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## Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process<sup>1</sup>

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 ( $\epsilon$ ) 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 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 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 Probable Costs for suggested remedies of the physical deficiencies identified.

1.2 *Objectives*—Objectives in the development of this guide are to: (1) define good commercial and customary practice for the PCA of primary commercial real estate improvements; (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 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 11 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 to enhance the PCA.

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 Probable Costs to Remedy Physical Deficiencies, and preparation of the PCR. Section 11 provides additional information regarding out of scope considerations (see 1.3). Annex A1 provides requirements relating to specific asset types, and where applicable, such requirements are to be considered as if integral to this guide. Appendix X1 provides the user with additional PCA scope considerations, whereby a user may increase this guide's scope of due diligence to be exercised by the consultant beyond this guide's baseline level. Appendix X2 outlines the ADA Accessibility Survey.

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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 primary commercial real estate improvements.

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, fire, health, 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, or available online.

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, 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.

2.2.7 *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 that 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 *de minimis condition*—a description of deficiencies that are not material to the condition of the property or do not require significant costs to correct, but nevertheless may be noted in the PCR, in the opinion of the field observer or PCR reviewer.

2.3.11 *deferred maintenance, n*—physical deficiencies that could have been 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.

2.3.12 *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 and inquiry may vary for different properties, different user purposes, and time allotted.

2.3.13 *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, relocation or removal of materials, exploratory probing, use of special protective clothing, or use of any equipment (hand tools, meters of any kind, telescope instruments, stools, ladders, lighting devices, etc.).

2.3.14 *effective age*, *n*—the estimated age of a building component that considers actual age as affected by maintenance history, location, weather conditions, and other factors. Effective age may be more or less than actual age.

2.3.15 *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.

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

2.3.17 *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 uncorrected, 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.

2.3.18 *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.

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

2.3.20 *obvious*, *adj*—plain, evident, and readily accessible; a condition easily visible 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.

2.3.21 *opinions of probable costs*, *n*—determination of a preliminary budget to remedy a physical deficiency.

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

2.3.23 *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.

2.3.24 *physical deficiency*, *n*—conspicuous defects or significant deferred maintenance of a subject property’s material systems, components, or equipment as observed as a result of 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.

2.3.25 *Point of Contact (POC)*—owner, owner’s agent, or user-identified person or persons knowledgeable about the physical characteristics, maintenance, and repair of the subject property.

2.3.26 *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, measurements, 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.

2.3.27 *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, security booths, utility garages, pool filter and equipment buildings, etc.

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

2.3.29 *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.

2.3.30 *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 the material physical deficiencies observed.

2.3.31 *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 or relocation of materials or personal property, such as furniture, floor, wall, or ceiling coverings; and that are safely accessible in the opinion of the field observer.

2.3.32 *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.

2.3.33 *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.

2.3.34 *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.

2.3.35 *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. The extent of representative observations conducted by the field observers should be identified in the PCR. A user may increase the extent of representative observations conducted to enhance the due diligence conducted under the PCA or as required in the Annex.

2.3.36 *routine maintenance, n*—a repair that does not require specialized equipment, professional services, or contractors, but rather can be corrected within the budget and skill set of typical property maintenance staff.

2.3.37 *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.

2.3.38 *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.

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

2.3.40 *specialty consultants, n*—individuals or entities in the fields of life safety, security, 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.

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

2.3.42 *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.

2.3.43 *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 may be more appropriate to remedy the physical deficiency or that may be more commensurate with the user’s requirements.

2.3.44 *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.

2.3.45 *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.

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

2.3.47 *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.

2.3.48 *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 or relocation of materials, testing, or the use of equipment, such as ladders (except as required for roof access), stools, 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*—ASTM International.

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.) 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 *Use*—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 or relocation of materials, design, or other technically exhaustive means. Furthermore, there may be other alternative or more appropriate schemes or methods to remedy a 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 [Annex A1](#); however, if in the field observer’s opinion such representative observations as presented in [Annex A1](#) 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 or a particular building system. Such representative observations may be more or less than this guide's recommended representative observations as provided in **Annex A1**.

**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.

**3.4.4 Level of Due Diligence is Variable**—Not every property will warrant the same level of property condition assessment. Consistent with good commercial and customary practice, the appropriate level of property condition assessment generally is guided by the purpose the PCA is to serve; type of property; age of the improvements; expertise and risk tolerance level of the user; and time available for preparing the PCR and reviewing the opinions to be contained in the PCR.

