



# Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process<sup>1</sup>

This standard is issued under the fixed designation E 2018; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ε) indicates an editorial change since the last revision or reapproval.

## 1. Scope

1.1 *Purpose*—The purpose of this guide is to define good commercial and customary practice in the United States of America for conducting a baseline *property condition assessment* (PCA) of the improvements located on a parcel of commercial real estate by performing a walk-through survey and conducting research as outlined within this guide.

1.1.1 *Physical Deficiencies*—In defining good commercial and customary practice for conducting a baseline PCA, the goal is to identify and communicate physical deficiencies to a user. The term *physical deficiencies* means the presence of conspicuous defects or material deferred maintenance of a subject property's material systems, components, or equipment as observed during the field observer's walk-through survey. This definition specifically excludes deficiencies that may be remedied with routine maintenance, miscellaneous minor repairs, normal operating maintenance, etc., and excludes de minimis conditions that generally do not present material physical deficiencies of the subject property.

1.1.2 *Walk-Through Survey*—This guide outlines procedures for conducting a walk-through survey to identify the subject property's material physical deficiencies, and recommends various systems, components, and equipment that should be observed by the field observer and reported in the *property condition report* (PCR).

1.1.3 *Document Reviews and Interviews*—The scope of this guide includes document reviews, research, and interviews to augment the walk-through survey so as to assist the consultant's understanding of the subject property and identification of physical deficiencies.

1.1.4 *Property Condition Report*—The work product resulting from completing a PCA in accordance with this guide is a PCR. The PCR incorporates the information obtained during the Walk-Through Survey, the Document Review and Interviews sections of this guide, and includes opinions of probable costs for suggested remedies of the physical deficiencies identified.

1.2 *Objectives*—Objectives in the development of this guide are: (1) define good commercial and customary practice for the PCA of primary good commercial real estate improvements; (2) facilitate consistent and pertinent content in PCRs; (3) develop practical and reasonable recommendations and expectations for site observations, document reviews and research associated with conducting PCAs and preparing PCRs; (4) establish reasonable expectations for PCRs; (5) assist in developing an industry baseline standard of care for appropriate observations and research; and (6) recommend protocols for consultants for communicating observations, opinions, and recommendations in a manner meaningful to the user.

1.3 *Considerations Beyond Scope*—The use of this guide is strictly limited to the scope set forth in this section. Section 11 and Appendix X1 of this guide identify, for informational purposes, certain physical conditions that may exist on the subject property, and certain activities or procedures (not an all inclusive list) that are beyond the scope of this guide but may warrant consideration by parties to a commercial real estate transaction.

1.4 *Organization of This Guide*—This guide consists of several sections, an Annex and two Appendixes. Section 1 is the Scope. Section 2 on Terminology contains definitions of terms both unique to this guide and not unique to this guide, and acronyms. Section 3 sets out the Significance and Use of this guide, and Section 4 describes the User's Responsibilities. Sections 5 through 10 provide guidelines for the main body of the PCA, including the scope of the Walk-Through Survey, preparation of the Opinions of Probable Costs to Remedy Physical Deficiencies, and preparation of the PCR. Section 11 provides additional information regarding out of scope considerations (see 1.3). Annex A1 provides requirements relating to specific asset types, and where applicable, such requirements are to be considered as if integral to this guide. Appendix X1 provides the user with additional PCA scope considerations, whereby a user may increase this guide's baseline scope of due diligence to be exercised by the consultant. Appendix X2 outlines the ADA Accessibility Survey.

1.5 *Multiple Buildings*—Should the subject property consist of multiple buildings, it is the intent of this guide that only a single PCR be produced by the consultant to report on all of the buildings on the subject property.

<sup>1</sup> This guide is under the jurisdiction of ASTM Committee E50 on Environmental Assessment and is the direct responsibility of Subcommittee E50.02 on Commercial Real Estate Transactions.

Current edition approved Dec. 10, 2001. Published March 2002. Originally published as E 2018–99. Last previous edition E 2018–99.

1.6 *Safety Concerns*—This guide does not purport to address all of the safety concerns, if any, associated with the walk-through survey. It is the responsibility of the consultant using this guide to establish appropriate safety and health practices when conducting a PCA.

