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

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1. Scope

1.1 Purpose—The purpose of this guide is to define good commercial 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* includes the presence of conspicuous defects and material deferred maintenance of a subject property's material systems, components, or equipment as observed during completion of the PCA. 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 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 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 and Appendix X3 outline the approach to Accessibility Surveys.

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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.

TABLE OF CONTENTS

1	Scope	
	1.1 Purpose	
	1.2 Objectives	
	1.3 Considerations Beyond Scope	
	1.4 Organization of This Guide	
	1.5 Multiple Buildings	
	1.6 Safety Concerns	
2	Terminology	
	2.2 Definitions	
	2.3 Definitions of Terms Specific to This Standard	
	2.4 Abbreviations and Acronyms	
3	Significance and Use	
	3.1 Use	
	3.2 Clarification of Use	
	3.3 Who May Conduct	
	3.4 Principles	
	3.5 Prior PCR Usage	
	3.6 Rules of Engagement	
4	User's Responsibilities	
	4.1 Access	
	4.2 User Disclosure	
5	Property Condition Assessment	
	5.1 Objective	
	5.2 PCA Components	
	5.3 Coordination of Components	
	5.4 Consultant's Duties	
6	The Consultant	
	6.1 Qualifications of the Consultant	
	6.2 Staffing of the Field Observer	
	6.3 Independence of the Consultant	
	6.4 Qualifications of the Field Observer	
	6.5 Qualifications of the PCR Reviewer	
	6.6 The Field Observer and PCR Reviewer May Be a Single Individual	
	6.7 Not a Professional Architectural or Engineering Service	
7	Document Review and Interviews	
	7.1 Objective	
	7.2 Reliance	
	7.3 Accuracy and Completeness	
	7.4 Government Agency Provided Information	
	7.5 Pre-Survey Questionnaire	
	7.6 Owner/User Provided Documentation and Information	
	7.7 Interviews	
8	Walk-Through Survey	
	8.1 Objective	
	8.2 Frequency	
	8.3 Photographs	
	8.4 Scope	
	8.5 Additional Considerations	
9	Opinions of Costs to Remedy Physical Deficiencies	
	9.1 Purpose	
	9.2 Scope	
	9.3 Opinions of Costs Attributes	
10	Property Condition Report	
	10.1 Format	
	10.2 Writing Protocols	
	10.3 Documentation	
	10.4 Credentials	
	10.5 Executive Summary	
	10.6 Purpose and Scope	
	10.7 Walk-Through Survey	
	10.8 Document Reviews and Interviews	
	10.9 Additional Considerations	
	10.10 Opinions of Costs	
	10.11 Qualifications	
	10.12 Limiting Conditions	
	10.13 Exhibits	
11	Out of Scope Considerations	
	11.1 Activity Exclusions	
	11.2 Warranty, Guarantee, and Code Compliance Exclusions	
	11.3 Additional/General Considerations	
12	Keywords	
Annex A1	GUIDANCE AND ENHANCED DUE DILIGENCE SERVICES	
	A1.1 Multifamily Properties	
	A1.2 Commercial Office Buildings	
	A1.3 Retail Buildings	
Appendix X1	GUIDANCE AND ENHANCED DUE DILIGENCE SERVICES	
	X1.1 Qualifications	
	X1.2 Verification of Measurements and Quantities	
	X1.3 Research	
	X1.4 Flood Plain Designation	
Appendix X2	AMERICANS WITH DISABILITIES ACT (ADA) ACCESSIBILITY SURVEY	
Appendix X3	FAIR HOUSING ACT (FHA) ACCESSIBILITY SURVEY	
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 <i>architect, n</i> —designation reserved by law for a person professionally qualified, examined, and registered by the appropriate governmental board having jurisdiction, to perform architectural services.	
	2.2.2 <i>architecture, n</i> —professional services conducted by an architect in connection with the design and construction of buildings, or built environments	
	2.2.3 <i>building codes, n</i> —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.	
	2.2.4 <i>building department records, n</i> —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. Building department records also may include building code violation notices.	
	2.2.5 <i>building systems, n</i> —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.	
	2.2.6 <i>component, n</i> —a portion of a building system, piece of equipment, or building element.	
	2.2.7 <i>dismantling, n</i> —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.	
	2.2.8 <i>engineer, n</i> —designation reserved by law for a person professionally qualified, examined, and licensed by the appropriate governmental board having jurisdiction, to perform engineering services.	

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

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

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

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

2.2.13 *material, adj*—having significant importance or great consequence.

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

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

2.2.16 *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.

2.2.17 *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).

2.2.18 *standard, n*—Where used in reference to ASTM documents, a standard is a document that has been developed and established within the consensus principles of ASTM International and that meets the approval of the applicable procedures and regulations. The term is otherwise used as commonly defined.

2.2.19 *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 prepa-

ration of opinions of 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 is responsible for completion of the PCR.

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 physical deficiency that is not material to the conclusions of the report.

