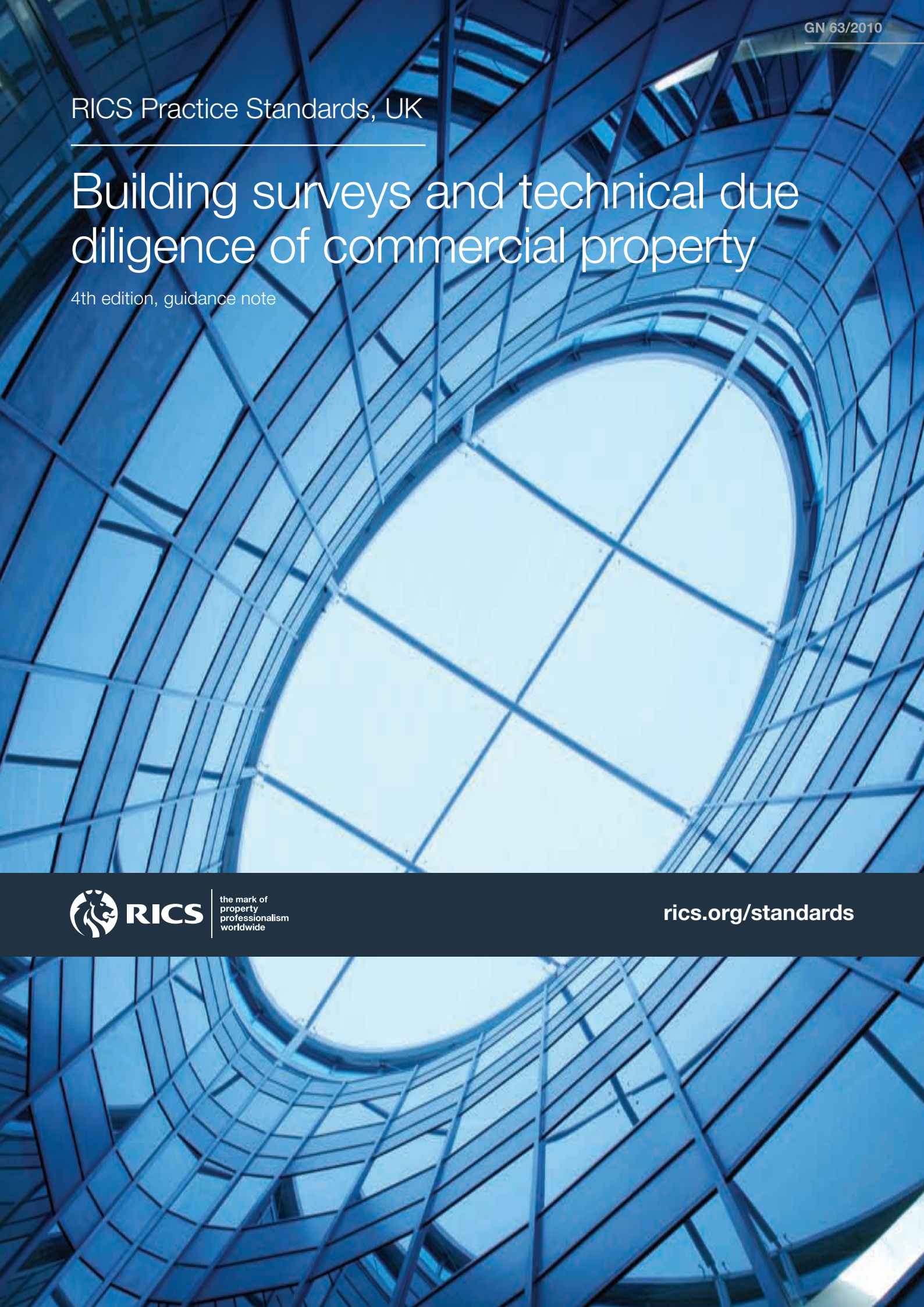
GN 63/2010

RICS Practice Standards, UK

Building surveys and technical due diligence of commercial property

4th edition, guidance note



RICS the mark of property professionalism worldwide

rics.org/standards

Building surveys and technical due diligence of commercial property

RICS guidance note

4th edition (GN 63/2010)

RICS

the mark of property professionalism worldwide

Published by the Royal Institution of Chartered Surveyors (RICS)

Surveyor Court

Westwood Business Park

Coventry CV4 8JE

UK

www.ricsbooks.com

No responsibility for loss or damage caused to any person acting or refraining from action as a result of the material included in this publication can be accepted by the authors or RICS.

Produced by the Building Surveying Professional Group of the Royal Institution of Chartered Surveyors.

First edition published 1983 (previous title *Guidance note on structural surveys of commercial and industrial property*)
Second edition published 1998 (previous title *Building surveys and inspections of commercial and industrial property*)
Third edition published 2005 (previous title same as second edition)

ISBN 978 1 84219 627 4

© Royal Institution of Chartered Surveyors (RICS) November 2010. Copyright in all or part of this publication rests with RICS, and save by prior consent of RICS, no part or parts shall be reproduced by any means electronic, mechanical, photocopying or otherwise, now known or to be devised.

Typeset in Great Britain by Columns Design Ltd, Reading, Berks

Printed in Great Britain by Annodata Print Services, Dunstable, Beds

Contents

RICS guidance notes **1**

Acknowledgments **2**

1 Introduction **3**

2 Taking instructions **4**
2.1 Key items 4
2.2 Vendor surveys 5
2.3 Client requirements 5
2.4 The premises 7
2.5 Confirming the instruction 8
2.6 Third party consultants and their appointment 8
2.7 Scope of services and RICS appointment forms 9
2.8 Working in Europe 9

3 Preparing for the survey **11**
3.1 General guidance 11
3.2 Administration 11
3.3 Equipment 12
3.4 Health and safety for the surveyor 12

4 The inspection **14**
4.1 General principles 14
4.2 Inspection, note taking and reflective thought 14
4.3 Main building elements 15
4.4 Building services 18
4.5 External areas, outbuildings and boundaries 18
4.6 Health and safety considerations 18
4.7 Fire precautions 19
4.8 Accessibility 19
4.9 Environmental considerations 19
4.10 Deleterious and hazardous materials 20
4.11 Sustainability issues 20
4.12 Cultural heritage 20
4.13 Matters for the legal adviser's attention 20

5 The report **22**
5.1 General guidance 22
5.2 Report layout 22
5.3 Report contents 23

Appendices **26**

A Insurance 26

A1 Compulsory professional indemnity insurance regulations 26
A2 *Merrett v Babb* 26
A3 Professional indemnity insurance 26
A4 Private work 26

A5 Subrogation 26
A6 Third party rights 26
A7 Third party liability insurance 27
A8 Working outside of the UK and Ireland 27
A9 New legislation and disciplines 27

B Legislation and legal issues 28

B1 Duty of care 28
B2 Negligence 28
B3 Contract and limitation 28
B4 Legislation 29
B5 Civil Procedure Rules 29

C Useful information sources 30

C1 Links 30
C2 Further reading 30

RICS guidance notes

This is a guidance note. It provides advice to RICS members on aspects of their practice. Where procedures are recommended for specific professional tasks, these are intended to embody 'best practice', i.e. procedures which in the opinion of RICS meet a high standard of professional competence.

Members are not required to follow the advice and recommendations contained in the note. They should, however, note the following points.

When an allegation of professional negligence is made against a surveyor, the court is likely to take account of the contents of any relevant guidance notes published by RICS in deciding whether or not the surveyor had acted with reasonable competence.

In the opinion of RICS, a member conforming to the practices recommended in this note should have at least a partial defence to an allegation of negligence by virtue of having followed those practices. However, members have the responsibility of deciding when it is appropriate to follow the guidance.

On the other hand, it does not follow that members will be adjudged negligent if they have not followed the practices recommended in this note. It is for each surveyor to decide on the appropriate procedure to follow in any professional task. However, where members depart from the practice recommended in this note, they should do so only for a good reason. In the event of litigation, the court may require them to explain why they decided not to adopt the recommended practice. Also, if you have not followed this guidance, and your actions are called into question in an RICS disciplinary case, you will be asked to justify the steps you did take and this may be taken into account.

In addition, guidance notes are relevant to professional competence in that each surveyor should be up-to-date and should have informed him or herself of guidance notes within a reasonable time of their promulgation.

Acknowledgments

This guidance note was produced by the RICS Building Surveying Professional Group under the direction of a working group. RICS would like to express its thanks to the following who contributed to its development.

Working group

Ian Bragg, BSc MRICS, GVA Grimley Ltd

Laura Brazil, RICS

Alex Charlesworth, BSc (Hons) MRICS, Cushman & Wakefield LLP

Nevin Hutchinson, BSc (Hons) MRICS, King Sturge LLP

David Mann (Chair), BSc (Hons) MRICS, Tuffin Ferraby Taylor LLP

Trevor Rushton, FRICS ACIArb FBEng, Watts Group plc

The working group expresses its thanks in particular to the following contributors:

Pat Coleman, Faber Maunsell | AECOM

Michael Earp, FINEX Global, Willis Limited

Jason Juden, SJ Berwin LLP

Glyn Thomas, Land Securities Properties Ltd

1 Introduction

This guidance note has been prepared to provide surveyors and clients with a source of information and guidance in respect of commercial and industrial property surveys. Such surveys may also include large residential apartment buildings.

This guidance is written to apply to England and Wales, although much of its content is equally applicable elsewhere. It is operative from October 2010 from which time the RICS publication *Building surveys and inspections of commercial and industrial property*, 3rd edition, ceases to be RICS guidance.

General guidance of this nature cannot cover all circumstances and each property should be assessed on an individual basis having regard to the specific needs of the client. The guidance offered is considered adaptable for all types of commercial and industrial property. It is accepted that surveyors may well have good reasons for not following all aspects of this guidance note. It is for the surveyor to decide upon such issues depending on the individual circumstances, e.g. nature of construction or site conditions.

This is not intended to be an instruction manual or a guide detailing a step-by-step process which must be followed. It aims to set out the general principles which should be adopted when undertaking a building survey.

