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“Rock the Foundation” 2009 – RICS New York – April 21

Managing the Built Environment

RICS’s Technical Due Diligence Guidelines the Australian experience

Stephen Ballesty, CFM, MRICS
 Director | Head of Advisory, Rider Levett Bucknall
 Immediate Past Chairman, FMA Australia
 Board Trustee, IFMA Foundation

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Downunder: Global Financial Crisis

THE AUSTRALIAN FINANCIAL REVIEW

THURSDAY 5 MARCH 2009 www.afr.com Price \$3.00 (incl GST)

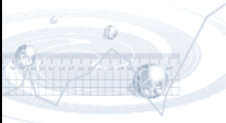
■ Grim outlook for profits, jobs as GDP contracts ■ Rudd under pressure over new initiatives

Growth slumps: it's a recession

Harsh reality for Kevin 09


Alan Mitchell
Economics editor

This is the recession Kevin Rudd pretends he doesn't have to have. But while the government still holds out hope of avoiding two consecutive quarters of negative growth, the December quarter national accounts leave no doubt that the economy is already in recession. There is no agreed definition of a recession. The National Bureau of Economic Research is the arbiter of the US economic cycle. It defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real



Rock the Foundation

- Introductions
- Facilities Management
- FM as a business enabler
- What is Due Diligence?
- Why do we need it?
- RICS Guide – Coverage
- Value and Quality
- Summary and conclusion



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Thanks for the Support

RICS | the mark of property professionalism worldwide

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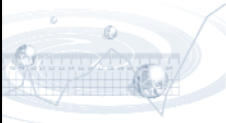
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MEADOWS
OFFICE FURNITURE CO.
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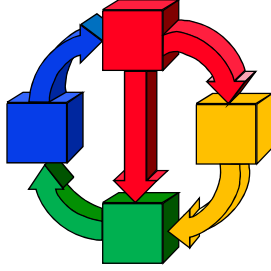
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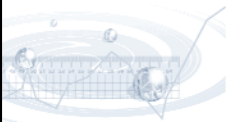
- a leading global consultancy with over 75 offices and 2,000 staff providing independent services across;
 - **Project Management**
 - **Cost Consultancy**
 - **Advisory**



TEROTECHNOLOGY: “pursuit of the optimum technical and economic cost of ownership or lease of a facility over its whole life span from Conception through Acquisition to Operation and finally Disposal”




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IFMA Foundation

Vision: “To expand knowledge of the Built Environment in a changing world through scholarships, education and research”



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Sustainable FM

- ▶ **Changing World**
 - Hotter – global warming & climate change
 - Flatter – rise of middle classes & consumption
 - Crowded – population growth
- ▶ **Competition for the same resources**

“we need a whole new system for powering our economy can stave off disaster”
Thomas Friedman – “Hot, Flat and Crowded” (2008)

▶ *“... we are so screwed ?”* David Letterman (Sept. 2008)



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Built Environment in a changing world

- “The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew”
Abraham Lincoln 1809 –1865




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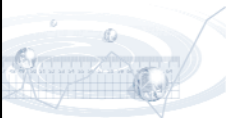
Vision: “To expand knowledge of the **Built Environment** in a changing world through scholarships, education and research”



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Facilities Management

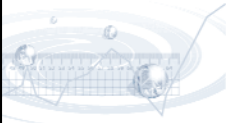
“Integration of processes within an organisation to maintain and develop the agreed services which support and improve the effectiveness of its primary activities”

Source: <http://gsishare.com/ifma/FMpedia/index.html>


3 P's = People, Place & Processes
4th P = Productivity ?




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 FM Downunder - *our setting*