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*—an investigation of the physical condition of a subject property in connection with a commercial real estate transaction. The degree and type of the investigation 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 without material repair 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 costs that require immediate action as a result of any of the following: (1) material existing or potentially unsafe conditions, (2) material building or fire code violations, or (3) physical deficiencies that if left uncorrected would be expected 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 costs, n*—opinion of costs that may be encountered in correction of physical deficiencies.

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 condition, n*—the physical state of a property, system, component or piece of equipment. Within the context of the assessment, the consultant may offer opinions of the physical condition of the property, or of systems, components and equipment observed. Such opinions commonly employ terms such as good, fair and poor; though additional terms such as excellent, satisfactory and unsatisfactory may also be used.

2.3.24.1 *good condition*—in working condition and does not require immediate or short term repairs above an agreed threshold*

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

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

2.3.24.4 *Discussion*—*The agreed threshold is presumed to be the *de minimis* reporting threshold unless otherwise specified.

2.3.24.5 *Discussion*—Where used to describe the physical condition of a property, system, component or piece of equipment, the terms good, fair and poor shall have the following meaning: Where used to describe the physical condition of a property or system, the opinion is intended to reflect predominant condition of the property or system. For example, an air conditioning system may be in good condition

despite a requirement to replace a limited number of units. Alternatively, a range of conditions may be described by combining terms such as “good to fair”, or “fair to poor.” Where conditions are not uniform, an explanation of the various disparate conditions shall be included in the report. Terms not defined above shall be defined in the report or agreement for services.

2.3.24.6 *Discussion*—Terms not defined above shall be defined in the report or agreement for services.

2.3.25 *physical deficiency, n*—a conspicuous defect or deferred maintenance of a subject property’s material systems, components, or equipment as observed during completion of the PCA.

2.3.25.1 *Discussion*—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.

2.3.26 *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.

2.3.27 *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.

2.3.28 *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.

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

2.3.30 *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.

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

2.3.32 *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.

2.3.33 *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.

2.3.34 *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.

2.3.35 *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.

2.3.36 *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.

2.3.37 *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.

2.3.38 *short-term costs*, *n*—opinions of 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.

2.3.39 *shutdown*, *adj*—equipment, components, or systems that are not operating at the time of the field observer's walk-through survey.

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

2.3.41 *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.

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

2.3.43 *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.

2.3.44 *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.

2.3.45 *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.

2.3.46 *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.

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

2.3.48 *user*, *n*—the party that retains the consultant for the preparation of the PCA.

2.3.49 *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 *FHA*, *n*—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 and X1.1.2, 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 presence of physical deficiencies at 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 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 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 complete, supervised, and safe access 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 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 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 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 Costs Contingent on Further Discovery*—The consultant is not required to provide opinions of costs to remedy physical deficiencies that may require the opinions of 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 Architectural or Engineering Service—It is not the intent of this guide that by conducting the walk-through survey or reviewing the PCR that the consultant, the field observer, or the PCR reviewer is practicing architecture or engineering. Furthermore, it is not the intent of this guide that either the 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, that are readily available and reasonably ascertainable may be reviewed in completion of the assessment.

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 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—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 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.

7.7.2 Incomplete Answers—While the consultant should make inquiries in accordance with this section, the persons to whom the questions are addressed may have no obligation to cooperate. 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.

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 considerations" identified at Section 11 and elsewhere in this document 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.

8.4.1.4 Paving, Curbing, and Parking—Observe the material paving and curbing systems. Identify the types of parking, that is, garage, surface, subsurface, etc., the number and types of parking and loading spaces, and any reported parking inadequacies. Note the source of the information relating to the number and types of parking and loading spaces.

8.4.1.5 Flatwork—Observe sidewalks, plazas, patios, etc.

8.4.1.6 Landscaping and Appurtenances—Observe landscaping (trees, shrubs, lawns, fences, retaining walls, etc.) and material site appurtenances (irrigation systems, fountains, lighting, signage, ponds, etc.).

8.4.1.7 Recreational Facilities—Observe on-site recreational facilities.

8.4.1.8 Special Utility Systems—Identify the presence of any material special on-site utility systems such as water or wastewater treatment systems, special power generation systems, etc. If readily available, identify material system

information, such as system type, manufacturer, system capacity, system age, system operator, etc.

8.4.2 *Structural Frame and Building Envelope:*

8.4.2.1 Identify the primary buildings, including parking structures, on the subject property, and identify the basic type of structure (steel frame, wood frame, cast-in-place concrete, precast concrete, concrete block, etc.) for each. Observe the building substructure, including the foundation system (noting the presence of cellars, basements, or crawl spaces), building's superstructure or structural frame (floor framing system and roof framing system), building envelope including facades or curtain wall system, glazing system, exterior scalants, exterior balconies, doors, stairways, parapets, etc. Observations of the building's exterior generally are to be limited to vantage points that are on-grade or from readily accessible balconies or rooftops.

8.4.3 *Roofing:*

8.4.3.1 Identify and observe the material roof systems (exposed membrane and flashings) including, parapets, slope, drainage, etc. Observe for evidence and/or the need for material repairs, evidence of significant ponding, or evidence of roof leaks. Inquire as to the age of the material roofing system(s) and whether a roof warranty or bond is reported to be in effect.