RICS is concerned that members only hold themselves out to be competent in fields for which their training and background experience are appropriate and relevant. It is important that surveyors undertaking commercial and industrial building surveys have relevant experience in this field, have appropriate knowledge of building construction and are sufficiently skilled to inspect and report on the particular property involved.

Surveyors providing commercial and industrial building surveys and associated services are advised to:

- assess the needs of the client;
- consider the extent of the investigations to be made, advise on the limitations of the agreed inspection and obtain instructions from the client for any additional services required (the life cycle flow chart on page 6 refers to typical building survey types);
- undertake an impartial and professional assessment of the property and its condition, and report to the client in the detail and style necessary to provide a balanced professional opinion to the extent required by the agreed instructions; and
- comply with the agreed instructions, which should have been confirmed in writing, and form the basis of the contract between the client and the surveyor.

The benefits to the client of commissioning a building survey, whether a prospective purchaser, occupier or investor in property includes:

- gaining an understanding of the condition and design of the property;
- establishing the suitability of the property for its intended use;
- understanding the need for, and quantifying, future costs and other liabilities;
- providing a level of protection for institutional investors or funders; and
- providing a basis for negotiation with the vendor or landlord.

This guidance note has been prepared by a group of experienced surveyors connected with the commercial property industry. A full list of those contributing to the guidance is shown in the acknowledgments section.

2 Taking instructions

2.1 Key items

It is important to remember that the client may not be familiar with the range of services that the surveyor is able to offer. When a client asks for a survey, it is recommended that the surveyor asks questions to ensure that the type of survey being requested is the right one for the circumstances. For example, if a client asks for a schedule of condition, the client may mean a building inspection report. The surveyor should assess the needs of the client and advise on all of the services that can be provided.

There are key items common to confirming instructions no matter what the commission or scope of work. These are recommended as basic good administration and may include confirming:

- precisely who the client/other parties are, i.e. investors and occupiers;
- precisely what service is to be provided;
- precisely who the surveyor/surveying company is;
- what is not being provided (e.g. a valuation);
- the detailed limitations on the scope of the survey and report;
- the date of the instruction;
- involvement of other consultants or contractors and the extent of their appointment (e.g. on behalf of the client);
- the timescales for completing the instruction and any intermediate stages;
- what the fee will be;
- how variations to the instruction will be assessed;
- specialist access required, access restrictions and health and safety;
- how the fee will be claimed/become payable and the charges for late payment;
- how the fee will be calculated if the instructions are aborted early;
- whether disbursements are included or not, in particular where access hoists are required;
- include the surveyor's standard terms of business; and
- are there any pre-qualifications required (non disclosure agreement, Criminal Records Bureau checks, *Official Secrets Act* 1989, rail track side training, etc.).

Depending on the particulars of the arrangements, the surveyor may also need to consider:

- insurances (see also Appendix A, Insurance);
- the client's indemnification of the surveyor against damage caused if opening up is required as part of the survey;
- the procedures to be followed in the event of a dispute;
- personal guarantees for payment from directors of small companies;
- advance payments;
- additional charges for time spent attending post survey meetings;
- an agreement with the client on the level of reliance (i.e. assignment); and
- depth of document review the surveyor is to carry out.

The surveyor may consider capping the time spent reviewing the documentation and reserve the right to charge additional fees. For example, the documents may be held at a different location, or the surveyor may be required to locate relevant documents among boxes of associated property information.

It is important to make the client aware of the practical limitations of any inspection or survey exercise. In any building, but particularly large buildings or complexes of buildings, there are literally hundreds of items that may need to be checked. Many of them will be hidden and/or inaccessible. Repetitive items (such as windows) will normally only be checked on a sample basis. However, a client will reasonably expect that all major defects (or potential major defects) and issues would be addressed.

In addition to what the surveyor considers to be a priority for the specific exercise being undertaken,

the client's perception of what is important needs to be addressed. The perceived priorities may not be the same. For example, the priorities will change where a client is purchasing a property for either investment purposes, or for its own occupation.

It is also recommended that the surveyor deals with the issue of liability for the report – whether or not the surveyor is willing for the liability to be passed to a third party. Therefore reference to, or exclusion from, the *Contracts (Rights of Third Parties) Act* 1999 ought to be considered. The surveyor may wish to limit assignments to one or two parties only, subject to the surveyor's insurance terms, with a requirement for further assignments to be subject to written consent (and not be unreasonably withheld). Surveyors should refer to their professional indemnity insurance (PII) cover for specific conditions. Refer to Appendix A for insurance information.

Similarly, the surveyor is recommended to clarify the extent of liability for specialist sub-consultant reports, whether or not the sub-consultants are directly engaged. It would be appropriate to ensure that the level of detail included in the agreement with the client is at least replicated in any agreement with a specialist sub-consultant or contractor. In circumstances where a sub-consultant is appointed on behalf of the client, this ought to be stated and that the surveyor is not responsible for the content of the report.

Instructions may come from term commission arrangements where contract details may have been agreed at some time in the past. These need to be reviewed, and in such cases care should be taken to ensure that the formalisation of individual instructions under a term commission is completed in each and every case (for example, purchase/ works orders and pro forma approvals). The surveyor should ensure that the instruction is properly established and that a contract exists before starting the identified task.

Beyond these basic principles, it is advised that further areas of detail particular to industrial and commercial premises are confirmed at instruction stage. These generally relate to the client's intentions for the premises, the physical and operational particulars of the premises, and health and safety issues. The divisions between these areas can be blurred, but all of these items ought to be investigated and included within the confirmation of instructions.

2.2 Vendor surveys

Vendor surveys are undertaken with a view to collating all due diligence documentation before the property goes to the market and benefit passes to the purchaser. Vendor surveys avoid the need for surveys by each purchaser's team and enable sellers to 'put their house in order' should the reports identify issues. All potential purchasers will therefore be basing their offers on the same information and without the need for a 'subject to survey' condition. With regard to vendor surveys, it is worth considering the following.

The client's report is likely to be assigned to the purchaser following completion of the sale. Readdressing the report is unlikely to maintain the contractual links, as the report would have been prepared for the seller, not the purchaser. Subsequently, the surveyor is likely to be required to enter a third party agreement with the potential purchaser, which may also extend to the funders. This is usually undertaken in excahnge for a nominal payment.

The surveyor's instructions ought to be varied to include reference to the *Contract (Rights of Third Parties) Act* and willingness for liability to be passed to a third party. The surveyor may wish to limit assignment to one or two parties only, subject to the surveyor's insurance terms, with a requirement for further assignments to be subject to written consent (and not to be unreasonably withheld).

The third party agreement is sometimes called the 'duty of care' or 'reliance' letter. The wording can be agreed at the time the surveyor is appointed to undertake the survey, and the content ought to comply with the surveyor's PII conditions. For more information on duty of care and other legal issues, see Appendix B.

2.3 Client requirements

Having a clear understanding of the client's intentions for the premises is important, as there is a range of survey types that could be undertaken. The life cycle flow chart (Figure 1) will offer direction for the surveyor in this regard.

It is important to establish why the client requires the information and possibly guide a client that is not fully conversant with the options for various types of survey and professional services available. This may include specialist support from other disciplines. Where such specialists are to be appointed, their liability should be direct to the client in order to secure privity of contract. Where this is not the case and the appointment is as a sub-consultant direct to the surveyor, the matter of liability needs to be clearly identified and defined.

2.3.1 Tenure information

The surveyor's ability to provide a definitive report may be severely compromised without a full copy of the lease and/or other title documents. They are key to determining the client's liabilities with regard to the premises. Where documents are missing, the surveyor ought to make reasonable assumptions or appropriate exclusions and state what these are within the report.

2.3.2 Proposed use

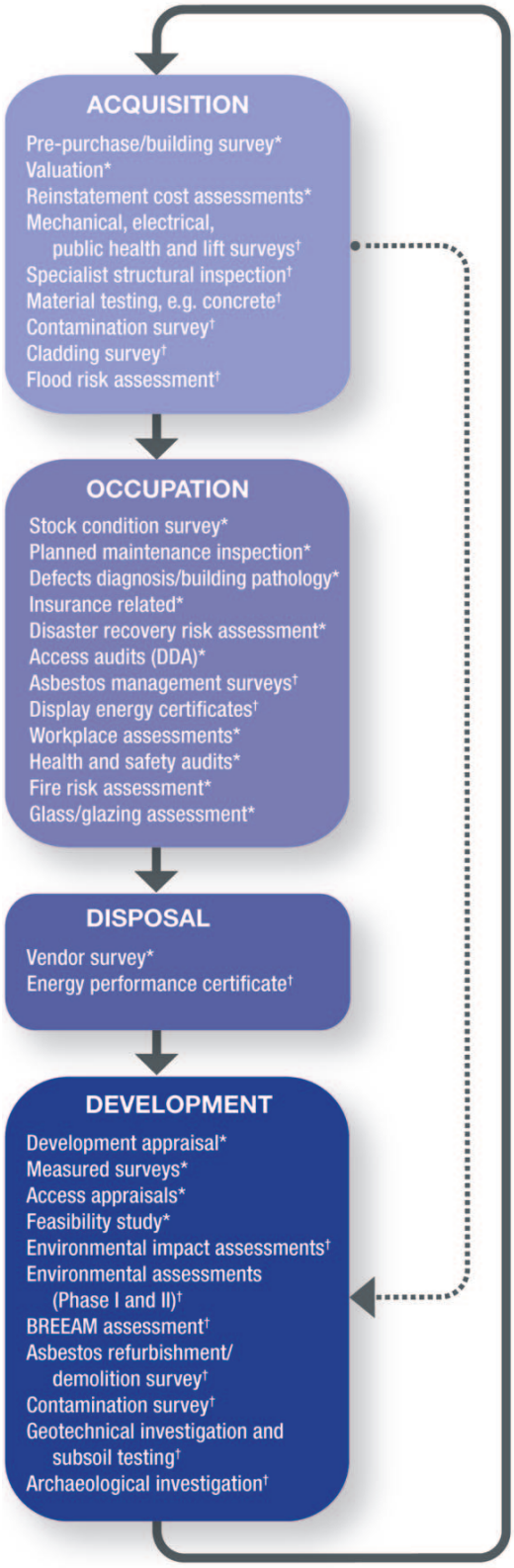
The surveyor is advised to try and determine the client's intention in acquiring the building and any special requirements that the client may have. The surveyor should also understand how the client's undertaking or operations will affect the premises and surroundings. It may be appropriate to consult an operational specialist in the field (possibly from the client's own staff) to assist in the survey and report. If the client has intentions to physically alter the building, this will affect the scope of the report and will likely lead the surveyor to engage specialist engineering assistance.