Shaila Smart

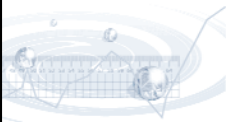


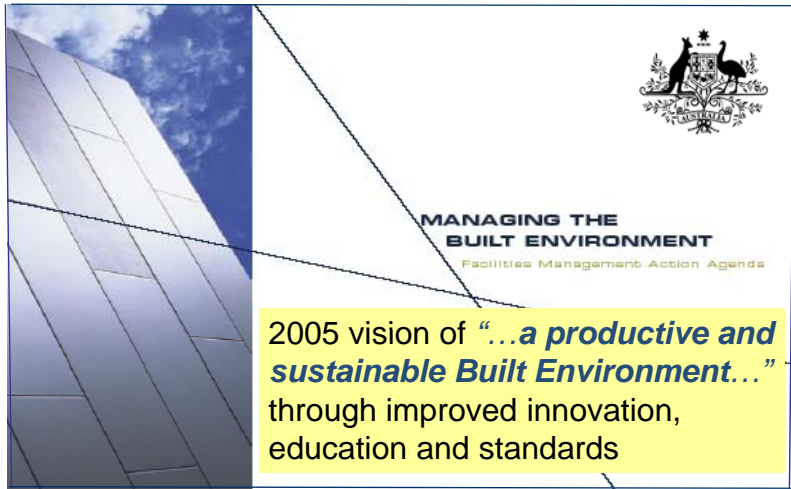
**the Built Environment ...
... where we work, live and play**

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 FM Action Agenda: *strategy*



MANAGING THE BUILT ENVIRONMENT
Facilities Management Action Agenda

2005 vision of “...*a productive and sustainable Built Environment...*”
through improved innovation,
education and standards

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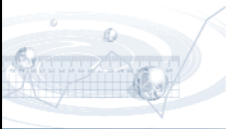
FM Action Agenda: *implementation*

- Four Recognition Working Groups
 1. Innovation
 2. Education and Training
 3. Regulation Reform
 4. Sustainability
- + FM Exemplar Project
- + Communications Plan




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FM Action Agenda: *the Trilogy*




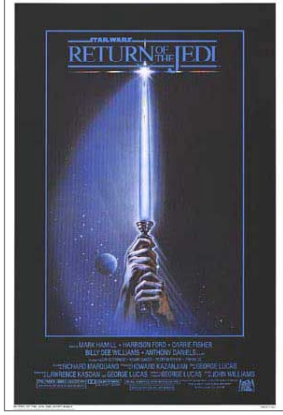
New Hope





Dramatic Struggle





Brighter Future

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FM Action Agenda: *implementation*



New Hope





Dramatic Struggle





Brighter Future

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FM Action Agenda: *implementation*