**3.5 Prior PCR Usage**—This guide recognizes that PCRs performed 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:

**3.5.1 Use of Prior PCR Information**—Information contained in prior property condition reports may be used by the consultant if, in the consultant's opinion, it is relevant; however, users and consultants are cautioned that information from prior property condition reports should only be used if such information was generated or obtained through procedures or methods that met or exceeded those contained in this guide. 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. Furthermore, the PCR should identify the previously prepared property condition report if information from the prior report was used by the consultant in preparing the PCR.

**3.5.2 Comparison with a Previously Prepared PCR**—It should not be concluded or assumed that a previous PCR was deficient because the previous PCA did not discover a certain or particular physical deficiency, or because opinions of probable costs in the previous PCR are different. A PCR contains a representative indication of the property condition at the time of the walk-through survey and is dependent on the information available to the consultant at that time. Therefore, a PCR should be evaluated on the reasonableness of judgments made at the time and under the circumstances in which they are made. Experience of the field observer, the requirements of the previous PCR's client or the purpose of the previous PCR, time

available to the consultant to complete the PCR, hindsight, new or additional information, enhanced visibility as a result of improved weather or site conditions, equipment visibility as a result of improved weather or site conditions, equipment not in a shutdown mode, and other factors influence the PCA and the opinions contained in the PCR.

**3.5.3 Conducting Current Walk-Through Surveys**—Except as provided in **3.5.1**, prior property condition reports should not be used without verification. 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.

**3.5.4 Actual Knowledge Exception**—If the user or consultant conducting a PCA has actual knowledge that the information from a prior property condition report is not accurate, or if it is obvious to the field observer that the information is not accurate, such information from a prior property condition report should not be used.

**3.5.5 Contractual Issues**—This guide recognizes that contractual and legal obligations may exist between prior and subsequent users of property condition reports, or between clients and consultants who prepared prior property condition reports, or both. Consideration of such contractual obligations is beyond the scope of this guide. Furthermore, a subsequent user of a prior PCR should be apprised that it 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 PCR.

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

## **4. User's Responsibilities**

**4.1 Access**—User should arrange for the field observer to receive timely access, which is complete, supervised, and safe to the subject property's improvements (including roofs). In addition, timely access to the subject property's POC, staff, vendors, and appropriate documents should be 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 particular portion of the 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 timely access, information, or requested documentation should be timely communicated by the consultant to the user. If such conditions are not remedied, the consultant is obligated to state within the PCR all such material impediments that interfered with the conducting of the PCA in accordance with this guide.

**4.2 User Disclosure**—The user should disclose in a timely manner all appropriate 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 identifying a material physical deficiency including, but not limited to, previously prepared property condition reports; any study specifically prepared on a system or component of 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 Probable 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 consultant's findings, opinions, opinions of probable costs, or recommendations, or a combination thereof.

5.3.2 *Information Provided by Others*—The consultant should note in the PCR the sources of information used by the consultant that were material in identifying any physical deficiencies of the subject property that were not readily 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 inquiries, interviews, walk-through survey, interpretation of the information upon which the PCR is based, the preparation of opinions of probable costs, and the writing of the PCR are all tasks and portions of the PCA that 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 Probable Costs Contingent on Further Discovery*—The consultant is not required to provide opinions of probable costs to remedy physical deficiencies, which may require the opinions of specialty consultants or the results of testing, intrusive observations, 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 RTU, balcony, window, roof, toilet room facility, utility closet, every square foot of roofing, etc. Only representative observations of such areas are to be surveyed. 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.

## 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, of both the consultant's field observers and the PCR reviewer. 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 the majority of 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 components. However, a single individual will not have knowledge, expertise, or experience with all building codes, whether such codes are nationally or locally accepted, building systems, and asset types, which are applicable in all locales. The decision to supplement the field observer with specialty consultants, building system mechanics, specialized service personnel, or any other specialized field observers, should be a mutual decision made by the consultant and the user prior to engagement. This decision should be made in accordance with the requirements, risk tolerance level, 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 nonmandatory guidance on the qualifications of the field observer.

6.5 *Qualifications of the PCR Reviewer*—Refer to **X1.1.2** for nonmandatory 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 he or she has performed both functions.

6.7 *Not a Professional Architecture 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 PCR reviewer or the field observer, 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, if readily available, may be reviewed to specifically identify, or assist in the identification of, physical deficiencies, as well as any preceding or ongoing efforts, or costs to investigate or remediate the physical deficiencies, or a combination thereof. Such review is not to include commentary on the accuracy of such documents but merely to determine the existence of such documents.

7.2 *Reliance*—The consultant is not required to independently verify the information provided and may rely on information provided to the extent that the information appears reasonable to the consultant.

