

**ACOR** CONSULTANTS  
**ACOR Learning Lab event**  
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**In-Touch Advisory**


# Technical Due Diligence: why?, what?, when? & how?

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 In-Touch Advisory

... connecting you with solutions for your Built Environment

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- Stephen's Sydney based consulting firm In-Touch Advisory connects stakeholders with solutions for the Built Environment across the property-construction-facilities life cycle.
- Stephen was a member of the RICS's global working groups on Technical Due Diligence (2020) and Cost Prediction (yet to be published). He has also chaired the PCA's Guide to Office Building Quality Committee since 2004.
- Stephen is also PCA's representative to Standards Australia on Facilities Management, and in turn an Australian delegate for the ISO international FM standards initiative (ISO 41000 since 2012), ISO/TC-267's global liaison to ISO/TC-251 (ISO 55000 asset management).
- Stephen is also a former member of the IFMA Board of Directors and Past Chairman of both the IFMA Foundation and FMA Australia.
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**RICS**

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## Technical Due Diligence 2020

1. Global Challenges, Opportunities and Standardisation
2. RICS guidance note, global on Technical Due Diligence of Commercial Property (1<sup>st</sup> edition, 2020)
3. 'Due Diligence for Life' reporting, benchmarking and more sustainable operational outcomes



**SESSION OBJECTIVE:** *Understanding of standards, and the thought leadership represented by the RICS' Technical Due Diligence guidance on and its impact on sustainable outcomes.*

**Standards matter**

Standards are fundamental to operating in a truly sustainable global environment, and offer:


- a common language
- consistent reporting
- greater transparency
- increased confidence through reduced risk
- ability to performance benchmark
- measure, cost, analyse and forecast



Pursuit of global market transparency, comparability and performance benchmarking.

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## Technical Due Diligence



**Due Diligence** (AS/ISO 41011: 2019) is the "compilation, comprehensive appraisal and validation of information of an organization required for assessing accuracy, commercial integrity, financial stability and functional competence integrity at the appropriate stage of the agreement".

**Technical Due Diligence** (RICS, 2020) is the "consists of the systematic review, analysis, discovery and gathering of information about the physical characteristics of a property (buildings, assets or facilities) and/or land".

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## Technical Due Diligence



### Technical Due Diligence

Requires a wholistic audit philosophy balancing:

- Condition
- Capability and capacity
- Compliance status
- Performance targets
- Quality expectations
- Prevailing market conditions
- Fiduciary responsibilities
- Facilities life cycle implications or obsolescence over time

The diagram consists of three overlapping circles: a green circle on the left labeled 'Technical', a yellow circle on the right labeled 'Legal', and a purple circle at the bottom labeled 'Commercial'. The intersections of these circles represent the holistic audit philosophy.

### RICS 2009 Technical Due Diligence Guidance

The image shows the cover of the RICS 2009 Technical Due Diligence Guidance. The cover features a modern building facade and includes text such as 'World first in 2009', 'Technical Due Diligence of Commercial & Industrial Property Analysis', and 'Translated for China in 2011'. To the right is a 'Table of Contents' listing various sections and their page numbers. A 'FREE TDD 2009 download' link is also visible.

### RICS 2020 Technical Due Diligence Guidance

The image shows the cover of the RICS 2020 Technical Due Diligence Guidance. The cover features a modern building facade and includes text such as 'Global 1st edition, 2020' and 'FREE TDD 2020 download'.

- RICS 2020 Guidance Note on Technical Due Diligence.
- Developed by a volunteer working group of 19 over a 2½ years.
- Provides a 41 page global consensus procedural "guide", not an instruction manual or standard.
- Risk mitigation and value enhancement focus.
- Professional structure and language.
- [FREE TDD 2020 download.](#)

### RICS 2020 Technical Due Diligence Guidance

Type of document	Definition
RICS Rules of Conduct for Members and RICS Rules of Conduct for Firms	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.

### RICS 2020 Technical Due Diligence Guidance

**Acknowledgments**  
**RICS guidance notes**  
**1 Introduction**  
 1.1 Effective date  
**2 The need for technical due diligence**  
**3 Types of inspections**  
 3.1 The property life cycle  
 3.2 Acquisition  
 3.3 Occupation  
 3.4 Disposal (vendor's survey)  
 3.5 Development

The illustration shows a white 3D figure of a person placing a red puzzle piece into a larger white puzzle. The puzzle pieces are arranged in a grid-like pattern.

### RICS 2020 Technical Due Diligence Guidance


**4 Taking instructions**  
 4.1 Key items  
 4.2 Practical limitations  
 4.3 Extent of liability  
 4.4 Data room and document review  
 4.5 Client requirements  
 4.6 The property or premises (buildings, assets or facilities)  
 4.7 Confirming the instruction  
 4.8 Specialist consultants and their appointment  
 4.9 Inspections carried out in countries outside the RICS member's or RICS regulated firm's country of employment


The illustration shows a white 3D figure of a person holding a red ball. The figure is standing on a white surface against a blue background.