2.3.3 Report format

The surveyor may consider showing the client examples of alternative report formats for consideration, and the following questions could also be included.

- Should photographs be included?
- To reduce waste, can electronic copies be provided in PDF format only? If the client requires paper copies, how many should be provided?
- Are any copies to be issued directly to other parties authorised by the client, such as legal advisers?

Figure 1: Life cycle of a commercial/industrial property and typical building survey types



** Usually undertaken by a chartered surveyor*
† Usually undertaken by a specialist (e.g. member of the Chartered Institution of Building Services Engineers, or Institution of Occupational Safety and Health, etc.)

Note: Some of the survey types can be undertaken during more than one of the stages. For clarity they have been placed within the stage considered most common.

- How should the report be delivered, e.g. by normal post to an office address or by secure delivery to a named individual?
- Are costs for works or repairs identified in a report to be included? If so, how detailed do they need to be and on what basis are they to be assessed – the use of schedules of rates, for example?

2.3.4 Coordination

Commercial surveys will typically involve a team of individuals (surveyors, engineers, environmental consultants, etc.) contributing to a single report. Where these are appointed separately by the client, it is important to clarify with the client who will be taking the responsibility to coordinate these individuals to ensure that the information they produce is correct and delivered in a timely fashion. Whoever takes on this responsibility should expect that the client will make this clear to all the members of the team.

2.3.5 Time

In agreeing a timetable with a client, the surveyor is recommended to detail the time necessary to:

- carry out the various surveys;
- complete research and tests; and
- prepare and submit the report.

If the surveyor feels insufficient time is being allowed, he or she should notify the client.

The surveyor needs to be aware that responsibility will remain with him or her when accepting instructions for quick 'walk round' surveys which do not allow sufficient time for a full evaluation. When accepting such instructions, surveyors ought to ensure that clients are fully aware that compromising on the time allowed may result in a limited report. Balancing time, cost and quality in order to achieve the client's objectives is frequently difficult as they are often in conflict with one another, hence the necessity to establish priorities with the client when agreeing the brief. These can be modified by agreement as the project proceeds.

2.4 The premises

2.4.1 Location and size

The importance of precisely identifying the areas to be covered within the survey should not be overlooked or underestimated. It should not be seen as unreasonable to expect a client to provide an accurate detailed address, including a postcode.

The extent of the survey may also need to be confirmed for large premises, where not all of the building or site is to be included. Properties in multiple occupancy, ill-defined industrial sites, outbuildings and yards are among those that can pose problems in this area. It is recommended that the surveyor asks the client to provide definitive direction, usually by reference to a property title document. However, the surveyor should bring any obvious areas of inaccuracy or uncertainty to the client's attention. Confirmation of instruction to the client should also include a marked up plan or other written definition of the area to be surveyed.

2.4.2 Access

Confirmation that all areas of the building will be accessible on the dates agreed for the survey(s) is advisable. It is also important to check in advance whether roof access is available from within the building (i.e. roof hatches) for flat roof inspections, or whether separate ladder or platform access is required and needs to be organised, internally or externally, via a caretaker or local contractor.

Tenant notice period or other access restrictions also need to be ascertained. The fee arrangements could detail the costs of return visits to sites if access is not available as expected.

When arranging the inspection, consideration should also be given to section 3 of the *Health and Safety at Work etc. Act* 1974 regarding general duties of employers and the self-employed to persons other than their employees.

2.4.3 Occupation

The surveyor will benefit from knowing what parts of the building will be occupied as this may restrict the survey. For example, it may be that out-of-hours inspections will be needed for noisy or otherwise intrusive investigations. Similarly, the operational processes or activities being undertaken in the premises may bar the surveyor from specific areas at certain times.

The surveyor may benefit from knowing if the premises, or parts thereof, are vacant. It is also

important to establish any requirements for privacy of any party, or a need for a confidential agreement.

The fact that the property may still be under construction or subject to ongoing refurbishment should also reported to the surveyor.

2.4.4 Documentation

If available, copies of current statutory and other documentation should be requested as part of the evaluation for the inspection or the report. It would be prudent to request these at the outset if for no other reason than it may take some time to locate the required documents. The following is a list of typical documents which may be available (along with those listed in section 3.2.2):

- health and safety file;
- licences for alterations;
- fire risk assessments/fire certificates;
- planning approvals;
- listed building or conservation area status;
- building control approvals and completion certificates;
- asbestos documentation;
- access audits;
- Energy Performance Certificates (EPC) and Display Energy Certificates (DEC); and
- existing survey reports.

The Internet is an excellent source of information, and a list of useful websites is included in Appendix C of this guidance note.

2.5 Confirming the instruction

The client's instructions are often given by telephone, and it is important that the basis of the contract is agreed before the survey is undertaken. Whilst it is possible to establish a contract verbally, the surveyor is strongly recommended to ensure that any instruction is formalised in writing. Email or letter is acceptable and should include all of the points covered in this section.

Confirmation should be sent out as soon as possible, confirming the client's instructions including the terms, conditions and limitations which have been agreed, remembering that once these 'terms of engagement' have been decided, they cannot be amended without the client's approval. It is not essential that the client provides confirmation of acceptance of the conditions; however, it is advisable for the surveyor to request that the client signs and returns a copy of the letter of confirmation to show acceptance of the terms and conditions of the engagement.

Typically, a client's phone call or email/letter invites the surveyor to undertake a survey but with no mention of terms. The surveyor's return letter, setting out the terms, then constitutes the 'offer' in legal terms, although the client may see it as an acceptance of the initial invitation. The surveyor is recommended to press for and obtain formal acceptance of the offer. It may be easier if the surveyor provides the client with a copy of the terms that can be readily signed and returned by way of acceptance.

Experience suggests that more often than not disputes are based on there not being a clear understanding of the terms at the outset. Therefore, written confirmation of instructions is becoming more of a requirement where court action is necessary to recover debt. When instructions are received through a third party, the surveyor is recommended to take all reasonable steps to ensure that the confirmation of instruction is forwarded to the actual client in full.

In the absence of any clause to the contrary, there is an implied term at common law in a contract between a professional and a client, that work should be carried out with the skill and care reasonably to be expected of a competent person exercising the particular calling and profession and the particular skill in question.

2.6 Third party consultants and their appointment

Given the complex nature of commercial property inspections, appointing consultants from other disciplines may be required to help prepare technical due diligence investigations – for instance, mechanical and electrical consultants. Such specialists may be appointed in several ways, including those discussed in the following lists.

1 Direct appointment by the surveyor
   - The surveyor should ensure the cost for the consultant is covered within the surveyor's own appointment.

- The level of the consultant's own PII should be checked. There may be a shortfall between the level agreed directly with the client, which will leave the surveyor's PII exposed.
- An agreement on a detailed scope of service, timescales and requirements should be made between the surveyor and the consultant.
- The surveyor will be responsible for coordination and delivery, as well as content of the consultants report. Therefore, reviewing the report before delivering it to the client is recommended.

2 Direct appointment by the client

- In these circumstances, the client will be responsible for payment of the consultant's fees and briefing, as the contract will be directly between the client and consultant.
- The surveyor may be asked to review the consultant's report.

3 Indirect appointment by the surveyor on behalf of the client

- In many cases, the client would prefer the surveyor to coordinate and organise all sub-consultants and act as lead during the due diligence process. As a result, the client may require the appointment of sub-consultants on his or her behalf.
- If the surveyor chooses the consultant, the choice should be clarified with the client before appointment.
- The surveyor should establish the terms of the sub-consultant's appointment and obtain client agreement, together with confirmation that payment of the sub-consultant's fees will be covered.
- The surveyor should confirm with the client that the former is not responsible for the content of the sub-consultant report.

The surveyor ought to ensure that all PII conditions have been met in all circumstances. The surveyor may insert a copy of the consultant's report into his or her own report within the appendices, but it must not be altered. Salient issues may be extracted and used in the surveyor's report, though the source should be quoted and whether it was a direct or indirect appointment should be made clear. The surveyor may also consider stating that he or she cannot be held responsible for the report's content.

2.7 Scope of services and RICS appointment forms

Many surveyors and surveying firms have adopted their own specific scope of services. Alternatively, the surveyor may wish to use standard appointment documents provided by RICS. These are available to RICS members to download from the RICS website (www.rics.org/site/scripts/documents.aspx?categoryID=454).

Surveyors may find it helpful to consult their PII for specific conditions before any appointment.

2.8 Working in Europe

2.8.1 Key issues

The use of building surveyors within European countries is gaining more popularity, so it is important that RICS addresses some of the issues arising from this trend in order to maintain a consistent level of service across Europe, Middle East and Africa (EMEA) region. Many clients appoint building surveyors because they have commercial awareness of what an investor, for instance, is looking for and wants. Many clients also think of Europe as a single entity.

Whilst building surveying as a profession is gaining a reputation across EMEA, it is important for surveyors to recognise that different countries have different professions undertaking similar services. Indeed, some countries have several professions performing the same, or parts of the same, service that a building surveyor may offer.

There are a number of key issues that need to be established before taking instructions.

- Clients require a consistent level of service in both the UK and Europe. Surveyors should only accept instructions if these can be adequately resourced and standards maintained.
- Surveyors should assess each instruction and establish whether limited local knowledge will be a barrier.

- Many countries have legal barriers to operation, so it may be helpful to research these before entering into a contract.
- There are legal differences, not only in other countries but also between federal states or regions within countries, and surveyors ought to acquaint themselves with each country's specific issues, preferably before accepting instructions.
- Some clients want their buildings compared to UK standards and regulations to provide a consistent benchmark.
- Communication can be a clear barrier, and whilst English is the accepted language of business, there are many instances where it is essential to communicate in the local language in order to complete the instruction. For instance, to undertake an acquisition survey it is important to speak to local personnel or facilities managers, as well as looking at local documentation. Alternatively, some firms work with local building experts to avoid the problems of law and language.
- Surveyors should be aware that local law and EU legislation are liable to change and keep themselves fully up to date.
- Value added tax (VAT) issues are complex, and UK VAT should always be considered according to the specifics of a transaction.