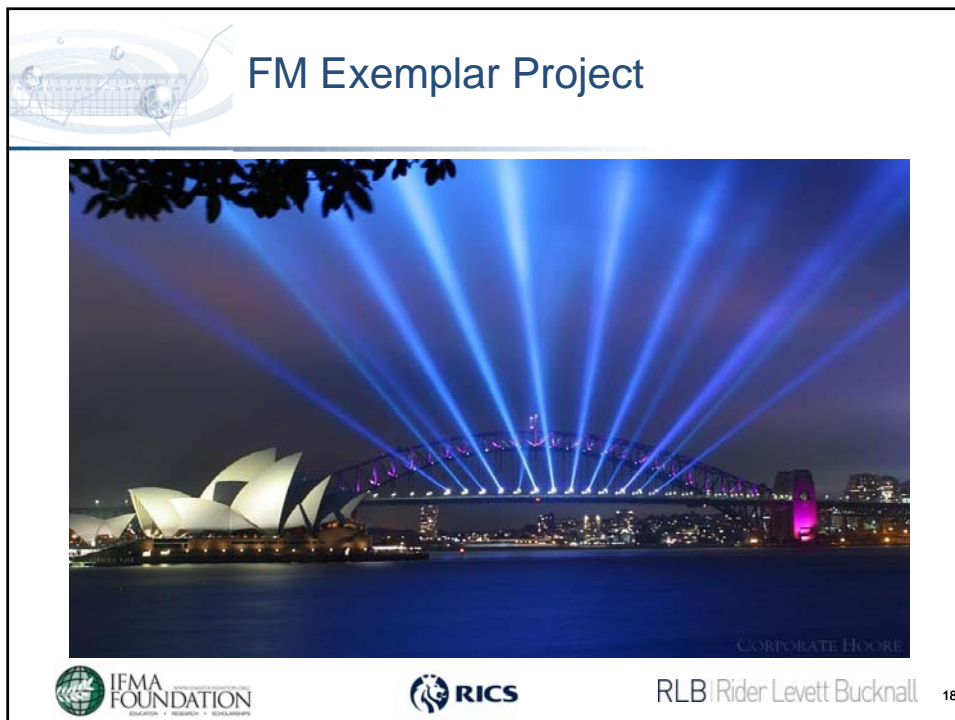
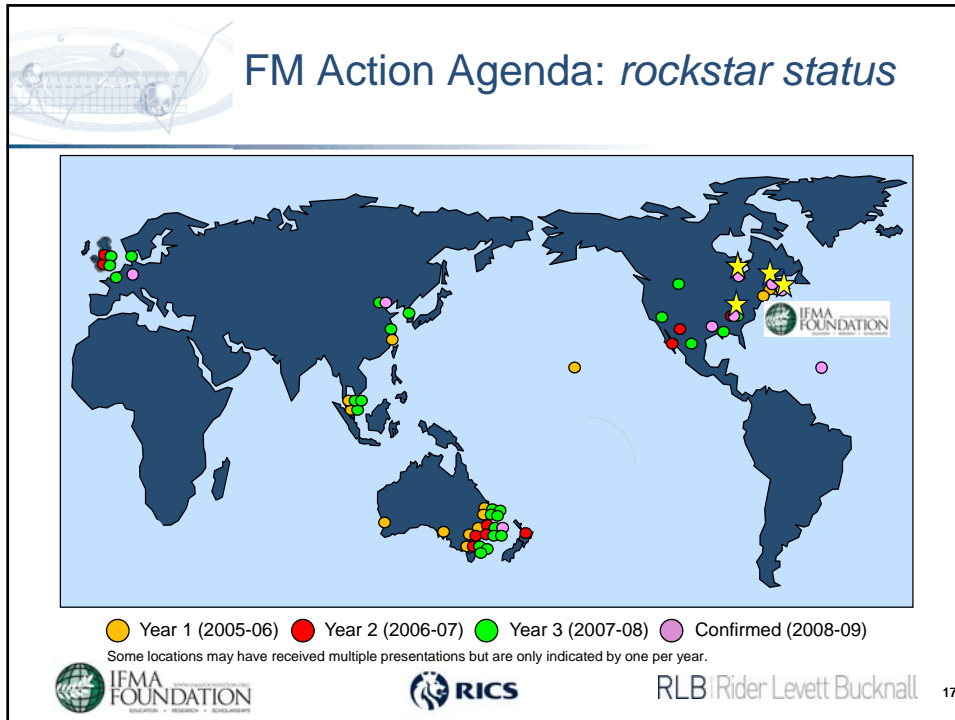
Implementation phase highlights 2005-08;

- an FM Innovation Forum with publications due on Services Procurement and Workplace Productivity
- FM education focus first undergraduate FM degree program in 2007 and the fostering FM as a professional career path within the Vocational, Technical and Higher Education
- national regulatory compliance mapping and a pilot on-line 'Legislation Guide'
- development of "a Practical Guide to Sustainability for Operational Facility Managers"
- FM Exemplar Project: Sydney Opera House research completed, published and seminar series





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FM Exemplar Project

- Sydney Opera House with 3 FM research streams;
 - Digital Modelling
 - Services Procurement
 - Performance Benchmarking
- FM Action Agenda alignment and demonstrator, **'FM as a business enabler'**

