AN INTRODUCTION TO TECHNICAL DUE DILIGENCE

Knight Frank

Introduction

The building survey or technical due diligence is just one part of the process of property acquisition, but it's significance should not be underestimated. While a decision to purchase or occupy a property is often governed more by commercial pressures than by faults in the building, the due diligence process is designed to alert the purchaser to issues that will affect the building as an investment and as an asset. This enables the risks that are inherent in property acquisition to be managed. Purchasers should always remember that caveat emptor, or "let the buyer beware", is the doctrine that governs all property transactions.

The Technical Due Diligence process is a means of mitigating the risks associated with any property acquisition (lease or purchase) by assessing the condition of the building and the documentation available, and providing a detailed report in the commercial context that the acquisition is to be made. A well-executed due diligence process provides investors and prospective occupiers with a strong position to negotiate on price and to mitigate risk.

What is involved?

The Technical Due Diligence exercise can be as comprehensive or as limited as the client requires. However, as a minimum, the following should be normally considered:

- Assessment and report on building structure, fabric, building services installations, vertical transportation, statutory compliance, ground contamination and hazardous materials;
- Review, obtain and collate all necessary and relevant building documentation and certification.
- Estimation of capital expenditure.

The aim of the technical due diligence process is to identify what risks the purchaser may be exposed to by the acquisition, and to provide an assessment of the implications of those shortcomings, in the context of the purchaser's intention for the property.

Setting Standards

In 2009, the Royal Institution of Chartered Surveyors (RICS) launched the Best Practice Guidance Notes for the Technical Due Diligence of Commercial and Industrial Property in Australia. The standard aims to provide a valuable industry benchmark for best-practice due diligence, and is the first of its kind in Australia.

John Preece, National Director at Knight Frank, chaired the RICS committee which prepared the document and Andrea Brown, Director at Knight Frank was on the panel of industry experts. Knight Frank can therefore provide truly industry leading expertise in all matters relating to technical due diligence.

CHOOSE KNIGHT FRANK

Knight Frank Project Management & Building Consultancy is a multidisciplinary team of professionals offering Project Management, Building Consultancy, Cost Consultancy and Sustainability advice for all commercial property clients.

We have one of the largest teams of qualified building consultants in Australia, giving us the critical mass to advise on significant portfolios as well as individual transactions.

Operating within a commercial real estate environment allows our team to deliver excellent technical advice, delivered within the commercial context that you – our client - require that advice. This approach sets us aside from traditional project managers and building consultants and, we are told, makes our advice 'more relevant' to our clients.

For further information go to: www.knightfrank.com.au/PMBC

RECENT TRACK RECORD

Knight Frank

Office:

- **8 Exhibition Street, Melbourne:**
  45,000m^2 office building over 36 levels
- **The Vogel Centre, Wellington, NZ:**
  35,425m^2 commercial office building over 16 levels plus basement car parking
- **45 St Georges Terrace, Perth:**
  10,000m^2 office building over 10 levels plus basement car parking

Data centres/special use:

Optus

- Multiple specialist data centre properties for Optus networks occupation & operation, NSW & VIC

Office / Industrial / Retail / Heritage:

Primewest

- Multiple commercial office, retail and industrial sites across NSW, including heritage listed buildings

Retail:

Top Ryde, NSW

- Major retail centre with anchor tenants Myer and Big W, and more than 250 specialty stores

Erina Fair, NSW

- Major retail centre with anchor tenants Myer, Kmart, Big W, Woolworths, Coles, Aldi, and 8 screen Hoyts cinema, and more than 300 specialty stores

Hotels & Leisure:

- WA – 300 room hotel and 250 room hotel
- VIC – 283 room CBD hotel
- NSW – 314 room airport hotel
- SA – 200 room CBD hotel and 220 room resort hotel