For further information on working within Continental Europe please refer to the RICS best practice and guidance note for *Technical due diligence of commercial, industrial and residential property in continental Europe*, 1st edition, to be published in 2011.

3 Preparing for the survey

3.1 General guidance

Preparation for a survey starts with obtaining the client's clear instruction, and with the surveyor understanding the client's objectives in order to provide useful advice that is targeted at addressing the client's future plans.

Industrial and commercial surveys usually involve a team of surveyors and professionals from associated disciplines, often from different practices and/or businesses. Clear lines of communication between members of the team need to be established at the outset, in order for everyone to understand the context of their own contribution and to prevent errors or duplication in data gathering.

3.2 Administration

3.2.1 Who, when and where

Getting the right person to the right place at the right time requires planning and forethought if the survey team is to be effective. Getting a combination of maybe five, six or more skilled and expensive individuals to the same place at relatively the same time can be difficult, particularly when they may be from different companies and geographic regions and often are meeting at relatively short notice. Furthermore, getting everyone to produce the correct information and in the correct format, in time for it to be reviewed, collated and commented upon before the delivery date expected by the client requires much effort and planning.

The surveyor is recommended to clarify with the client on who has the responsibility to coordinate and instruct any specialist surveys and reports associated with the surveyor's survey. If neither have been appointed as the coordinator, both the surveyor and the client need to establish who the specialists should report to with their contributions.

3.2.2 Occupiers – valuable sources of information

It is recommended that surveyor establish good relations with individuals at the premises as they are often willing to share, or even identify, background issues that might not be apparent from spending a single day within the premises, but which might be useful for inclusion within reports. Advance contact by phone to arrange access and perhaps escorted inspections is the time to try to strike up a friendly rapport.

When arrangements are being made to carry out an inspection of the property, especially when it is occupied, it is important that these arrangements are confirmed directly with the occupiers. Such confirmation may include the following (pending the client's privacy requirements):

- confirmation of the surveyor's appointment;
- purpose of the survey (subject to client confidentiality);
- dates and access arrangements and with whom the arrangements have been made;
- name(s) of the surveyor(s) and others who will be involved;
- an estimate of the time likely to be required for the survey;
- requirement of gaining access to all parts of the premises, ensuring that keys and escorts, etc. are available;
- a request for a letter of authority for access to a site where this is relevant;
- a request for details of any known risks or hazards; and
- clarification of requirements for a site induction.

Drawings are of great benefit but are not always available or, if they are, site staff may not know their whereabouts. If none are forthcoming, a good tip is to seek out a fire safety plan. This will often be available on site, and the surveyor may be able to borrow it to copy or even photograph it. It may not be dimensionally accurate but will give a good outline plan of the premises.

Any items of information that the client has not been able to provide may be available from the occupiers. The surveyor ought to review what he or she has and seek to update it. Enquiries may be made on such matters as:

- structural alterations or works for which drawings may be available;
- guarantees in respect of the premises or its services;
- local issues (e.g. flooding or boundary disputes);
- items of fixed equipment likely to be removed by the occupiers;
- records of service agreements on items of plant;
- records of statutory undertaker's accounts over a relevant period;
- records of the testing of life safety systems;
- health and safety matters;
- water hygiene and *Legionella* reports;
- planning and building control applications and approvals;
- operations and maintenance manuals;
- asbestos registers;
- access audits;
- radon tests; and
- high alumina cement (HAC) tests.

3.3 Equipment

Standard construction site personal protective equipment (PPE), such as hard hats and boots, may not be appropriate for survey work, but that is dependent on the activities at the premises. Items typically required for a survey include:

- coveralls;
- disposable class FFP2 face masks;
- goggles;
- gloves (latex and heavy duty); and
- ear defenders/plugs.

If working in or around trafficked areas (goods yards or loading bays, for example), wearing a high visibility jacket and site boots will be required.

The surveyor is not expected to use cradles or other fixed access equipment including safety wires. However, if they are needed, the surveyor should have proper training, be authorised to do use them and wear an appropriate safety harness.

It would probably be more appropriate to engage a specialist to undertake tasks requiring the use of such equipment.

3.4 Health and safety for the surveyor

It is advisable to undertake a risk assessment and to try to have a full understanding of the premises and their current condition before embarking on the task. The risk assessment can be in any form that is appropriate for the task at hand, but it is strongly recommended that it is recorded and filed.

A brief inspection prior to commencing the survey should be performed in order to spot areas of evident or potential danger. Familiarity with RICS *Surveying safely* (2006) publication is advisable and can be supplemented with information about the particulars of the subject premises.

3.4.1 The premises

The size of the premises (including surrounding areas and outbuildings), their height and extent can all be assessed prior to the survey, and the tools and other required preparations arranged.

The presence of fragile surfaces should be identified, along with the adequacy of items such as walkways, roof edge protecting and asbestos encapsulation. A roof surface should always be treated as fragile and not walked upon, unless known to be otherwise (e.g. concrete slab).

If the premises, or parts thereof, have been vacant for any length of time there may be a risk that building elements have failed or may be failing. Caution is recommended when entering such areas.

3.4.2 Activities in and around the premises

The activities being undertaken in the premises (or on adjacent and nearby premises) may pose risks to the surveyor. Prior to the survey, the surveyor is advised to find out the activities and any resultant necessary precautions.

It is likely that heavy industrial, chemical, petrochemical and other well established manufacturing processes will have detailed guidance for the surveyor to follow. In the absence of such detailed guidance, the surveyor needs to establish that the processes pose no risk.

Areas to be considered include:

- working close to plant or machinery;
- working at height;

- working in confined spaces;
- traffic movements;
- excessive noise;
- excessive heat or cold;
- vibration;
- presence of microwaves, radiation and electromagnetic field;
- chemical emissions;
- increased hygiene needs (e.g. food preparation areas);
- biohazards and asbestos containing areas;
- time restrictions;
- unoccupied areas and one-way opening doors; and
- security areas.

It is worth considering what risk the surveyor's presence may pose to the operation of the premises. Will staff be aware of the surveyor's presence? Will the surveyor contaminate or otherwise damage the process or its product?

3.4.3 The surveyor

Much is presumed about a surveyor's competency to complete a survey safely. When being retained, a surveyor is often quizzed on technical and professional matters but rarely on practical issues surrounding surveys. The employer has a responsibility to ensure that the surveyor is not put at risk, but it is similarly the responsibility of the surveyor to bring such limitations to the employer's attention so that they can be addressed.

A surveyor lacking understanding or confidence in these areas is recommended to read various Health and Safety Executive (HSE) publications regarding the use of ladders and working on roofs, and advice from the Suzy Lamplugh Trust, which deals with lone working issues. Refer to Appendix C for links to this Trust and other relevant organisations.

4 The inspection

4.1 General principles

The degree of inspection will depend on the purpose of the survey, the practical limitations in undertaking it and the intent of the report. Areas not inspected should be clearly identified within the report. The client should also be made aware of the practical limitations of any inspection or survey exercise. Repetitive items (such as windows or doors) will normally be checked only on a sample basis. However, a client would reasonably expect that all major defects (or potential major defects) and issues would be addressed. The surveyor should establish the priorities of the client, as they may not be the same as those of the surveyor.

The inspection requires a methodical approach to collecting the data in as great a depth as is practicable and appropriate under the conditions found on site. The surveyor should open unfixed hatches to the roof, ceiling and floor voids and service risers, together with screwed down access hatches (where this can be done without causing damage, expending excessive time or requiring specialist tools). Manual handling also needs to be considered – particularly in respect of heavy-duty manhole covers. In large or complex properties, it is often necessary to undertake a preliminary survey in order to become familiar with the general layout, form(s) of construction, means of access, inaccessible areas, and health and safety issues.

It is not the purpose of this guidance note to dictate to a surveyor how to undertake an inspection, but whichever method is used, consider the inter-relationship of building elements and try not to treat them in isolation. This is particularly important when inspecting a large building where different surveyors are responsible for inspecting different elements. Checklists may prove useful. These may be based on general matters to inspect and test, or may be developed for the particular building(s) being surveyed. It is not necessary to follow checklists slavishly, nor should they be considered as comprehensive. Where used with common sense, the survey will be seen to have had a logical basis.

4.2 Inspection, note taking and reflective thought

To comply with the terms and conditions of engagement, the surveyor should inspect as much of the property as is physically or safely accessible. A full inspection is often prevented by physical conditions or restrictions imposed by the occupant. If so, it is recommended that an explanation for all such limitations be provided within the report. The surveyor should then make a professional assessment based on what can be seen and advise on the likelihood of a defect (or defects) being present. In some situations, this may lead to a recommendation for further opening up or investigation works.

Where an area or location cannot be accessed or inspected adequately, presenting 'best and worst' options can give the client a spectrum to consider, rather than leaving the matter unresolved. The client may appreciate an 'educated guess' rather than complete uncertainty, but where this approach is adopted, the surveyor should try to make it clear that assumptions have been made and should always separate fact from opinion when reporting. The surveyor should keep in mind that conditions on site may not be as previously remembered or may have changed, and therefore should always use caution whilst carrying out the survey. If there are changes in circumstances, then it may be appropriate to review and revise the risk assessment for carrying out the survey.

It is recommended that the surveyor always takes and keeps a permanent record of the site notes, sketch plans and photographs made at the time of the inspection. Dictating machines, if used correctly, can provide an improved means of readily collecting an increased amount of data compared to written notes. It is advisable not to attempt to write the final report during the inspection but to prepare it from the notes after appropriate consideration. A copy of the original, unedited, dictated notes should be retained on file.

Because the building survey report is intended to reflect the considered professional opinion of the

surveyor, the edges of inspection, diagnosis and reporting often overlap. Each element of the property needs to be separately addressed and described, the sequence depending upon the logical format adopted. The following sections provide a methodical approach for the collection of data for the survey, or equally a means to present the data within the report.