8.4.4 *Plumbing:*

8.4.4.1 Identify and observe the material plumbing systems including piping (sanitary, storm and supply water), fixtures, domestic hot water production, and note any special or unusual plumbing systems.

8.4.5 *Heating:*

8.4.5.1 Identify the basic type of heat generating and distribution system, and the apparent or reported age of the equipment, past material component replacements/upgrades, and the apparent level of maintenance exercised. If heating equipment is shutdown or not operational at the time of the walk-through survey, provide an opinion of the condition to the extent observed. Also, observe any special or unusual heating systems or equipment present, such as solar heat. Identify in general terms reported material tenant-owned systems that are outside the scope of the PCA.

8.4.6 *Air Conditioning and Ventilation:*

8.4.6.1 Identify the basic type of air-conditioning and ventilation systems including cooling towers, chillers (include type of reported refrigerant used), package units, split systems, air handlers, thermal storage equipment, material distribution systems, etc. Identify the apparent or reported age of the material equipment, past material component upgrades/replacements, apparent level of preventive maintenance exercised, and whether a maintenance contract is reported to be in place. If air conditioning and ventilation systems are shutdown or not operational at the time of the walk-through survey, provide an opinion of the condition to the extent observable. Identify any special or unusual air conditioning and ventilation systems or equipment, such as refrigeration equipment for ice skating rinks, cold storage systems, special computer cooling equipment, etc. Identify in general terms reported material tenant-owned systems that are outside the scope of the PCA.

8.4.7 *Electrical:*

8.4.7.1 Identify the electrical service provided and observe the electrical distribution system including distribution panels, transformers, meters, emergency generators, general lighting systems, and other such equipment or systems. Observe general electrical items, such as distribution panels, type of wiring, energy management systems, emergency power, lightning protection, etc. Identify any observed or reported special or unusual electrical equipment, systems, or devices at the subject property.

8.4.8 *Vertical Transportation:*

8.4.8.1 Identify equipment type, number of cabs/escalators, capacity, etc. Observe elevator cabs, finishes, call and communication equipment, etc. Identify whether a maintenance contract is reported to be in place, and if so, identify the service contractor.

8.4.9 *Life Safety/Fire Protection:*

8.4.9.1 Identify and observe life safety and fire protection systems, including sprinklers and standpipes (wet or dry, or both), fire hydrants, fire alarm systems, water storage, smoke detectors, fire extinguishers, emergency lighting, stairwell pressurization, smoke evacuation, etc.

8.4.10 *Interior Elements:*

8.4.10.1 Observe typical common areas including, but not limited to, lobbies, corridors, assembly areas, and restrooms. Identify and observe typical finishes, that is, flooring, ceilings, walls, etc., and material building amenities or special features, that is spas, fountains, clubs, shops, restaurants, etc.

8.5 *Additional Considerations*—There may be additional issues or conditions at a property that users may wish to assess in connection with commercial real estate that are outside the scope of this guide (Out of Scope considerations).

8.5.1 *Outside Standard Practices*—Whether or not a user elects to inquire into non-scope considerations in connection with this guide or any other PCA is not required for compliance by this guide.

8.5.2 *Other Standards*—Other standards or protocols for assessment of conditions associated with non-scope conditions may have been developed by governmental entities, professional organizations, or other private entities.

8.5.3 *Additional Issues*—Following are several non-scope considerations that users may want to assess in connection with commercial real estate. No implication is intended as to the relative importance of inquiry into such non-scope considerations, and this list of non-scope considerations is not intended to be all-inclusive:

8.5.3.1 Seismic Considerations,

8.5.3.2 Design Consideration for Natural Disasters (Hurricanes, Tornadoes, High Winds, Floods, Snow, etc.),

8.5.3.3 Insect/Rodent Infestation,

8.5.3.4 Environmental Considerations,

8.5.3.5 ADA Requirements.²

² This guide recognizes that PCAs may include some level of assessment of ADA compliance. This guide recognizes that there are numerous acceptable levels of ADA assessment that can be conducted as part of the PCA. Where such an assessment is desired, the extent of assessment should be mutually agreed upon by the user and the consultant.

- 8.5.3.6 FHA Requirements,³
- 8.5.3.7 Mold;
- 8.5.3.8 Indoor Air Quality, and
- 8.5.3.9 Property Security Systems.
- 8.5.3.10 Long Term Costs⁴

9. Opinions of Costs to Remedy Physical Deficiencies

9.1 *Purpose*—Based upon the walk-through survey and information obtained in accordance with following this guide, general-scope opinions of costs are to be prepared for the suggested remedy of the material physical deficiencies observed. These opinions of costs are to assist the user in developing a general understanding of the physical condition of the subject property.

9.2 *Scope*—Opinions of costs should be provided for material physical deficiencies and not for repairs or improvements that could be classified as: (1) cosmetic or decorative; (2) part or parcel of a building renovation program (3) tenant improvements/finishes; (4) enhancements to reposition the subject property in the marketplace; (5) for warranty transfer purposes; or (6) routine or normal preventive maintenance, or a combination thereof.