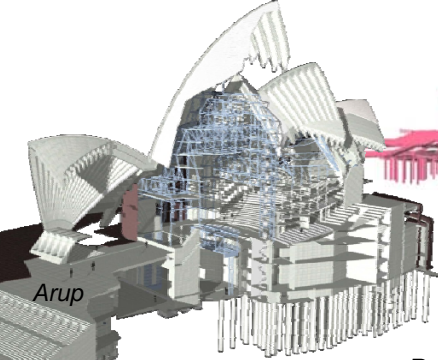

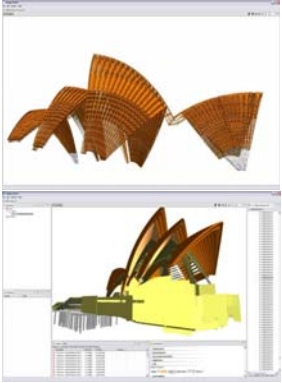


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1. Digital Modelling

Reusing IFC data




Bentley Structural

→ IFC →

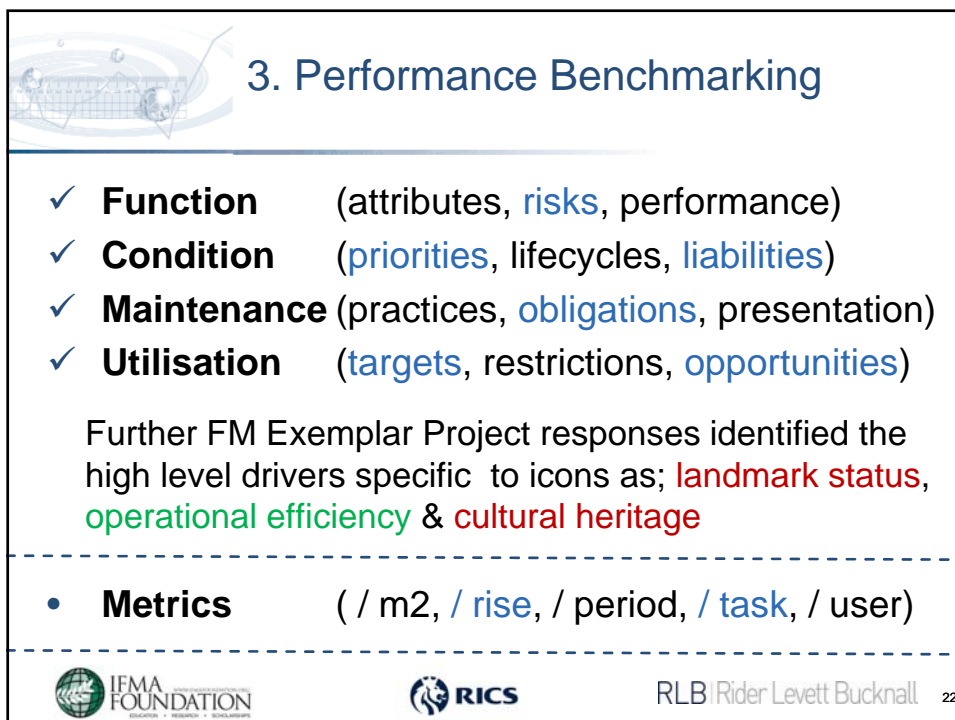
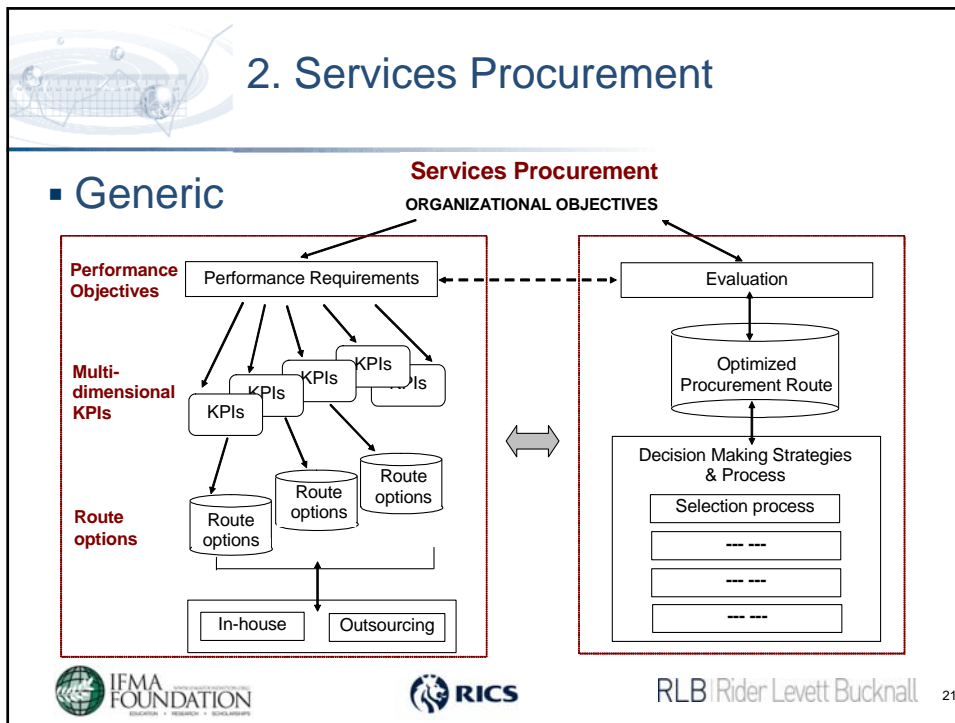
ArchiCAD