4.3 Main building elements

4.3.1 Roofs

The surveyor should inspect external roof areas as closely as is feasible using the available equipment and from safe vantage points. The interior of accessible roof voids or the ceiling void of the top floor should also be inspected as far as possible with the equipment and access available. Inaccessible voids can be noted and an opinion given by inference, with recommendations for further investigations if appropriate.

Timbers or steelwork should be checked for damage and/or deterioration, alignment, etc. The type and quantity of insulation provided should be determined wherever possible. The condition of the external surface, weathering details, poor workmanship and/or detailing, and an assessment of its age and life expectancy should be noted, along with the presence of fragile roof coverings and asbestos cement sheeting. Subject to the findings of the survey, further testing such as thermography or earth leakage testing may be deemed appropriate. Any recommendations for a proposed renewal should ensure compliance with current Building Regulations.

Rainwater goods may be considered as integral to the roof, or as a separate heading (see 4.3.2), as can elements such as roof windows, smoke vents, services extracts, parapets, flashings, fascias, soffits and barge boards. Depending on their size and form of construction, each roof requires individual inspection but may be reported upon separately, in groups or as a whole. Balconies, roof terraces and external plant areas may also be considered separately or as part of the roof.

4.3.2 Rainwater goods

Rainwater goods should be inspected as closely as practicable using the available equipment and vantage points including the inside of gutters. Usually, the condition of downpipes can only be confirmed by inspection if they are externally mounted or within accessible risers; otherwise their internal location should be checked for signs of damp. Comment should be made on the general standards of maintenance of the system. The surveyor should distinguish between gravity and syphonic systems of rainwater disposal and identify, from visual inspection, whether they appear to be working efficiently.

4.3.3 Walls and cladding

The exposed elements of all walls should be visually inspected externally and internally where unobstructed by heavy plant growth, fixed linings or furniture. Flues and wall cavities cannot ordinarily be inspected except from pre-formed access points. Foundations are not normally exposed during a building survey, unless there is a specific reason or instruction to do so. An assessment of the foundation is then usually undertaken by a structural engineer.

The effectiveness of damp-proof courses, cills, copings, cornices, brise soleil, flashings and similar components require attention to confirm their protection against dampness and weather conditions. External cladding should be inspected for degradation, movement, cold bridging, defective sealants and coatings, fire stopping, cracking or corrosion.

The surveyor should comment on the condition, extent and type of insulation where possible. Composite panel construction should be highlighted to the client, and advice from the client's insurers may be required. Evidence of alterations or repairs can be noted and reviewed for legal or structural implications.

Subject to the findings of the investigation, it may be necessary to undertake invasive examination, e.g. opening up the structure or using an endoscope. This is over and above the scope of a normal survey, with a further visit and additional cost being incurred, subject to the client and building owner's approval.

The need for specialist cladding or fenestration consultants should be considered and suitable recommendations made for their appointment where appropriate.

4.3.4 Windows, doors and joinery

Where accessible, these elements should be checked from ground level externally and through open windows to upper floors where feasible; this is to examine vulnerable areas at close quarters. In large or complex buildings, it may be acceptable to inspect a representative sample of these elements, particularly when they are of similar construction and design. Doors and windows should be checked for timber decay, plastic creep or metal corrosion. Opening lights and doors should be tested for distortion or difficulties in opening and closing. It is worth noting adequate detailing to ensure the prevention of water ingress and sufficient drainage.

Failed double glazed units, gaskets and seals, or poor insulation standards can be identified where reasonably possible, but it may not be possible to identify every individual case of a defect in typical sample surveying procedures. Evidence of high humidity levels can be noted where water or mould is evident on internal cills and around the window. Where reasonably feasible to determine, glazing in vulnerable locations and any shortfalls in health and safety requirements should be advised. The surveyor should make reference to the provision, condition and adequacy of ironmongery, particularly in respect of means of escape, security and ease of use by the disabled. External decoration has particular relevance in recommendations on the longevity of elements and protection against weathering and decay. Redecoration clauses in the lease may need to be noted.

4.3.5 Structural frame

The surveyor should inspect the effectiveness and condition of the structural frame where reasonably accessible. A description, recording visible fractures, decay, corrosion, spalling concrete, exposed reinforcement and distortion should be provided, along with areas which have been altered or damaged. The surveyor should also note the presence of fire protection materials and, where possible, the likely fire resistance periods.

Further investigations may be required for identifying causes of subsidence or failures of concrete, timber frames or steelwork. Client approval will be needed for the additional time and cost, which may include the assistance of a structural engineer. An assessment of the building's age and form of construction is essential, as this often provides an insight into typical defects common during a particular period or associated with a construction method.

Where it is appropriate for the report, the surveyor should record the clear floor to eaves height to a steel portal frame for racking within a distribution warehouse, as well as the required minimum floor loadings for a particular usage. If HAC (pre-1975) or calcium chloride concrete additive (pre-1978) is suspected, the surveyor should caution the client accordingly and, if appropriate, recommend additional testing to verify the existence of these materials. The surveyor should also beware of the risk of chloride attack by virtue of environmental exposure to de-icing salts (buildings of any age) and, where attack is possible or suspected, recommend additional chloride and carbonation tests.

Multi-storey car parks demand special attention because of their exposure to harsh environments and, particularly in older buildings, poor construction standards. In some cases, additional engineering advice may be appropriate.

4.3.6 Substructure/basements

The surveyor should comment on the levels of ventilation, the presence of dampness and flooding, any drainage or plumbing arrangements, and the likelihood of tanking (original or subsequent) being present. Further investigations may be required by forming trial holes to confirm the presence of a damp proof membrane (DPM) to verify the construction of the walls below ground level and to establish the height of the water table. Chemical analysis may also be used to establish the origin of salts in any water present.

4.3.7 Floors

The surface of floors not covered by floor coverings can be inspected. In the case of timber floorboards, where possible and permitted to do so, loose boards should be raised to enable the construction to be identified. The surveyor should check for damage due to infestation, dampness or service installations. On timber floors, a heel drop test is desirable. The surveyor should also comment on

excessive deflections, as well as general levels as an indication of whether joists are likely to be undersized or defective.

In the case of solid floors (particularly in industrial buildings), the degree of 'flatness' should be assessed along with any significant surface defects and the capacity of the floor finish or surface to withstand the anticipated traffic. Comments on the serviceability of the floor should be included, in particular the existence of significant cracking and slab edge deterioration or visual evidence of curling. Where floor loadings are important or suspected as being insufficient, details of the structure can be taken to enable a suitable briefing to be given to an engineer for assessment. Unless otherwise agreed, calculations of possible floor loading are outside the scope of a normal building inspection. However, the surveyor should seek to determine data by referring to building operating manuals and similar documents.

The provision and condition of a raised access floor should be confirmed, the depth of void established and the adequacy of fire barriers and compartmentation checked, where possible. The surveyor should inspect floor trunking or service ducts where accessible to determine the condition and the space available for services installations. The fire resistance of elements of structure or compartment floors, especially where suspended ceilings are used, should be considered. Sufficient details of the finishes, such as intumescent paints, may be necessary to recommend or obtain specialist advice. Any problems with sound transmission and/or vibration in composite floors can also be noted.

4.3.8 Internal walls, partitions and doors

The constructional detail of the internal walls and partitions can be established as far as possible by surface inspection. If previous load-bearing walls have been removed or altered, the surveyor can comment on the apparent adequacy of the alternative support measures. Compartment walls can be checked for fire separation, particularly within ceiling or floor voids where breaches may have been formed by services penetrations and not correctly fire stopped. Internal doors can be checked for compliance with current legislation, including fire resistance, passage of smoke, adequate widths, ironmongery, self-closing mechanisms, correct glazing, etc.

Comments may be made on the general extent, type and condition of demountable partitions or subsequent alterations undertaken by tenants. This may have a bearing upon dilapidations advice, such as reinstatement upon termination of the lease, or relevance in respect of statutory compliance, such as means of escape and travel distances.

4.3.9 Finishes

The surveyor should note the general condition of internal finishes and decorations. Any defective floor screeds or finishes should be recorded, and poor detailing and inadequate design for movement in floor and wall tiles highlighted. The ceiling height should be checked and the availability of voids above suspended ceilings examined to expose defects in, or damage to, fire protection and compartmentation. The void size for the accommodation of services should be noted, particularly if the installation of air conditioning is being considered.

Internal circulation space may need comment, including flexibility of use, subdivision, cellularisation or returning to open plan. Joinery, kitchen cupboards and other fitted units require general comment, as do disability considerations, such as different textures to wall finishes.

4.3.10 Staircases

Where possible, checks can be carried out on staircase width, the number and measure of goings and risers, height of handrails and guardrails, and general compliance with Building Regulations. Disability considerations will include contrasting colour to nosings and different texture to floors adjoining stairs.

4.3.11 Sanitary fittings

Where reasonably possible, sanitary fittings, associated taps, traps, waste pipes and valves should be visually inspected and tested by normal operation only. Similarly and where reasonably possible, checks should be carried out on common waste pipes and single stack plumbing arrangements for fall and efficiency, as well as signs of any obvious blockage or leaks. Sanitary

accommodation can be noted to enable the capacity to be checked with relevant space standards and population densities. Where relevant, the review should include an assessment of the number and size of accessible toilets, their location and the suitability of specialist fittings.

4.4 Building services

Under normal circumstances, the surveyor would not be expected to carry out a detailed assessment of the building services, as most of these would require a specialist. However, the surveyor should perform a visual appraisal of the services sufficient to form an overall opinion of the apparent visible condition and age and the need for further investigation. A disclaimer stating that only a building surveyor's visual inspection has been undertaken ought to be included in the surveyor's report. Specialist engineers will provide a more detailed report on the condition of the services, and recommendations for their appointment can be given when appropriate.

4.5 External areas, outbuildings and boundaries

A brief general description of these features is usually required and visible defects should be noted. Matters such as safety and disabled access require comment, as do those concerning the adequacy of car parking provision, lighting, signage, traffic calming, vehicle and pedestrian separation, and surfacing. Vehicular and pedestrian access to the site should be reviewed, including any estate roads, pavements, hardstandings, service yards, turning areas, etc. The drainage to such areas should also be assessed.