9.3 *Opinions of Costs Attributes:*

9.3.1 *Threshold Amount for Opinions of Costs*—It is the intent of this guide that the material physical deficiencies observed and the corresponding opinions of costs (1) be commensurate with the market value and complexity of the subject property; (2) not be minor or insignificant; and (3) serve the purpose of the user in accordance with the user's risk tolerance level. Opinions of costs that are either individually or in the aggregate less than a threshold amount of \$3,000 for like items are to be omitted from the PCR⁵. If there are more than four separate like items that are below this threshold requirement, but collectively total over \$10,000, such items should be included. This guide recognizes that for properties of large scope or market value, the aforementioned thresholds may be inappropriate to be meaningful to a user, and the user may adjust these cost threshold amounts provided that they are disclosed within the PCR's Executive Summary under the heading "Deviations from the Guide."

9.3.2 *Actual Costs May Vary*—Opinions of costs should only be construed as preliminary, order of magnitude budgets. Actual costs most probably will vary from the consultant's opinions of costs depending on such matters as type and design of suggested remedy, quality of materials and installation, manufacturer and type of equipment or system selected, field conditions, whether a physical deficiency is repaired or replaced in whole, phasing of the work (if applicable), quality of

contractor, quality of project management exercised, market conditions, and whether competitive pricing is solicited, etc. This guide recognizes that certain opinions of costs cannot be developed within the scope of this guide without further study. Opinions of cost for further study should be included in the PCR.

9.3.3 *Extrapolation of Representative Observations*—Opinions of costs may be based upon: the extrapolation of representative observations, conditions deemed by the consultant as highly probable, results from information received, or the commonly encountered EULs or RULs of the components or systems, or a combination thereof.

9.3.4 *Estimating of Quantities*—It is not the intent of this guide that the consultant is to prepare or provide exact quantities or identify the exact locations of items or systems as a basis for preparing the opinions of costs.

9.3.5 *Basis of Costs*—The source of cost information utilized by the consultant may be from one or more of the following resources: (1) user provided unit costs; (2) owner's historical experience costs; (3) consultant's cost database or cost files; (4) commercially available cost information such as published commercial data; (5) third-party cost information from contractors, vendors, or suppliers; or (6) other qualified sources that the consultant determines appropriate. Opinions of costs should be provided with approximate quantities, units, and unit costs by line item. If in the reasonable opinion of the consultant, a physical deficiency is too complex or difficult to develop an opinion of probable cost using the quantity and unit cost method, the consultant may apply a lump sum opinion of probable costs for that particular line item. Opinions of costs should be limited to construction-related costs; those types of costs that commonly are provided by contractors who perform the work. Business related, design, construction management fees, general conditions, and indirect costs should be excluded.

9.3.6 *Costs for Additional Study*—For some physical deficiencies, determining the appropriate suggested remedy or scope may warrant further study/research or design, testing, exploratory probing, and exploration of various repair schemes, or a combination thereof, all of which are outside the scope of this guide. In these instances, the opinions of costs for additional study should be provided.

9.3.7 *Cost Segregation*—Opinions of costs should be segregated within the PCR into the categories of immediate costs and short-term costs.

10. Property Condition Report

10.1 *Format*—This guide does not present a specific PCR format to be followed. This should be determined between the user and the consultant.

10.2 *Writing Protocols:*

10.2.1 *Suggested Remedy*—For each material physical deficiency, the consultant should provide a suggested remedy, which may include recommending further research or testing, or both, if appropriate in the consultant's opinion.

10.2.2 *Significance of Physical Deficiency*—If the significance of the physical deficiency is not readily discernible, the consultant should explain its significance in a simple manner meaningful to a user. For example, stating that "the subject

³ This guide recognizes that PCAs for residential properties may include some level of assessment of FHA compliance. Where such an assessment is desired, the extent of assessment should be mutually agreed upon by the user and the consultant.

⁴ This guide recognizes that most PCAs include some level of assessment of long-term costs. This guide recognizes that there are numerous methods and acceptable levels of long-term cost assessment that can be conducted as part of the PCA. Where such an assessment is desired, the method and level of assessment should be mutually agreed upon by the user and the consultant.

⁵ This guide recognizes that most PCRs include material life-safety code and building code violations regardless of cost.

property has aluminum distribution wiring” may be insufficient to the user, since this statement reveals nothing about the significance of this adverse condition.

10.2.3 Disclosure of Information Source—The consultant should differentiate between material information obtained by the field observer’s actual knowledge and that reported or provided by others or obtained from documents provided. The source of such material information should be reported.

10.2.4 Representative Description and Observed Conditions—The PCR’s descriptions of systems and components and their general physical condition may be based upon extrapolations of representative observations conducted by the field observer during the walk-through survey.

10.3 Documentation—The PCR should include pertinent documentation such as photographs; copies of material building and fire department records; building code violation notices to the extent deemed material; certificates of occupancy; and copies of repair cost documentation submitted by owner or owner’s representative, contractors, or agents, for past or existing physical deficiencies. All photographs should be numbered and captioned, and may be correlated to the PCR’s text.

10.4 Credentials—The PCR should name the field observer and the PCR reviewer and should include their statement of qualifications.