**RICS 2020 Technical Due Diligence Guidance**

**5 The inspection**

- 5.1 General principles
- 5.2 Inspection, note-taking and reflective thought
- 5.3 Health and safety considerations
- 5.4 Enquiries to be made on site
- 5.5 Building fabric
- 5.6 Building services
- 5.7 External areas
- 5.8 Fire precautions
- 5.9 Accessibility and inclusiveness
- 5.10 Environmental considerations





**RICS 2020 Technical Due Diligence Guidance**


**5 The inspection (cont'd)**


- 5.11 Deleterious and hazardous materials
- 5.12 Sustainability issues
- 5.13 Cultural heritage
- 5.14 Legal and title issues

**6 The report**

- 6.1 General guidance
- 6.2 Report layout
- 6.3 Report contents

**Appendix A: Technical due diligence services**





**TDD why?**

“Knowledge is power, Information is power” *Animal Farm, George Orwell, 1945*





**All assets have challenges and priorities**


- Establish why the client requires the TDD knowledge and information:
  - Strategy
  - Legal / Cultural
  - Compliance / Safety
  - Economic
  - Environmental
  - Contractual
  - Life cycle




**TDD what?**


- Diligence can be a noun and a verb.
- One size does not fit all – tailored solutions are often required for success.
- Common TDD inclusions, understanding:
  1. Condition, Capacity and Compliance status.
  2. Benefits and values.
  3. Risks and liabilities.
- “Snapshot” at a point in time.
- Forecasting the future.



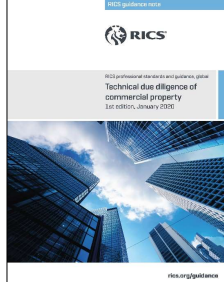
**TDD when?**




- Understanding of the condition and capacity of an existing property asset.
- Optimising of design of new developments and scope of refurbishments.
- Establishing the suitability of a facility (existing or proposed) for its intended use.
- Identifying future costs of repair and replacements and other liabilities
- To achieve improved quality of life, safety, performance, sustainability planning and better decision making and resilience.




**TDD how?**



- Consider client objectives.
- Engage appropriately qualified professional resources and specialist consultants and advisors.
- Adopt a systematic approach to discovery, review and analysis.
- Provide structured reporting of findings and recommendations.
- Schedule reasoned an prioritised actions.
- Act ethically and with integrity.



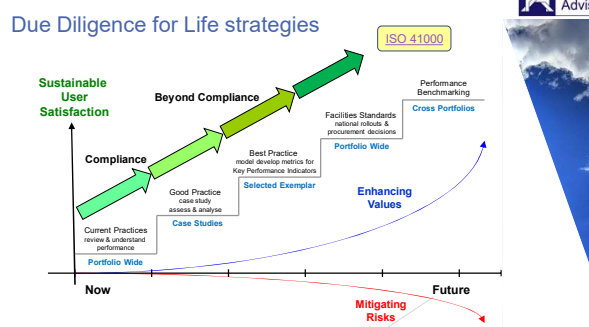
### TDD for who?



- The TDD process can be used to support the decision making of:
  - Vendors
  - Purchasers
  - Tenants, Users, Occupiers etc.
  - Developers and Financiers
  - Asset and Facility Managers
  - Tenderers
  - Governments
  - Others needing to understand the comparative costs, benefits, risks and value of project options.

For example quantitative and qualitative analysis, life cycle costing and value engineering are all TDD tools.

### Due Diligence for Life strategies



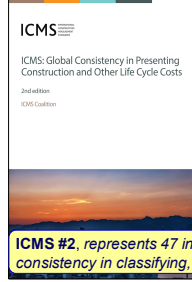
### Due Diligence for Life strategies



**EMERGING QUALITY ISSUES**

**QUALITY INDOOR ENVIRONMENTS AND WELLNESS FACTORS**

### International Construction Measurement Standard (ICMS)



- ICMS #1 released July 2017
- ICMS #2 new for September 2019
- ICMS #2 covers buildings and civil engineering assets
- Standards for measuring, reporting and benchmarking of construction project cost and now life cycle costs
- Major project delivery is increasingly multi-national and multi-disciplinary

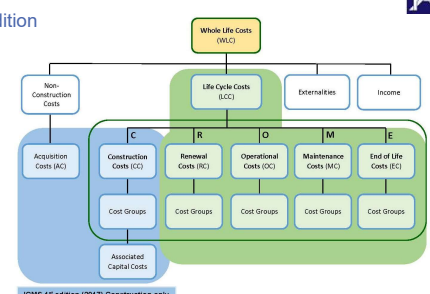
**FREE download:** <https://icms-coalition.org>

**ICMS #2, represents 47 industry body signatories aiming to provide global consistency in classifying, defining, measuring, analyzing and reporting project costs**

### ICMS 2<sup>nd</sup> edition

ICMS#2 (2019) defines **CROME** as the new framework:

- Construction
- Renewal
- Operational
- Maintenance
- End of Life



ICMS 1<sup>st</sup> edition (2017) Construction only

ICMS 2<sup>nd</sup> edition (2019) Construction & Life Cycle



### Technical Due Diligence: why?, what?, when? & how?

TDD provides a vital project risk management tool throughout the property life cycle for a range of stakeholders concerned with improving our quality of life via a more productive, sustainable, and liveable Built Environment.

**Thank you, questions?**

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