The general shape and form of the grounds and extent of trees should be identified. Where identifiable, a general description of boundary fences, gates and other accesses, walls and other structures can be given. It is recommended that particular care is taken to identifying the presence of Japanese Knotweed and Giant Hogweed, as well as trees that on certain types of substrata could cause subsidence or direct root damage. Where appropriate, the surveyor can comment on the biodiversity of the site and note the existence (where known) of protected species.

It is worth considering adjoining properties for party wall matters, unadopted road, shared or common areas, easements, way leaves, nuisance, contaminative uses and potential conflicts (see section 4.13). The existence of overhead power lines or sources of electromagnetic radiation such as telephone masts, communications systems, etc., should be identified.

4.6 Health and safety considerations

The surveyor should be aware of relevant legislation that might affect general health and safety within the building. Detailed compliance checking and auditing, or the preparation of risk assessments, are beyond the scope of a normal building inspection; however, it may help to give a qualified opinion on the most obvious points, such as:

- slips, trips and fall hazards;
- low head heights;
- overloading, including crowd loading requirements (e.g. stadiums);
- instability;
- demolition hazards, presence of potential asbestos containing materials (ACMs);
- maintenance and other safe access issues;
- confined spaces;
- excavations;
- falls, falling objects and fragile materials;
- edge and barrier protection;
- glazing;
- fresh air, temperature and weather protection;
- fire, fire detection and firefighting;
- emergency routes;
- welfare facilities;
- vehicular hazards, traffic routes and workplace transport hazards, issues around the perimeter of the building, vehicular access, deliveries, and loading and unloading operations;
- hazardous operations or materials;
- lighting levels; and
- electrical installations.

When dealing with buildings constructed or refurbished after 1994, where available, a copy of the health and safety file under the *Construction (Design and Management) Regulations* 1994 should be requested for information and comment. If not

available on site, the surveyor should give a recommendation for further enquiries.

A request to review any asbestos register should be made. If none is available, the surveyors should make a note of this along with the likely risk of any ACMs being present within the property and the need for a specialist survey, if appropriate.

4.7 Fire precautions

The surveyor should aim to inspect any available fire risk assessments and statutory approvals, particularly when alterations have been made. Any discrepancies with the fire certificate or non-compliance with fire safety regulations, building regulations and the *Fire Precautions Act* 1971 should be noted. Consideration of fire precautions falls into three main categories:

- fire resistance, separation, smoke ventilation and compartmentation;
- means of escape, escape routes, signage and emergency lighting; and
- protection including detection, alarms, sprinklers and extinguishers.

Where specialist and/or proprietary systems of fire protection are used, the surveyor should consider whether to recommend specialist advice, especially if inadequacies are noted. In complex buildings such as shopping centres or sports stadiums, it may be necessary to involve a fire engineer to comment fully. The fire log or records of the regular testing and servicing of fire alarms, emergency lighting, fire extinguishers, sprinklers, smoke vents, fire curtains or shutters, etc., can also be reviewed. Testing does not usually form part of a standard building survey unless requested by the client.

4.8 Accessibility

The *Disability Discrimination Act* 1995 and 2005 duties have been incorporated into the *Equality Act* 2010, which came into force on 1 October 2010. This aims to protect aims to protect disabled people from discrimination in all aspects of everyday life, particularly in employment, access to good and services, and buying, letting and managing premises. In addition, as part of any development work, Part M of the Building Regulations requires reasonable provision to be made for people to gain access to, and use, the building and its facilities.

Many factors contribute to accessibility, but the most obvious is the built environment, which includes fixtures, fittings, furniture and equipment. Although it should be made clear that an access audit is not being undertaken, it is prudent to identify barriers to access that become apparent during the course of an inspection, as they may have an impact upon the commercial value of the premises.

4.9 Environmental consideration

4.9.1 Orientation and exposure

The surveyor should consider the orientation of the building to identify the possible effects of exposure to the prevailing winds or sunlight, as these could affect the performance and durability of the fabric of a building. Exposure to other factors, such as salt spray in a coastal location or industrial pollution, may also have a profound influence on the life or performance of the fabric and should be identified where particular risks exist.

4.9.2 Thermal insulation and energy efficiency

The surveyor should describe the thermal shell of the building including external walls, windows, roofs, exposed floors and ground floors, and take into consideration the layout, location and orientation of the property. The nature of the heating and cooling systems and controls should be considered and recommendations made in conjunction with a services engineer (if appointed) for suitable improvements. The surveyor should provide advice on practical and relevant methods of upgrading insulation, and on measures to reduce any associated risk of condensation.

4.9.3 Noise and disturbance

It is worth considering the effect of noise from external sources on activities within the subject property and its grounds. Noise (e.g. from aircraft, rail, traffic, adjoining properties and other sources) can be noted if it is significant at the time of inspection or could, from inspection, reasonably be anticipated. The sound insulation qualities of party structures may also need to be considered.

Provisions and facilities that could cause occupier annoyance, e.g. heat rejection fans, should be

considered. Noise from the subject property to the outside may also be noted as a potential nuisance to adjoining properties and sites. This is particularly relevant to industrial premises. Any other possible nuisances (e.g. smells that are known to exist or have become apparent whilst carrying out the inspection) should also be reported.

4.9.4 Land contamination and environmental controls

The surveyor should consider whether an environmental consultant is needed and advise accordingly. Where appropriate, the following should be also considered and the client advised on these matters:

- whether a remediation certificate exists for the site (e.g. newbuild on a previously contaminated site);
- through local authority searches, whether the property is likely to be affected by significant adjacent public or private developments;
- whether a mining search is required;
- risk of flooding or erosion;
- gases, such as methane or radon;
- electromagnetic fields due to proximity to electrical substations or pylons, mobile phone masts or satellite transmitters;
- radiation;
- activities of site that may involve or generate potentially contaminative materials;
- buried or above-ground fuel oil tanks, vehicle refuelling stations and vehicle washes;
- waste management on site;
- fly-tipping;
- chemical and other storage including bunded enclosures;
- pest control;
- invasive vegetation;
- protected species;
- risk of arson and vandalism or terrorism; and
- occupier housekeeping.

4.10 Deleterious and hazardous materials

The surveyor should identify, from visual inspection, materials that are generally considered in the property and construction industries to be hazardous or deleterious and, where appropriate, make recommendations for further inspection or testing. A balanced opinion should always be given as to the severity or otherwise of the use of these materials in the building.

4.11 Sustainability issues

Bearing in mind the *Sustainability and the RICS property lifecycle* (2009), the surveyor should review the various aspects of the building in the light of its position in the property life cycle and make recommendations based upon sustainable practice. Sustainability issues are likely to become more stringently applied as new legislation is introduced to action carbon reduction commitments and to reflect specific client requirements.

4.12 Cultural heritage

The surveyor should identify whether the building is of historic importance, is listed or is located within a conservation area or other controlled estate. Attention should also be drawn to restrictions on repair or redevelopment, extension or refurbishment; the need for sympathetic repair; and non-interventional or reversible alterations.

4.13 Matters for the legal adviser's attention

The client's legal adviser (if known, or otherwise the client) should be alerted to issues that could affect the property that may need investigation or clarification. Where the inspection reveals areas of particular concern or relevance, these ought to be highlighted as early as possible. The following paragraphs give examples of matters that might be referred to the legal adviser for consideration and further enquiry, though the lists are not exhaustive.

4.13.1 Statutory

Examples of statutory matters applicable in England and Wales might include:

- buildings which might be listed or situated within a conservation area;
- where trees are present that might be the subject of tree preservation orders;
- planning consents and Building Regulation approvals, i.e. original compliance and/or

consent for conversions, extensions, alterations or change of use, and any particular works evident on inspection for which planning permission may have been required;

- *Party Wall etc. Act* 1996, that is, any known proposed works, extensions or repairs to the subject property; works in progress on adjacent land; and the need for the legal adviser to establish the existence of any party wall agreements and/or schedules of condition, where appropriate, referring back to the surveyor as appropriate; and
- accessibility inclusion.

4.13.2 Rights of way, easements and shared services

Examples of issues to be described might include:

- tenure;
- flying or submerged freeholds;
- evidence of multiple occupation, tenancies or sublettings;
- indication of possible trespass;
- suggestion of possible rights of way;
- arrangements in respect of private services;
- adoption status of all abutting roads and footpaths;
- status of the rights of way and all maintenance and repairing liabilities, where private access roads or footways are present;
- common or shared areas and services that may be the landlord's responsibilities, but are subject to a service charge or management fee;
- availability and status of all service connections;
- rights of light; and
- restrictions to occupation.

4.13.3 Boundaries

Boundary matters might include:

- evidence of poorly defined site boundaries;
- riparian rights (relating to banks of rivers or waterways); and
- responsibility for maintenance.

4.13.4 Guarantees and warranties

Examples of the content might include:

- the availability and transferability of guarantees, e.g. in respect of:
  - underpinning, timber and/or damp treatment works;
  - cavity wall tie replacement works;
  - double glazing;
  - cavity wall insulation;
  - flat roofing;
  - remedial works to service installations, including re-lined drains, recent rewiring, replacement boilers, etc.; and
  - recent significant building repairs;
- collateral warranties from the original construction and design teams; and
- previous technical reports that may be assignable to the purchaser, i.e. site investigations, environmental assessments, defects diagnosis, asbestos surveys/registers.

4.13.5 Leasehold and repairing liabilities

The level of detail reported in this section will depend on what has been agreed with the client on that particular transaction. Although the client's legal team will most likely be reporting on the lease(s) and liabilities of the parties, this section might include:

- confirmation (or otherwise) that the repairing, redecorating and yielding up obligations are drafted in standard terms;
- comments on the implications of any non-standard repairing and related obligations;
- whether there are any explicit exclusions on repairing liability, e.g. inherent defects;
- existence and effectiveness of any schedules of condition;
- whether there are unlicensed alterations or any particularly onerous reinstatement provisions;
- the landlord's ability to recover repair costs, or to enforce repairs and recover costs (as a debt or otherwise); and
- if the lease is considered to be a 'green lease' guidance as to the practical implications of the various obligations, e.g. in relation to carbon reduction, energy management and other sustainability issues.