10.5 Executive Summary—The general content for the PCR Executive Summary is discussed in this section.

10.5.1 General Description—The opening paragraph should indicate that this is a PCR, identify the subject property, and provide pertinent information such as use, size, age, location, construction type, design style, and apparent occupancy status. Also identify the name of the consultant that prepared the PCR, the name of the user, the user’s position with respect to the subject property, the commercial real estate transaction (if known), the purpose the PCR is to serve (if known), and the date of the site visit.

10.5.2 General Physical Condition—In 10.5.1, the subject property’s general physical condition, the apparent level of preventive maintenance exercised, and any significant deferred maintenance is summarized. A schedule of material physical deficiencies, any significant capital improvements that are pending, in-progress, or were recently implemented, and any significant findings resulting from research should be provided.⁶

10.5.3 Opinions of Costs—Present the aggregate sum of opinions of costs segregated between immediate and short-term costs.

10.5.4 Deviations from this Guide—Present all material deviations and deletions from this guide, if any, listed individually along with all additional consultant services that have exceeded this guide’s suggested requirements.

10.5.5 Consultant/Field Observer Relationship—If the consultant or field observer, or both are not at arm’s-length with the user, such a relationship should be disclosed.

10.5.6 Recommendations/Discussions—Briefly identify those components and systems necessitating further study, research, testing, intrusive survey, or exploratory probing. This section also may be used to discuss any obvious major deviations from the subject property description provided by the user to the consultant, ongoing repairs or improvements, or other relevant issues.

10.6 Purpose and Scope:

10.6.1 Purpose—Provide a short paragraph specifically stating the purpose the PCR should serve and the client’s position with respect to the commercial real estate transaction. If the client does not disclose the PCR’s purpose or its role to the consultant, the PCR should so state.

10.6.2 Scope—Identify the improvements that comprise the subject property. Provide an outline of the scope of work completed for the PCA and methods utilized. Should either the PCA or the PCR materially deviate from this guide or if there were any constraints preventing the consultant from performing the PCA in accordance with this guide, these constraints should be identified.

10.7 Walk-Through Survey—Provide the information that is outlined in Section 8. Such information should include a brief description of each system or component and observed physical deficiencies, if any. Both the brief descriptions and the observed physical deficiencies may be based upon the field observer’s representative observations. A general description of material tenant-owned equipment that is outside the scope of the PCA should be provided in this section.

10.8 Document Reviews and Interviews—Identify any material information relating to physical deficiencies of the subject property resulting from the review of documents and interviews conducted.

10.9 Additional Considerations—Identify any material additional considerations or Out of Scope considerations that are included in the PCR.

10.10 Opinions of Costs—Identify the material physical deficiencies and provide suggested remedies, complete with opinions of costs.

10.11 Qualifications—Both the field observer’s and the PCR reviewer’s statement of qualifications should be provided.

10.12 Limiting Conditions—Provide all limiting conditions of the PCR.

10.13 Exhibits:

10.13.1 Representative photographs (may be correlated directly into text or numbered and labeled in exhibit).

10.13.2 Questionnaire.

10.13.3 User/owner submitted documents.

10.13.4 Photocopied plot plans, sketches, etc.

10.13.5 Other exhibits considered appropriate by the consultant.

11. Out of Scope Considerations

11.1 Activity Exclusions—The activities listed below generally are excluded from or otherwise represent limitations to the scope of a PCA prepared in accordance with this guide. These

⁶ This should include material life-safety code and building code violations.

should not be construed as all-inclusive or imply that any exclusion not specifically identified is a PCA requirement under this guide.

11.1.1 Identifying capital improvements, enhancements, or upgrades to building components, systems, or finishes. The consultant must be aware of the distinction between repair and replacement activities that maintain the property in its intended design condition, versus actions that improve or reposition the property.

11.1.2 Identifying improvements, capital expenditures, repairs, maintenance and other activities that are or may be required at a future date, except as needed in the review of short term and long term needs.

11.1.3 Removing, relocating, or repositioning of materials, ceiling, wall, or equipment panels, furniture, storage containers, personal effects, debris material or finishes; conducting exploratory probing or testing; dismantling or operating of equipment or appliances; or disturbing personal items or property, that obstructs access or visibility.

11.1.4 Determining adequate pressure and flow rate, fixture-unit values and counts, verifying pipe sizes, or verifying the point of discharge for underground drains.

11.1.5 Determining NFPA hazard classifications, identifying, classifying, or testing fire rating of assemblies. Determination of the necessity for or the presence of fire areas, fire walls, fire barriers, accessible routes, construction groups or types, or use classifications.

11.1.6 Preparing engineering calculations (civil, structural, mechanical, electrical, etc.) to determine any system's, component's, or equipment's adequacy or compliance with any specific or commonly accepted design requirements or building codes, or preparing designs or specifications to remedy any physical deficiency.

11.1.7 Taking measurements or quantities to establish or confirm any information or representations provided by the owner or user, such as size and dimensions of the subject property or subject building; any legal encumbrances, such as easements; dwelling unit count and mix; building property line setbacks or elevations; number and size of parking spaces; etc.