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## 2. Terminology

2.1 This section provides definitions, descriptions of terms, and a list of acronyms, where applicable, for the words used in this guide. The terms are an integral part of the guide and are critical to an understanding of this guide and its use.

### 2.2 Definitions:

2.2.1 *architect, n*—designation reserved by law for a person professionally qualified, examined, and registered by the appropriate governmental board having jurisdiction, to perform architectural services including, but not limited to, analysis of project requirements and conditions, development of project design, production of construction drawings and specifications, and administration of construction contracts.

2.2.2 *building codes, n*—rules and regulations adopted by the governmental authority having jurisdiction over the commercial real estate, which govern the design, construction, alteration and repair of such commercial real estate. In some jurisdictions trade or industry standards may have been incorporated into, and made a part of, such building codes by the governmental authority. Building codes are interpreted to include structural, HVAC, plumbing, electrical, life-safety, and vertical transportation codes.

2.2.3 *building department records, n*—records maintained by or in possession of the local government authority with jurisdiction over the construction, alteration, use, or demolition of improvements on the subject property, and that are readily available for use by the consultant within the time frame required for production of the PCR and are practically reviewable by exercising appropriate inquiry. Building department records also may include building code violation notices. Often, building department records are located in the building department of a municipality or county.

2.2.4 *building systems, n*—interacting or independent components or assemblies, which form single integrated units, that comprise a building and its site work, such as, pavement and flatwork, structural frame, roofing, exterior walls, plumbing, HVAC, electrical, etc.

2.2.5 *component, n*—a fully functional portion of a building system, piece of equipment, or building element.

2.2.6 *dismantling, n*—to take apart or remove any component, device or piece of equipment that is bolted, screwed, secured, or fastened by other means.

2.2.7 *engineer, n*—designation reserved by law for a person professionally qualified, examined and licensed by the appropriate governmental board having jurisdiction, to perform engineering services.

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

2.2.9 *fire department records, n*—records maintained by or in the possession of the local fire department in the area in which the subject property is located. These records should be practically reviewable and readily accessible for use by the consultant by exercising an appropriate inquiry within the time frame required for production of the PCR.

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

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

2.2.12 *material, adj*—having significant importance or great consequence to the subject property’s intended use or physical condition.

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

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

2.2.15 *recreational facilities, n*—facilities for exercise, entertainment or athletics including, without limitation, swimming pools, spas, saunas, steam baths, tennis, volleyball, or basketball courts; jogging, walking, or bicycle paths; and playground equipment.

2.2.16 *structural frame, n*—the components or building system that supports the building’s nonvariable forces or weights (dead loads) and variable forces or weights (live loads).

2.2.17 *standard, n*—as used by ASTM, a document that has been developed and established within the consensus principles of the Society and that meets the approval of the ASTM procedures and regulations.

2.2.18 *system, n*—a combination of interacting or interdependent components assembled to carry out one or more functions.

### 2.3 Definitions of Terms Specific to This Standard:

2.3.1 *actual knowledge, n*—the knowledge possessed by an individual rather than an entity. Actual knowledge, as used in this guide, is to be distinguished from knowledge provided by others, or information contained on documents obtained during the course of conducting a PCA.

2.3.2 *appropriate inquiry, n*—a request for information conducted by Freedom of Information Letter (FOIL), verbal request, or by other written request made either by fax, electronic mail, overnight courier, or U.S. mail. *Appropriate inquiry* includes a good-faith effort conducted by the consultant to obtain the information considering the time constraints to prepare and deliver the PCR.

2.3.3 *base building, n*—the core (common areas) and shell of the building and its systems that typically are not subject to improvements to suit tenant requirements.

2.3.4 *baseline, n*—the minimum level of observations, due diligence, inquiry/research, documentation review, and preparation of opinions of probable costs to remedy material physical deficiencies for conducting a PCA as described in this guide.

2.3.5 *building envelope, n*—the enclosure of the building that protects the building’s interior from outside elements, namely the exterior walls, roof and soffit areas.

2.3.6 *commercial real estate, n*—improved real property, except a dwelling or property with four or less dwelling units exclusively for residential use. This term includes, but is not limited to, improved real property used for industrial, retail, office, hospitality, agriculture, other commercial, medical, or educational purposes; property used for residential purposes that has more than four residential dwelling units, and property