5 The report

5.1 General guidance

It is recommended that the surveyor clearly locates and describes all the defects found during the survey, as well as highlights any compliance issues that may affect the client's interest in the property. A summary of the client's instruction can be included within the report, providing a useful reminder to the surveyor and client of the legal obligation to provide a specific survey type as agreed in the instruction.

It is helpful to cross-reference photographs with the list of defects for ease of reference and prepare the report layout in a concise, accurate and simple manner. All verbal or executive summary reports given prior to publication of the full report may have legal implications. Such reports can be given on the clear proviso that the preliminary opinions are provided subject to the opinions expressed in the final report. The report ought to present a balanced view of the property's condition and differentiate between fact and the surveyor's opinion.

In determining the limitation of the inspection, the surveyor should bear in mind the final report, which aims to inform the client inter alia of the following:

- what, if anything, is wrong;
- why it is wrong;
- what damage has occurred;
- how serious this is;
- what is needed to put it right;
- how much this is likely to cost;
- when the remedial work should be carried out;
- who is responsible for rectification works; and
- what further action is to be taken by the client.

5.1.1 Time frame

It is generally accepted in the property industry that time periods are identified as follows:

- **Immediate:** within one year
- **Short term:** one to two years
- **Medium term:** three to five years
- **Long term:** six to ten years.

Definitions of the time frames used in the report need to be identified to avoid any doubt.

When providing advice for remedial works, their cost and the anticipated period of expenditure, the surveyor should take into account the purchaser's intention for the property, as established at the brief stage.

5.1.2 Risk ratings

Risk ratings involve balancing liabilities and opportunities, both in terms of capital and life costs, and hence are an integral part of technical due diligence. A risk can be defined as the chance of something happening that will have an impact upon the objectives for the building's use or investment profile. Risks and response to them can be classified as follows:

- **Extreme:** immediate action required
- **High:** senior management attention needed
- **Moderate:** management responsibility must be specified
- **Low:** management by routine procedures.

Risk management can be qualitative and/or quantitative, enabling the client to better identify, analyse, monitor, report on and respond to risks. For technical due diligence, this can assist in determining what responses the surveyor should recommend to the client and which risks to avoid, transfer, mitigate or accept. Such decisions are linked to the future management of the building.

5.2 Report layout

An executive summary of principal considerations is often provided at the start of the report. The main body includes a description, with comments on the condition of all building elements, plus any findings, a conclusion and recommendations. Photographs and/or plans may be required and supporting specialist reports would normally be appended to the report. Section 5.3 includes a typical list of main headings included in the contents page, with commentary. Different types of survey and individual surveyors may give rise to deviations from the suggested list.

When carrying out due diligence of a property outside the UK, it is worth considering local statute and compliance issues. When instructed by a UK based client, the surveyor should consider highlighting where UK and local construction and/or compliance issues differ. Further guidance is provided in section 2.8.

5.3 Report contents

5.3.1 Contents page

Reports on commercial and industrial premises may contain several specialist reports, along with photographs, leases, plans, etc. The inclusion of an index would be beneficial.

5.3.2 Executive summary

The executive summary provides the main findings, including recommendation for further tests, budgets, programming future repairs and any issues pertinent to the client's investment in the property. Reference should be made to the main body of the report, any appended specialist reports, costings and additional analysis as necessary.

The summary provides clear, logical, simple and readable advice to the client, with reference to detailed information within the main body of the report. The principal considerations may include:

- the nature of the property, its construction age and design;
- the adequacy of the structural framework and fabric;
- the adequacy of services;
- a comparison of the condition of the subject property with others of similar age and style;
- conformity with modern requirements, including statute, civil and lease obligations;
- special client requirements;
- main areas of concern;
- reference to any repairs, further investigations or statutory inspections; and
- estimated costs of remedial works or recommended actions.

The summary should highlight any further tests or inspections to be undertaken before legal commitment is made by the client.

5.3.3 Introduction

The client's instruction should be repeated in the report alongside, details of the date of inspection; surveyor(s)/specialists involved in the survey; weather conditions; occupancy at the time of inspection and names of persons providing information during the inspection.

Limitations, including copyright and conditions noted in the terms of engagement, are repeated. It may be helpful to list those parts of the building not accessed during the inspection and provide recommendations for future access (including the risk of not gaining access). Restrictions caused by finishes, fitted or heavy furniture, etc., should be noted.

It should be made clear in the introduction that in view of the complexity of most buildings, the surveyor does not guarantee to have seen each and every defect/deficiency that may exist in the property. However, the surveyor expects to have seen all the major items relating to the brief and many/most of the lesser ones.

All areas of the building need to be clearly identified and illustrated by photographs, plans or grid references, or alphabetical or numerical systems, as applicable. Location and/or lease plans can be included, indicating the extent of the demise. It is also prudent to include the full postal property address and client details on each page of the report.

Other points that may be included are:

- whether all photographs taken are included in the report, or if others exist, how long they will be retained on the surveyor's files;
- any limitations by the surveyor for the transfer of liability to third parties; and
- whether any discussions were held with the client, owner(s), tenant(s) or others at the time of the visit and/or immediately afterwards, as well as cooperation received from those parties in facilitating the survey.

5.3.4 Description of the property

An adequate description of the property is provided here, including type, general design, principal elements of construction, age, date of substantial modifications, listed status and current use. A

general description of the building installation services may also be provided.

Accommodation should be briefly described to include current use of the building, broken down into specific areas as necessary. A list of approximate floor areas may be included as appropriate. Reference may be made to the current edition of *RICS Code of Measuring Practice*.

For leasehold property, the tenure should be described, including the extent of the term, any passing rental figure, service charge and repairing obligations.

The location of the property within the road, shopping centre, industrial estate, etc., should be noted, including comment on any conservation or regeneration areas; main physical features of the site; and outbuildings, landscaping and boundaries. The description should include the full address of the property.

5.3.5 Elemental condition

This is the main section of the report and details the condition and significant defects. A description of condition and extent of defects may be supplemented with photographs and sketches. Technical language is used to express the findings clearly.

The surveyor should consider formatting the sections in the same sequence as the inspection, previously detailed in sections 4.3–4.5 and summarised below:

- roofs
- rainwater goods;
- walls and cladding;
- windows, doors and joinery;
- structural frame;
- substructure/basements;
- floors;
- internal walls, partitions and doors;
- finishes;
- staircases;
- sanitary fittings;
- building services; and
- external areas, outbuildings and boundaries.

An assessment of the building type may be included, as well as the construction and materials of the property. Materials and building practices specific to the locality of the property may be reported.

The structure may be described in detail, including type of frame (reinforced concrete, steel or timber) as applicable, a description of main supporting members from roof to foundations and how the load is transferred through the building to the ground. Comment may include the effect of alterations on the structure, any movement and future risks.

Each element (e.g. floors, walls, doors) is separately discussed, including a description, current condition and explanatory note of the cause of defect. Legislation, health and safety, fire precautions, energy conservation, fitness for purpose, insurance, security and other pertinent issues may be listed. Questions for the client's legal advisers may be highlighted, for example clarification of demise, construction warranties available and other matters.

5.3.6 Conclusion and recommendations

The conclusion provides a balanced assessment of the property ascertained as from the survey, including a list of recommended repairs and actions taken from the main body of the report.

Recommendations may be shown under a separate heading, where the conclusions are extensive, and budget costs may be included within them or as separate appendices.

5.3.7 Certification/quality assurance

The report should be signed and dated by the surveyor who undertook the survey and completed the report. It is also recommended that a record of third party (internal peer) checking has been undertaken. All appended specialist reports should be certified.

5.3.8 The appendices

The appendices may form a significant part of the report, subject to the client's requirements. Photographs are generally included. The appendices may also comprise other supplementary information, such as:

- schedule of defects and/or repairs with budget costs;

- reinstatement cost assessment;
- specialist reports, including material testing, structural engineer's report and report on the installations of services;
- phase one environmental assessment;
- copies of previous reports;
- fire risk assessment;
- schedule of accommodation or tenants;
- asbestos survey;
- extracts from leases, covenants, etc.;
- agent's details;
- maps, drawings and layout plans; and
- maintenance records.

Appendix A: Insurance

RICS requires its members to maintain professional indemnity insurance (PII) for claims arising from breaches of contract and professional duties. Surveyors should ensure that adequate protection is in place to cover the work they are undertaking.

A1 Compulsory professional indemnity insurance regulations

Compulsory professional indemnity insurance regulations (CPIIR) require principals and consultants in private practice in the UK and Ireland to carry PII, in accordance with RICS regulation. Evidence that this obligation is being adhered to is required during the time the member is in practice. When a firm winds up it must maintain run-off cover for a period of at least six years, although this cover may not be possible in some cases due to financial circumstances. Where run-off cover is not maintained, this could lead to former employees being exposed to claims.

A2 *Merrett v Babb*

In the case of *Merrett v Babb* (2001) EGLR 145, an RICS member was personally sued following the bankruptcy of the firm for work he undertook whilst employed. The firm had cancelled the PII cover and left the surveyor exposed to claims.

A3 Professional indemnity insurance

PII is provided on a claims-made basis, which means that the member will be protected only if cover is in place at the time a claim is made, rather than when the relevant advice was given. This is why RICS regulations require run-off cover to be provided where a member ceases to trade as a principal or consultant in private practice.

The amount of cover depends on the size of the firm's income; however, there are minimum amounts of cover required under RICS rules. RICS have introduced a low fee-earners scheme to help provide cover.

Where an employee is not a principal of a firm (i.e. a partner, director or consultant), then it is advisable to find out what arrangements have been made by the employer to protect the employee against claims.

An RICS policy automatically covers employees as part of the 'insured', whilst other PII policies (not in accordance with RICS rules) may not provide automatic cover.

A4 Private work

Work undertaken in a private capacity is subject to CPIIR, and so insurance cover will be required. A surveyor may be asked to provide advice to local charities, schools, churches and other non-profit organisations for no charge. It is unlikely that the insurance a surveyor has for normal course of employment will have adequate protection, so separate arrangements will need to be made by the individual.

If it is not possible to obtain written confirmation from an employer that work of this nature falls within the scope of the surveyor's employment, it may be possible to obtain an undertaking from the 'client' that the latter will not take any action in relation to the advice given. The surveyor must also obtain from RICS a waiver exempting the need to maintain PII.