11.1.8 Reporting on the presence or absence of pests such as wood damaging organisms, rodents, or insects.

11.1.9 Reporting on the condition of subterranean conditions, such as soil types and conditions, underground utilities, separate sewage disposal systems, wells, manholes, utility pits; systems that are either considered process-related or peculiar to a specific tenancy or use; or items or systems that are not permanently installed.

11.1.10 Entering or accessing any area of the premises deemed to potentially pose a threat of dangerous or adverse conditions with respect to the field observer's health or safety, including, but not limited to: entering of plenum, crawl, or confined-space areas, entering elevator/escalator pits or shafts, walking on pitched roofs, or any roof areas that appear to be unsafe, or roofs without built-in access, and removing of electrical panel and device covers.

11.1.11 Performing any procedure, that may damage or impair the physical integrity of the property, any system, or component

11.1.12 Providing an opinion on the condition of any system or component, that is shutdown. However, the consultant is to provide an opinion of its physical condition to the extent reasonably possible considering its age, obvious condition, manufacturer, etc.

11.1.13 Evaluating the Sound Transmission Class or acoustical or insulating characteristics of systems or components.

11.1.14 Evaluating the flammability of materials and related regulations.

11.1.15 Providing an opinion on matters regarding security of the subject property and protection of its occupants or users from unauthorized access.

11.1.16 Operating or witnessing the operation of lighting, lawn irrigation, or other systems typically controlled by time clocks or that are normally operated by the building's operation staff or service companies.

11.1.17 Providing an environmental assessment or opinion on the presence of any environmental issues such as potable water quality, asbestos, hazardous wastes, toxic materials, the location or presence of designated wetlands, mold, fungus, IAQ, etc.

11.1.18 Providing an environmental assessment or opinion on the presence of any environmental issues such as potable water quality, asbestos, hazardous wastes, toxic materials, the location or presence of designated wetlands, mold, fungus, IAQ, etc.

11.1.19 Evaluating systems or components that require specialized knowledge or equipment, including but not limited to: flue connections, interiors of chimneys, flues or boiler stacks; electromagnetic fields, electrical testing and operating of any electrical devices; examination of elevator and escalator cables, sheaves, controllers, motors, inspection tags; or tenant-owned or maintained equipment.

11.1.20 Process related equipment or condition of tenant owned/maintained equipment. Entering of plenum or confined space areas. Testing or measurements of equipment or air flow.

11.1.21 Observation of flue connections, interiors of chimneys, flues or boiler stacks, or tenant-owned or maintained equipment. Entering of plenum or confined space areas.

11.2 Warranty, Guarantee, and Code Compliance Exclusions—By conducting a PCA and preparing a PCR, the consultant merely is providing an opinion and does not warrant or guarantee the present or future condition of the subject property, nor may the PCA be construed as either a warranty or guarantee of any of the following:

11.2.1 Any system's or component's physical condition or use, nor is a PCA to be construed as substituting for any system's or equipment's warranty transfer inspection;

11.2.2 Compliance with any federal, state, or local statute, ordinance, rule or regulation including, but not limited to, fire and building codes, life safety codes, environmental regulations, health codes, zoning ordinances, compliance with trade/design standards, or standards developed by the insurance industry.

11.2.3 Compliance of any material, equipment, or system with any certification or attestation rate program, vendor's or manufacturer's warranty provisions, or provisions established

by any standards that are related to insurance industry acceptance/approval, such as FM, State Board of Fire Underwriters, etc.

11.3 *Additional/General Considerations:*

11.3.1 *Further Inquiry*—There may be physical condition issues or certain physical improvements at the subject property that the parties may wish to assess in connection with a commercial real estate transaction that are outside the scope of this guide. Such issues are referred to as non-scope considerations, and if included in the PCR, should be identified under 10.9.

11.3.2 *Out of Scope Considerations*—Whether or not a user elects to inquire into non-scope considerations in connection

with this guide is a decision to be made by the user. No assessment of such non-scope considerations is required for a PCA to be conducted in compliance with this guide.

11.3.3 *Other Standards*—Other standards or protocols may exist for the discovery or assessment of physical deficiencies. Such standards and protocols are expressly excluded from the scope of the assessment unless otherwise agreed between the User and Consultant.

12. Keywords

12.1 ASTM; physical assessment report; property condition assessment (PCA); property condition report (PCR)

ANNEX

(Mandatory Information)

A1. SPECIFIC PROPERTY TYPES

INTRODUCTION

This annex is to be used to supplement or complement previous sections of this guide for various asset types as if integral to the preceding sections.

A1.1 *Multifamily Properties:*

A1.1.1 *Representative Observations*—For complexes with multiple buildings, representative observations of the exterior envelopes applies to all similar residential buildings. For complexes built in phases, each construction phase should be surveyed. Representative observations of the interiors should include a mix of units, which are occupied, vacant, damaged, and under renovation or repair. Representative observations of the interiors of each construction phase should include a sufficient number of the top and bottom floors. If not specified in the agreement between consultant and user, the number of units, buildings, and components surveyed in each construction phase should be sufficient to allow the field observer to develop an opinion with reasonable confidence regarding the present condition of the building systems and should be determined using the professional judgment and experience of the field observer at the time of the walk-through survey. The number of reported units that are not available for occupancy, and the reported reasons they are not available should be included in the PCR. The PCR should contain the consultant's rationale for determining the number of units surveyed and for selecting the units that are surveyed. In addition, the PCR should disclose the specific units surveyed.

