

The Cost of Delaying Technical Due Diligence

Due diligence periods move quickly, with financial reviews, legal requirements, financing, schedules, and property plans all competing for attention. In that process, technical assessments can sometimes get pushed later than they should.

Once a property transaction has closed or a renovation is well into design, there may be fewer opportunities to address what the technical assessment finds. An aging roof, deteriorated pavement, outdated mechanical equipment, or an environmental concern can affect the budget, schedule, design, and capital plan.

Identifying those conditions earlier gives owners and project teams more time to evaluate the findings and determine how to factor them into the transaction, renovation plans, or future capital needs.

Start With the Property You Actually Have

Plans for a property tend to focus on what it could become. Technical due diligence starts with what it is right now.

A Property Condition Assessment (PCA) provides a baseline evaluation of visible and accessible building and site conditions. Intertek performs PCAs in accordance with ASTM E2018-24, including a review of available construction and/or maintenance documents, visual observations of readily assessable components, documentation of general conditions, immediate and short-term needs costs, and a capital-reserve analysis. Reviewed building components generally includes site components, pavement, exterior walls, doors/windows, roofing, MEP, life safety, and interior systems. Life expectancy and life-cycle cost information are provided for understanding the immediate and short-term needs along with capital planning.

"Technical due diligence gives owners more time to identify conditions and plan before transaction, design, or construction decisions become harder to change."

Current conditions are only one factor in evaluating future capital needs. An HVAC system may still be operating as expected, but its age and remaining service life could point to a major expense sooner than anticipated in the capital plan. A roof may not have active leaks during the assessment but still be approaching the end of its

estimated useful life or have conditions that warrant closer evaluation before an acquisition or planned renovation.

A PCA is also a starting point rather than an intrusive investigation of every building component. When visual observations, available records, or other findings raise questions, a more focused assessment may be appropriate.

None of that automatically makes a property a bad investment. It gives the team more information about the asset's condition and where additional investigation or capital planning may be needed.

Environmental History Follows a Property

Physical condition is only one aspect of due diligence. Environmental Assessments examines the property's history and current use, adjoining properties, and regulatory information to identify potential environmental concerns and provide regulatory protection. Intertek's services include Phase I, II, and III Environmental Site Assessments (ESA), site investigations, contamination assessments, and remediation support.

A Phase I ESA may identify a concern that calls for further evaluation. A Phase II ESA includes an investigation, sampling, and analysis to evaluate whether suspected contamination is present and, when applicable, better understand its nature, extent, and source. A Phase III ESA includes actual remediation of the environmental concern.

Environmental findings can affect financing, redevelopment plans, the need for additional investigation or remediation, and the decisions an owner can make before closing.

What Should Teams Be Asking Early?

Technical due diligence should reflect the property, its intended use, and the decisions that will follow.

Questions to address during the due diligence period include:

- What major building systems are approaching the end of their expected life?
- Is deferred maintenance likely to require significant near-term capital spending?
- Are there signs of water intrusion, enclosure deterioration, or drainage problems that warrant further evaluation?
- Do observed conditions point to the need for a more focused building enclosure, structural, mechanical, or other technical assessment?
- Does the property's current or past use raise environmental questions?
- Are there planned changes in use that could change how existing systems or assemblies need to perform?
- Are there site, climate, or natural hazard exposures that should factor into future investment?
- If an initial review identifies a concern, is there enough time in the due diligence period for additional investigation?

The answers can help determine when a baseline review is sufficient and when a more focused technical assessment is appropriate.

Small Findings Can Have Larger Project Consequences

One of the less obvious risks of limited due diligence is the impact an existing condition can have once a project is already underway.

A building is scheduled for renovation, and the design team develops a scope based on the information available at the time. Construction documents move forward, and pricing begins. Then an existing condition requires a change. Moisture damage is more extensive than expected. Mechanical equipment needs replacement instead of modification. An enclosure issue requires additional evaluation. A site or drainage condition affects planned improvements.

Those findings do not always remain confined to a single component. Moisture damage may affect enclosure repairs and interior construction. Equipment replacement can require electrical, structural, or space change requirements. Drainage work may affect site improvements or construction sequencing.

The result can be redesign, additional investigation, revised sequencing, schedule delays, and construction spending that was not included in the original budget.

Technical due diligence will not identify every condition hidden inside an existing building. However, it can reduce the number of significant conditions that are first identified after design or construction is underway.

Look Beyond Current Building Conditions

Current conditions and property resilience are related, but they answer different questions.

A building component can be serviceable and still vulnerable when exposed to flooding, severe weather, water intrusion, or another natural hazards. Owners planning to hold or significantly invest in a property may therefore need to consider how the building and site are expected to perform under those conditions, not only what needs repair today.

A Property Resilience Assessment (PRA) can identify vulnerabilities that may affect future capital improvements, operational planning, or recovery following a natural hazard event.

Intertek's Property Resilience Assessments can address flooding and stormwater exposure, water intrusion, wind exposure, and enclosure performance, site grading and drainage, building system vulnerabilities under stress conditions, and operational and recovery impacts following an event.

Repair needs are only part of the evaluation. Owners also need to understand how the property may perform under future hazard conditions and how those findings should factor into planning for the overall operation of the property after a natural hazard event occurs.

The Scope Should Follow the Property

Not every building needs to be investigated the same way. A recently built office that will remain in its current use raises different questions than an aging industrial property being converted for a new use. A warehouse, multifamily development, health care facility, and data center each bring different systems, performance requirements, and exposures to the table.

The technical review should follow the property, proposed use, observed conditions, and decisions ahead. Sometimes that means starting with ESA, PCA and/or PRA assessments. At other times, those initial findings point to a closer evaluation of the enclosure, structural systems, MEP systems, site conditions, resilience, or another specific area.

The timing of that follow-up work can be as important as identifying the need for it. Finding a concern early enough to investigate it gives the Owner more information before the scope, budget, and design decisions become harder to change.

How Intertek Can Help

Intertek provides technical due diligence services for commercial real estate and redevelopment projects, including Property Condition Assessments, Environmental Site Assessments, and Property Resilience Assessments. Our building science, environmental, geotechnical, and engineering capabilities can also support more focused evaluations when an initial review identifies areas that warrant further investigation.

A technical review does not eliminate future costs, but it can give owners and project teams more time to investigate findings, plan for capital needs, and respond before design, construction, or transaction decisions are further advanced.

Click here to learn more about Intertek's Property Condition Assessment and due diligence services.

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