A5 Subrogation

Having paid a claim, insurers have the right to recover the amount paid if the surveyor who caused the claim was not insured under the policy. This is known as subrogation.

RICS minimum cover includes all employees as insured, but where members are not covered by an RICS policy they should ensure that their employers have negotiated a waiver of the right of subrogation with the insurer.

A6 Third party rights

The law states that a contract is an agreement entered into by two parties, where consideration has passed between the parties and where the terms of the contract are enforceable. The surveyor

and firms entering into the contract with a client will be liable to the client for breaches of the contract. It is not unusual for surveyors and their firms to be liable to third parties for breaches of contract.

The *Contract (Rights of Third Parties) Act*, brought onto the statute books in 1999 and updated in 2001, confers third party rights in some cases, namely where the contract contains an express term to that effect, or where it is apparent that the contracting parties intended to confer such a benefit. Surveyors should be aware, however, that many contracts – including most professional indemnity policies – are amended to exempt them from the provisions of this act.

It should be noted that where advice is being given by an employee on behalf of the employer, then the contract will generally be between the employer and client. It is therefore advisable to sign reports or letters 'for and on behalf of' the employer rather than in a personal capacity.

A7 Third party liability insurance

It is also recommended that insurance cover is taken out to provide against third party claims for physical loss 'caused by damage or injury to persons or their property', which could occur when undertaking a survey or inspection of a property.

These are also known as public liability or general liability policies. Surveyors are advised to check that the necessary insurance is in place and that they are covered by the policy.

A8 Working outside of the UK and Ireland

When working outside the UK and Ireland, surveyors are advised to check with their insurance providers that they are covered. Certain overseas territories may require locally arranged cover, thus surveyors may not be able to rely solely upon a policy placed in the UK or Ireland – even though the territorial limits may be 'worldwide'.

RICS regulations do not apply to work overseas, but RICS members should replicate their cover overseas to the same extent as available in the UK and Ireland. For example, it is very difficult to obtain cover on a 'civil liability' basis, and certain exclusions (i.e. toxic mould) may be applied by insurers. In summary, an insurance policy for work overseas is often not as broad as required by regulations in the UK.

A9 New legislation and disciplines

The introduction of new property legislation has created opportunities for surveyors to assist clients in fulfilling their obligations (i.e. *Financial Services and Markets Act* 2000, *Housing Act* 2004, *Control of Asbestos Regulations* and the *Disability Discrimination Act*). It is recommended surveyors seek specialist knowledge and review the PII provisions with their insurance provider prior to undertaking new types of appointments.

There are also developments in the area of dispute resolution and expert witnesses, whereby barristers can be appointed by professions other than solicitors, which could confer new disciplines upon surveyors. Lay advocacy is another area which could attract surveyors, but it is important that any such advice is qualified to ensure it is being given in their capacity as surveyors, and not as lawyers. Again, surveyors need to seek specialist knowledge and review the PII provisions with their insurance provider prior to undertaking this work.

For further information please refer to *RICS Professional Regulation and Consumer Protection. August 2002.Chartered surveyors in employment, Professional liability guidance for members*.

Appendix B: Legislation and legal issues

B1 Duty of care

The surveyor not only owes a duty of care to the client under the terms of engagement, but may also owe a common law duty to the client and other parties. The surveyor's report may be relied upon by another party close to the contract (*Hedley Byrne & Co Ltd v Heller & Partners Ltd* [1964] AC 465).

The surveyor's actions during the survey may cause damage or injury to the client or another party. In order for the duty of care to exist, the client or third party must be able to show that the surveyor should have reasonably foreseen that a person could have suffered an injury or damage as a consequence of the surveyor's report. Either must also exhibit that the surveyor was aware that the report would be relied upon, and that it is just and reasonable to impose a duty of care in the particular circumstances.

It would be unreasonable for a claim to be made by a party that the surveyor has no knowledge of at the time of the inspection and preparation of the report. The surveyor will be expected to undertake all duties to a reasonable standard recognised for the profession.

B2 Negligence

The surveyor need to be aware of the significant amount of legislation now applicable to property and may refer the client to the relevant expert where the surveyor has been able to establish through inspection that a legal point needs to be reviewed. The surveyor may be restricted by the information made available during the inspection.

A surveyor will be negligent if a client or third party can establish that a duty of care was owed to either, that the surveyor breached that duty and that the breach has resulted in the client or third party suffering harm. For example, where a defect was in existence and visible at the time of the inspection but was not reported to the client, this would be described as an omission on the part of the surveyor. It is recommended that the surveyor not only note the defect but also advise on the likely future consequences of failure. Likewise, it is unreasonable for a surveyor to be found negligent if the latter could not have reasonably foreseen a consequence at the time of the inspection.

The surveyor needs to ensure that he or she has adequate experience and knowledge to undertake the survey. Equally, the client needs to determine that the surveyor being appointed has suitable knowledge and experience, reflected by the level of fee incurred for the survey. The survey should be thorough and should concentrate on the client's requirements.

The report should be expressive and should focus on all matters that may cause injury or damage to the client or another party close to the contract. Evaluation of the findings should be undertaken and all considered issues identified to the client. The surveyor should clearly specify any limitations of the report due to poor access, lack of documentary evidence or the need to undertake specialist investigations, but should not use this as justification for an omission or failure to spend adequate time on the inspection.

The surveyor should not provide legal or specialist advice if unqualified to give this, but can recommend that further enquiries be made with suitably qualified specialists. It is recommended that the surveyor understands the framework of the legal liabilities which surround this type of work.

B3 Contract and limitation

The terms of engagement should be agreed with the client prior to undertaking the survey to clarify the scope of the professional duties owed to the client. The surveyor should clearly state the client's requirements, the extent of the survey and type of report to be prepared.

The terms of the contract can be both express and implied. For example, in contracts for services where a professional is acting in the course of a business, it will be implied that the service will be carried out with reasonable care and skill. Such implied duties can be excluded or limited by the terms of engagement, in accordance with the *Unfair Contract Terms Act* 1977.

Limitations may also be put into the terms of engagement to cover high-level access or exposure of the structure where damage may be caused, or unreasonable costs may be incurred by the surveyor. Unfair terms would not be accepted without evidence that such a term had been agreed by the parties, or if the term had a detrimental effect on the rights of one of the parties to the contract. The *Contracts (Rights of Third Parties) Act* 1999 should also be noted as excluded from the terms of engagement to avoid the surveyor owing any contractual liability to a third party. The terms of engagement should always be appended to the report.

It is recommended that the surveyor endeavours to ensure adequate planning of the survey and sufficient allocation of time for:

- the survey;
- a detailed recording of the findings; and
- a review prior to preparing a clear and precise report.

B4 Legislation

The surveyor may find it helpful to consider the implications of property-related legislation during the inspection. Any issue noted during the inspection can be advised to the client, which can be referred to a specialist or legal expert.

B5 Civil Procedure Rules

The Civil Procedure Rules will be particularly relevant to inspections and subsequent reports when a surveyor is acting for one party claiming compensation for damages against another. For more information on the Civil Procedure Rules, see www.dca.gov.uk/civil/procrules_fin/index.htm.

Appendix C: Useful information sources

C1 Links

Association of European Building Surveyors and Construction Experts (AEEBC): www.aeebc.org

Advisory Committee for Roofwork: www.roofworkadvice.info

British Cement Association: www.cementindustry.co.uk

British Standards Institution: www.bsi-global.com

Building Control: www.buildingcontrol.org

Building Research Establishment: www.bre.co.uk

Building Services Research and Information Association: www.bsria.co.uk

Centre for Accessible Environments: www.cae.org.uk

Chartered Institution of Building Services Engineers: www.cibse.org

Concrete Repair Association: cra.associationhouse.org.uk/cra_index.htm

Concrete Society: www.concrete.org.uk

Construction Industry Research and Information Association: www.ciria.org

Corrosion Prevention Association: www.corrosionprevention.org.uk

Fire Protection Association: www.thefpa.co.uk

Glass and Glazing Federation: www.ggf.org.uk

Institution of Structural Engineers: www.istructe.org.uk

International Lead Association: www.ldaint.org

Isurv: www.isurv.com

Mastic Asphalt Council: www.masticasphaltcouncil.co.uk

Radiation Protection Division of the Health Protection Agency: www.hpa.org.uk/radiation

Radon Centres Ltd: www.radon.co.uk

Stone Federation Great Britain: www.stone-federationgb.org.uk

Suzy Lamplugh Trust: www.suzylamplugh.org

The Survey Association: www.tsa-uk.org.uk

Timber Research and Development Association Bookshop: www.trada.co.uk

C2 Further reading

Asbestos: and its implications for members and their clients (2nd edition), RICS guidance note, RICS, Coventry, 2009.

Building Surveys of Residential Property (2nd edition), RICS guidance note, RICS, Coventry, 2004.

Code of Measuring Practice: A Guide for Surveyors and Valuers (6th edition), RICS code of practice, RICS, Coventry, 2007.

Contamination, the environment and sustainability: their implications for chartered surveyors and their clients (3rd edition), RICS guidance note, RICS, Coventry, 2010.

Dilapidations (5th edition), RICS guidance note, RICS, Coventry, 2008.

Guide to carrying out reinstatement cost assessments (under review), RICS guidance note, RICS, 1999.

Party Wall Legislation and Procedure (revised 5th edition), RICS guidance note, RICS, Coventry, 2007.

Sustainability and the RICS property lifecycle (1st edition), RICS guidance note, RICS, Coventry, 2009.

Surveying safely, RICS Corporate, London, 2006 (accessed at www.rics.org/surveyingsafely in August 2010).

Building surveys and technical due diligence of commercial property

4th edition, guidance note

The fourth edition of this guidance note aims to provide surveyors with information and guidance in respect of commercial property surveys.

It covers:

- taking instructions;
- survey preparation;
- inspection; and
- reporting.

Also included are appendices comprising:

- a summary of insurance issues;
- a summary of legal issues; and
- useful sources of information and further reading.

RICS the mark of property professionalism worldwide

rics.org/standards

ISBN 978-1-84219-627-4