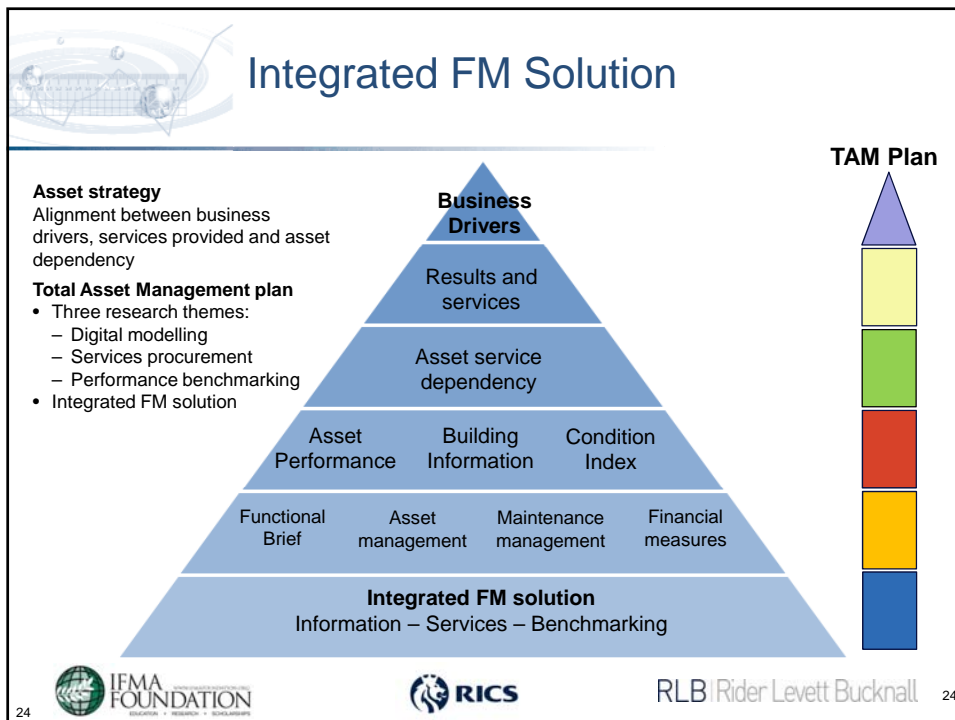
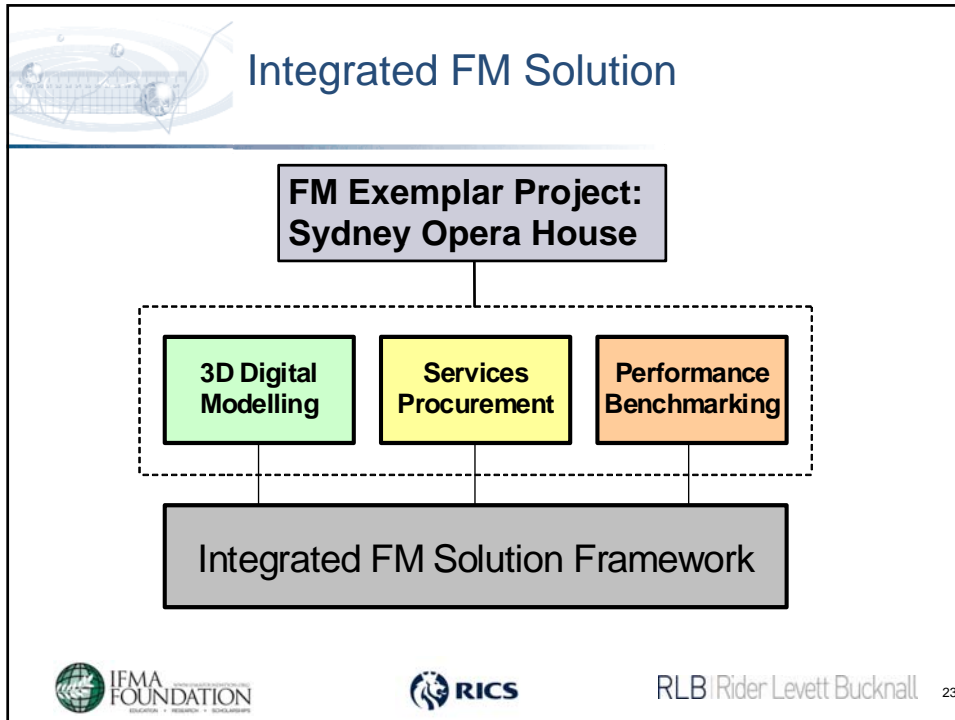
→ IFC →

