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Property assessments: Different scopes for different folks

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A quick look at the racks at your favorite clothing store will confirm that one size does not fit all. The same is true when it comes to the scope of work for the physical evaluation of real estate. Property Condition Assessment/Report (PCA/PCR) scopes can range from the most basic PCA to an in-depth 100% walk through and testing with specialists to address all building systems or specific issues of concern. Institutional investors have a preferred scope of work for every PCA they procure, others rely on industry standards like ASTM E2018-08 Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process. Still other investors want a more comprehensive level of due diligence that brings in not only a senior assessor, but specialists like roofing and façade experts, elevator experts or mechanical engineers.

The first questions to ask are: Who is the target audience, and what is the purpose of the report?

ASTM E-2018 Baseline PCR

If the report's primary purpose is to help obtain financing, most often the "debt" level, ASTM PCR is the standard. For most properties, a single assessor spends several hours in the field walking the property, and then authors the report. Report information is obtained through a visual site survey of readily accessible and observable areas, interviews with owners, agents, occupants or other appropriate persons, reviews of reasonably ascertainable records, and contact with authorities having jurisdiction over the property. Findings, conclusions, or recommendations will be based on all of these information sources. Per ASTM E2018, it is the intent of the ASTM "debt" level report that the "survey should not be considered technically exhaustive." In terms of pure volume, this is the most common scope of work. The deliverable is a report with costs for immediate, short term and replacement reserve tables along with appendices including photos taken during the site walk. Note well that the ASTM PCA only identifies material life/safety issues, deferred maintenance and limited replacement reserves to maintain the property with no improvements.

Equity PCR

If the report is for your own use as a buyer or investor, and the goal of the report is to limit your exposure and risk, then a "deeper dive" is warranted and an "Equity" level PCR (EPCR) is the proper choice. The EPCR is prepared by one or more seasoned or experienced assessors, often a registered engineer or architect, who will perform a more in-depth and thorough examination of the property above and beyond the standard ASTM PCR. The deliverable is a comprehensive report with associated photo documentation of major building and site components, along with detailed cost tables for immediate, short term and replacement reserves outlining deferred maintenance. The immediate and short term repairs are typically used to negotiate a reduction in asking price for the property.

Equity+ PCR

Beyond the EPCR is an "Equity+" report. In cases where there are known issues or the user of the

report has greater sensitivity or less risk tolerance with: structure, mechanical/electrical/plumbing (MEP); façades; roofs; elevators; ADA compliance; parking garages; and pavement.

In this case, a team of specialists are added to develop separate reports addressing each specific discipline or component. The key information from each separate report is incorporated into the main EPCR cost tables providing a single, comprehensive document, and the full reports are included as appendices to the EPCR.

Beyond the basic ASTM, Equity, or Equity+ scopes of work, companies are continuously adapting scopes to meet the needs of their clients. One recent example is of a multi-building portfolio with a total of 27 elevators, all 20-30 years old. An elevator consultant was engaged and an in-depth report was generated. Another example is of a steady client who has a trusted roofer that reviews the roof of any property under consideration; that roofer's findings are worked into the EPCR+ report. In another instance, a developer recognizes the value of the EPCR+ and chairs a conference call with the inspectors and his construction division prior to the report being drafted, to clearly delineate capital costs versus what will be undertaken as routine maintenance.

Every EPCR can be adapted to the needs, level of detail, and issues that are of the greatest concern to the end user of the report. Every property and every client has unique needs, and your property condition assessment should be precisely tailored to those needs.

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