A1.1.2 *Patios and Balconies*—The field observer should conduct representative observations of patios, balconies, enclosures, railings, etc., and report on the observed condition.

A1.1.3 *Plumbing*—The field observer should identify the type of supply piping material (to the extent that it is easily visible) and note any replacement or historical breakage if reported to the field observer. General conditions and historical

leakage of other systems and apparent causes should also be discussed in the PCR.

A1.1.4 *Electrical*—The field observer should note the size of the electrical service serving representative units, and whether units are individually metered. To the extent readily accessible and easily visible, which for purposes of this clause includes the removal of switch or outlet covers by building maintenance personnel for representative observations, the type of distribution wiring for 120-V circuits should be provided in the PCR. If aluminum wiring is observed, the presence or absence of properly rated connection devices should be noted.

A1.1.5 *Attic*—The presence or lack of an attic should be specifically addressed. If the attic(s) is readily accessible, the field observer should note observations such as means of access, ventilation, evidence of water leakage, daylight entering through defects, the amount and type of insulation and the presence and condition of draft stops.

A1.1.6 *Roof Sheathing*—The field observer should note Fire Resistant Treated (FRT) plywood, if observed.

A1.1.7 *Interviews*—For multifamily properties, residential occupants do not need to be interviewed unless appropriate and with the consent of the owner or user. If the subject property also has nonresidential uses and the owner or user provides authorization, the field observer should interview nonresidential occupants in accordance with this guide.

A1.2 *Commercial Office Buildings:*

A1.2.1 *Representative Observations*—For complexes of buildings built in phases, each construction phase should be

surveyed. For a subject property that contains a complex of multiple buildings, the concept of representative observations extends to each building individually and not to all buildings as a whole. Representative observations should include a mix of tenant (occupied and unoccupied) and common areas. Representative observations of the interiors of each construction phase should include a sufficient number of the top and bottom floors. If not specified in the agreement between consultant and user, the quantity of floor area and the number of components and systems surveyed in each construction phase should be sufficient to allow the field observer to develop an opinion with reasonable confidence regarding the present condition of the building systems. Such representative observations should be determined using the professional judgment and experience of the field observer at the time of the walk-through survey. The quantity of reported floor area, which is not available for occupancy, and the reasons it is reportedly not available, should be included in the PCR. The PCR should contain the consultant's rationale for determining the quantity of floor area surveyed and for selecting the specific floors that were surveyed.

A1.3 Retail Buildings:

A1.3.1 General Exclusions—The consultant is not required to survey the interior condition of shell-finish tenancies or the interior/base building conditions of anchor stores, unless specifically included in the scope of the PCA. Furthermore, pad buildings having different ownership than the primary building(s) are excluded from the scope of the PCA survey.

A1.3.2 Representative Observations—For complexes of buildings built in phases, each construction phase should be surveyed. For a subject property that contains a complex of multiple buildings, the concept of representative observations extends to each building individually and not to all buildings as a whole. Representative observations should include a mix of tenant (occupied and unoccupied) and common areas. Repre-

sentative observations of the interiors of each construction phase should include a sufficient number of the top and bottom floors. If not specified in the agreement between consultant and user, the quantity of floor area and the number of components, and systems surveyed in each construction phase should be sufficient to allow the field observer to develop an opinion with confidence as to the present condition of the building systems. Such representative observations should be determined using the professional judgment and experience of the field observer at the time of the walk-through survey. The quantity of reported floor area, which is not available for occupancy and the reasons it is reportedly not available, should be included in the PCR. The PCR should contain the consultant's rationale for determining the quantity of floor area surveyed and for selecting the specific floors, that were surveyed.

A1.3.3 Interviews—With the consent of the owner and the user, the field observer should interview proprietors or store managers of the tenant spaces surveyed as to the subject property's general condition in addition to other knowledgeable persons identified by the owner or user as described in 7.7. The consultant should use discretion and should not disclose the purpose of the PCA to tenants unless the user grants permission. This guide recognizes that there is no obligation for the proprietors or store managers to cooperate.

A1.3.4 Roofing—In addition to the observations made of the main roofs of buildings, a description and observed condition of canopy roofs, viewed either from the main roof or, if appropriate, from the ground should be reported along with any generally observed physical deficiencies with the parapets, canopies, soffit, or fascia system.

A1.3.5 Flatwork—Loading dock areas, if any, should be observed along with the condition of any flatwork, such as the loading dock platform, loading dock exterior stairs, and concrete trailer pads.

APPENDIXES

(Nonmandatory Information)

XI. GUIDANCE AND ENHANCED DUE DILIGENCE SERVICES

INTRODUCTION

The information presented in this appendix is not necessary for completing a baseline PCA pursuant to this guide; however, a user and consultant may wish to utilize some or all of the information presented in this appendix to increase or supplement the extent of due diligence to be exercised by the consultant.

