consultant. The user should also review or establish the qualifications, or both, of the proposed field observer and PCR reviewer prior to engagement. A PCR should identify any deviations or exceptions to this guide. Furthermore, no implication is intended that use of this guide be required in order to have conducted a property condition assessment in a commercially prudent and reasonable manner. Nevertheless, this guide is intended to reflect a reasonable approach for the preparation of a baseline PCA.

3.2 Clarification of Use:

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

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

3.3 *Who May Conduct*—The walk-through survey portion of a PCA should be conducted by a field observer, and the PCR should be reviewed by a PCR reviewer; both qualified as suggested in X1.1.1.1 and X1.1.1.2, respectively.

3.4 *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.

3.4.1 *Uncertainty Not Eliminated*—No PCA can wholly eliminate the uncertainty regarding the presence of physical deficiencies and the performance of a subject property's building systems. Preparation of a PCR in accordance with this

guide is intended to reduce, but not eliminate, the uncertainty regarding the potential for component or system failure and to reduce the potential that such component or system may not be initially observed. This guide also recognizes the inherent subjective nature of a consultant's opinions as to such issues as workmanship, quality of original installation, and estimating the RUL of any given component or system. The guide recognizes a consultant's suggested remedy may be determined under time constraints, formed without the aid of engineering calculations, testing, exploratory probing, the removal of materials, or design. Furthermore, there may be other alternate or more appropriate schemes or methods to remedy the physical deficiency. The consultant's opinions generally are formed without detailed knowledge from those familiar with the component's or system's performance.

3.4.2 *Not Technically Exhaustive*—Appropriate due diligence according to this guide is not 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.

3.4.3 *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 the Annex; however, if in the field observer's opinion such representative observations as presented in the Annex are unwarranted as a result of homogeneity of the asset or other reasons deemed appropriate by the field observer, the field observer may survey sufficient units, areas, systems, buildings, etc. so as to comment with reasonable confidence as to the representative present condition of such repetitive or similar areas, systems, buildings, etc. To the extent 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 conduct a walk-through survey of each individual building's systems 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.

3.4.3.1 *User-Mandated Representative Observations*—A user may mandate the representative observations required for a given property. Such representative observations may be more or less than this guide's recommended representative observations as provided in the Annex.

3.4.3.2 *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 probable costs for suggested remedy of material physical deficiencies.