IFC Viewer

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 FM Exemplar Project




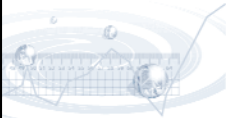
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 Technical Due Diligence



- RICS Best Practice Guidance on Technical Due Diligence
- Provides a 22 page “guide”, not an instruction manual
- New industry standard
- Greater Professionalism

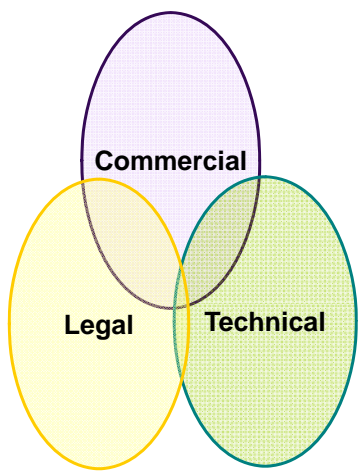
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Technical Due Diligence

What is Due Diligence?

- Physical property characteristics – “Discovery & Analysis”
- Risk mitigation & opportunity identification
- “Snapshot” of a property at a point in time



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Technical Due Diligence

Why do you need Technical Due Diligence?

- Fiduciary responsibilities
- ‘Caveat Emptor’
- Compliance
- Performance
- All buildings have challenges



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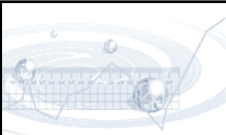
Technical Due Diligence

Types of Due Diligence and applications

- Acquisition
- Occupation
- Disposal
- Development
- On-going





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Technical Due Diligence

What does the Guide cover?

- Types of inspections
- Taking instructions & third party appointments
- Main components of the Technical Due Diligence Report
- Interpretation of the Report
- Matters for legal advisers attention
- Insurance
- Annexures
 - Confirming scope of service
 - Report limitations



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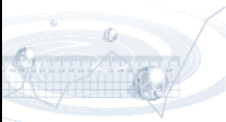
Technical Due Diligence

What could a TDD report cover?

- External Areas
- Structure & Fabric
- Building Services
- Statutory Compliance
- Environmental Issues
- Sustainability
- Town Planning
- Heritage
- Floor space ratio
- Identification Surveys
- Tax Depreciation
- Reinstatement Cost
- CAPEX & OPEX
- Risk Analysis





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Technical Due Diligence

Summary

- Technical Due Diligence is “Analysis & Discovery” – Risk mitigation & identification of opportunities
- Fiduciary responsibility, compliance & caveat emptor
- Guide provides best practice guidance, not a technical manual
- The new industry standard for Technical Due Diligence




*Technical Due Diligence, where Surveyor can demonstrate real value in the pursuit of **Quality***

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a Guide to Office Building Quality



- Property Council of Australia (PCA) 36 pages - released 2006
- Recognizes for the first time the use of Environmental Rating tools linking sustainability to quality

a Guide in 2 parts;

