

## **Property Condition Reports**

The initiation of a project is always an exciting time for everyone involved. And it is also the time when the owner's risk is greatest, especially for a renovation project. Is there really a market for the end use? Is this the right location? Can the project be renovated economically? How long and how much will have to be spent to obtain the required permits and financial commitments required? It's a "Chicken and Egg" thing that an owner has to deal with.

And somewhere in there is the question of what is the actual condition of the site and building that will be renovated. Initially, if the owner/developer is at least somewhat knowledgeable about construction, an initial walkthrough may be enough to postpone the detailed inspection, and its cost, of the site and facilities until later in the process when some of the other questions have been answered. Many times we will walk through a building and tell an owner or prospective buyer what we see without charge, particularly if we have a relationship with the prospective client.

In many cases we are asked by owners of properties to prepare a property condition report as a precursor to preparing a scope of work for the renovation of a property. Recently a purchaser of an apartment complex asked us to prepare a scope of work for renovation of the apartments and was quite upset to learn that the limited visual water damage she saw was much deeper than she had expected and that there was significant concealed structural damage to walls and floor structure. Had she called us before the purchase we could have done a detailed inspection and used our infra-red camera to detect the extent of the deterioration. It made no sense to renovate the apartments because even with major improvements in the apartments, the new rent would not cover the cost of the repairs.

Property Condition Reports (PCR) come in a variety of sizes, scopes, and naturally, fees. Last year I did a quick walk through of a school facility for a non-profit that wanted to buy it. The preliminary inspection did not find any major issues in the properties condition. I talked with the maintenance director and was able to recommend that the client proceed with the next steps for purchase. I also advised the client to have a thorough pre-purchase inspection, develop a scope of work and prepare a renovation scope and budget that met would meet their expectations.

For another client, I did a quick walk through of a parking garage recently and noted some areas of deterioration in the paving and accessibility requirements. When the owner asked us to do a more detailed investigation, we found that structural deterioration was concealed under the paving. However, the cost of the remedial work was not exorbitant and the project proceeded to the next stage.

A little money spent up-front on a preliminary Property Condition Report may keep an owner from spending a lot of money on other due diligence items only to find that there are insurmountable issues in the property he is about to purchase.