7.3 *Accuracy and Completeness*—Accuracy and completeness of information varies among information sources. The consultant is not obligated to identify mistakes or insufficiencies in the information provided. However, the consultant should make reasonable effort to compensate for mistakes or insufficiencies of information reviewed that are obvious in light of 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 *Documents to Be Reviewed*—Consultant is to solicit and review: base building certificate of occupancy, outstanding and recorded material building code violations, and recorded material fire code violations.

7.4.2 *Reasonably Ascertainable/Standard Government Record Sources*—Availability of record 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 and complete 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. Nevertheless, if pursuant to the consultant's appropriate inquiry, material information is received by the consultant contemporaneous to the preparation of the PCR (within 30 days of the site visit) but too late to be included in the PCR, the consultant should forward it to the user.

7.4.3 *Publicly Available Documents*—Information from a government agency, department or other source of information, which typically is reproduced and provided to the consultant upon appropriate inquiry and is reasonably ascertainable.

7.4.4 *Drawings*—Obtaining a set of drawings, which may be available publicly, is an exception to the requirement that Publicly Available Documents be provided, due to delivery and cost constraints. If readily available, such documents should be provided and identified to the consultant by the owner, owner's representative, or user as construction, as-built, or other design/construction documents. Nonetheless, the review of drawings of the subject property is not a requirement of this guide. Drawings may serve as an aid to the consultant in describing the subject property's improvements, in developing quantities for opinions of probable costs for suggested remedies of physical deficiencies, and to assist in preparing brief descriptions of the subject property's major systems; however, it should not be deemed by the user a verification of as-built conditions.

7.4.5 *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. Generally, an in-person request by the consultant is not required. 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). Such a questionnaire, complete with the owner's or owner's representative's responses, should be included as an exhibit within the PCR unless directed otherwise by user. Should the user direct the consultant to omit the pre-survey questionnaire from the PCR or direct the consultant not to forward the pre-survey questionnaire to the owner, the consultant should disclose this information within the PCR.

7.6 *Owner/User Provided Documentation and Information*—If readily available, 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 subject property's physical 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, fire, and zoning code violations.

7.6.10 The ADA survey and status of any improvements implemented to effect physical compliance.

7.6.11 Previously prepared property condition reports or studies pertaining to any aspect of the subject property's physical condition.

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*—Prior to the site visit, the consultant should ask the owner or user to identify the POC. The consultant should contact the POC to forward the pre-survey questionnaire so as to inquire about the subject property's historical repairs and replacements and their costs, level of preventive maintenance exercised, pending repairs and improvements, frequency of repairs and replacements, and existence of ongoing or pending litigation related to subject property's physical condition. In connection with the consultant's research or walk-through survey, the consultant may also question others who are knowledgeable of the subject property's physical condition and operation. It is within the discretion of the consultant to decide which questions to ask before, during, or after the site visit.

7.7.1 *Reliance*—The consultant may rely on the information obtained as a result of the interviews, provided that in the consultant's opinion such information appears to be reasonable.

7.7.2 *Method*—Questions to be asked pursuant to this section are at the discretion of the consultant and may be asked in person, by telephone, or in writing.

7.7.3 *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. Should the POC owner, or the property manager, building/facility engineer, or maintenance supervisor not be available for an interview, whether by intent or inconvenience, or not respond in full or in part to questions posed by the consultant, the consultant should disclose such within the PCR. Furthermore, should any party not grant such authorization to interview, restrict such authorization, or should the person to whom the questions are addressed not be knowledgeable about the subject property, this should be disclosed within the PCR.

## 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 systems and components for the purposes of providing a brief description, identifying physical deficiencies to the extent that they are easily visible and readily accessible, and obtaining information needed to address such issues in the PCR as outlined within Section 10.

8.2 *Frequency*—It is not expected that more than one site visit to the subject property be conducted by the field observer in connection with a PCA. The site visit constituting part of the PCA is referred to as the walk-through survey.

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 work, 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 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 conduct a walk-through survey of the subject property to observe material systems and components and identify physical deficiencies and any unusual features. Testing, measuring, or preparing calculations for any system or component to determine adequacy, capacity, or compliance with any standard is outside the scope of this guide. The schedule of specific items of the material building systems and components to be observed, which are presented in the succeeding 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 issues" are provided for clarification and should not be construed as all-inclusive.

8.4.1 *Site:*

8.4.1.1 *Topography*—Observe the general topography and any unusual or problematic features or conditions.

8.4.1.2 *Storm Water Drainage*—Observe the storm water collection and drainage system and note the presence of on-site surface waters, and retention or detention basins.

8.4.1.3 *Ingress and Egress*—Observe the major means of ingress and egress.