XI.1 Qualifications—This guide recognizes that the quality of a PCR is highly dependent on the qualifications of the field observer and PCR reviewer. These qualifications include such factors as experience, education, training, certification, and professional registration/licensure in architecture or engineer-

ing. Additionally, this guide recognizes that appropriate qualification levels may vary for different PCAs depending on such factors as asset type and scope (size, age, complexity, etc.) as well as the purpose the PCR is to serve and specific needs and risk tolerance level of the user.

X1.1.1.1 Qualifications of the Field Observer—The field observer is the person or entity engaged by the consultant to perform the walk-through survey; the field observer also may be the PCR reviewer. The consultant should establish the qualifications of the field observer, but as the accuracy and completeness of the walk-through survey will determine the quality of the PCR, the consultant should carefully consider education, training, and experience when selecting the field observer.

X1.1.1.1 Due to the scope or complexity of the subject property or the purpose of the PCA, the user may direct the consultant to augment the field observer with specialty consultants, or the user may define the level of qualifications of the field observer.

X1.1.1.2 The field observer, as a representative of the consultant, should be identified in the PCR. As required by 6.1, the statement of qualifications of the field observer should be included in the PCR.

X1.1.2 Qualifications of the PCR Reviewer—The PCR reviewer is the qualified individual designated to exercise responsible control over the field observer on behalf of the consultant and to review the PCR. This guide recognizes that the consultant is ultimately responsible for the PCA process.

X1.1.2.1 As indicated in the main body of the guide, all PCRs prepared in accordance with this guide should be reviewed and signed by the PCR reviewer. In addition, as required by 6.1, the statement of qualifications of the PCR reviewer should be included in the PCR.

X1.1.2.2 It is recommended that the user consider a PCR reviewer who possesses a professional designation in architecture or engineering, or appropriate experience and/or certifications in the construction fields. The PCR reviewer should have experience commensurate with the subject property type and scope (size, complexity, etc.), and experience in the preparation of PCRs. Generally, professional architecture or engineering licensure/registration, and/or certifications, education, or appropriate construction experience related to these disciplines are recognized as acceptable qualifications for reviewing PCRs. However, the user and the consultant may mutually agree to define qualifications for the PCR reviewer that may depend on the specific experience of the PCR reviewer and the scope of the subject property.

X1.2 Verification of Measurements and Quantities:

X1.2.1 Parking Spaces:

X1.2.1.1 Based Upon Review of Drawings—The field observer should review the subject property's submitted as-built site drawings and survey for the purposes of identifying the number of parking spaces provided and compare to an actual field count.

X1.2.1.2 Actual Field Count—The field observer should physically count each delineated parking space that has been provided for the subject property.

X1.2.2 Count of Multifamily Units:

X1.2.2.1 Based Upon Review of Drawings, Schedules, etc.—The field observer should review documents submitted by the owner to determine the number of multifamily dwelling units.

X1.2.2.2 Actual Field Count—The field observer should physically count each dwelling unit. This implies that a walk-through survey of each building and the floor of each building should be conducted by the field observer.

X1.2.3 Building Areas:

X1.2.3.1 Gross Areas:

(1) Based Upon Review of As-Built Drawings—The consultant should review as-built drawings submitted by the owner to determine the gross building area on a floor-by-floor basis. Such review of drawings may consist of a review of schedules or dimensions. For purposes of this clause, gross building area should be that definition as required by the local zoning board at the time of the building's construction and as presented on the drawings' zoning schedule, if any.

(2) Actual Field Measurement—The field observer should take measurements and prepare calculations physically to determine gross area. Current BOMA definition of gross area is to be used unless the user provides the consultant with an alternate definition/protocol for the method of calculating such areas. The consultant should state the criteria under which the calculations are prepared and submit all quantities on a per floor basis.

X1.2.3.2 Net Usable Areas:

(1) Based Upon Review of As-Built Drawings—The user should provide the consultant with a set of as-built drawings for all space available for lease. Based solely on such drawings, the consultant should determine usable area by use of digitizer or other means. Current BOMA definition of usable area is to be used unless user provides the consultant with an alternate definition/protocol for the method of calculating such areas.

(2) Actual Field Measurement—The field observer should take measurements and prepare calculations physically to determine usable area. Current BOMA definition of usable area is to be used unless the user provides the consultant with an alternate definition/protocol for the method of calculating such areas. The consultant should state the criteria under which the calculations are prepared and submit all quantities on a per floor basis.

X1.3 Service Company Research: The consultant should conduct an appropriate inquiry of the subject building's major plumbing, HVAC, fire protection, electrical, and elevator service companies, if any. The purpose is to inquire of the system's or equipment's general condition; the extent of major or chronic repairs and replacements; pending repairs and replacements; and, outstanding proposals to provide repairs and replacements, etc. Within the PCR, the consultant should provide the name of the parties contacted and pertinent information received.

X1.4 Flood Plain Designation—Note whether the property encroaches upon a 100-year flood area designated as "Special Flood Hazard Areas Inundated by 100-year Flood" on FEMA maps, as amended.