- Grading matrix for **existing** offices
- Specification for **new** offices



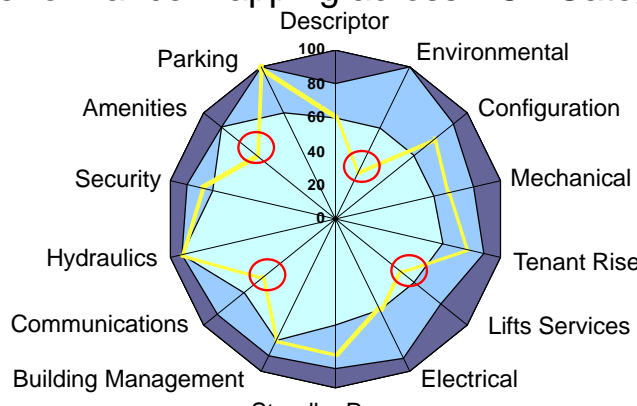
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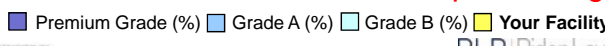
Benchmarking Quality

BQA performance mapping across PCA Categories


Descriptor



100
80
60
40
20
0

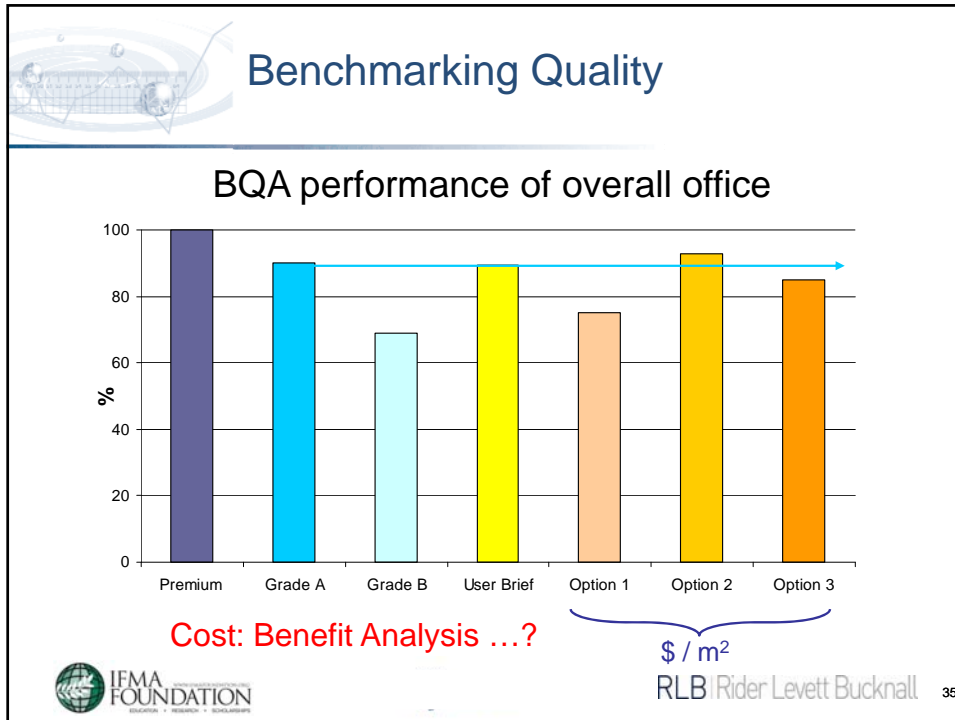


Repositioning assets...?



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FM Agenda Action: legacy

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- www.fma.com.au
- www.ifmafoundation.org
- www.californiamayday.com/
- www.construction-innovation.info
- www.bemp.webls.info/
- www.rlb.com

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FM Links & Publications

 <p style="text-align: center;">DELIVER the GREEN</p> <p style="text-align: center;">A FRESH LOOK AT LEADER AND FACILITY MANAGEMENT</p> <p style="text-align: center;">FREE downloads</p>	 <p style="text-align: center;">Violence in the workplace</p> <p style="text-align: center;">The Role of the Facility Manager</p> <p style="text-align: center;">for sale</p>	 <p style="text-align: center;">The Business of Green Cleaning</p> <p style="text-align: center;">for sale</p>
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stephen.ballesty@au.rlb.com

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FM's new dawn



“the outlook is always bright ...
... when failure is not an option”



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