

**EFMC 2011**  
European Facility Management Conference

Rock the Foundation, Vienna  
25 May 2011

**Due Diligence essentials:  
what?, why?, when? & how?**

**Stephen Ballesty** MBA, CFM, FRICS, FAIQS, ICECA  
Director | Head of Advisory, Rider Levett Bucknall  
Chairman, IFMA Foundation  
Past Chairman & Life Member, FMA Australia

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# Technical Due Diligence (TDD)


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

China's official news agency, Xinhua, said officials were taking "appropriate control measures"

Lotus Riverside,  
Shanghai  
29 June 2009



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# What is TDD?

- ❑ Legal, technical, valuation and financial / accounting
- ❑ Discovery, quantification and reporting – understanding
- ❑ Identification of impacts - return on investment and user satisfaction
- ❑ Risk Management – transactional to Whole of Life operations



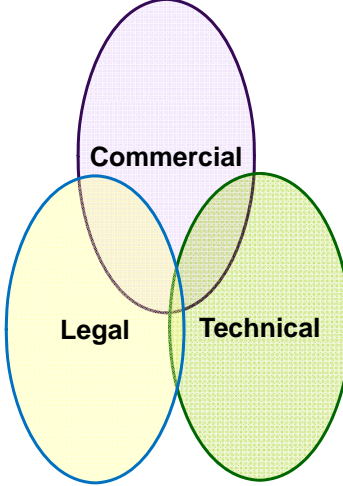
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## Why TDD?



- Compliance requirements
- Performance targets
- Fiduciary responsibilities
- All facilities face technical and obsolescence challenges over time
- Caveat Emptor – ‘let the buyer beware’

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## When to TDD?

Not just at the point of sale!!

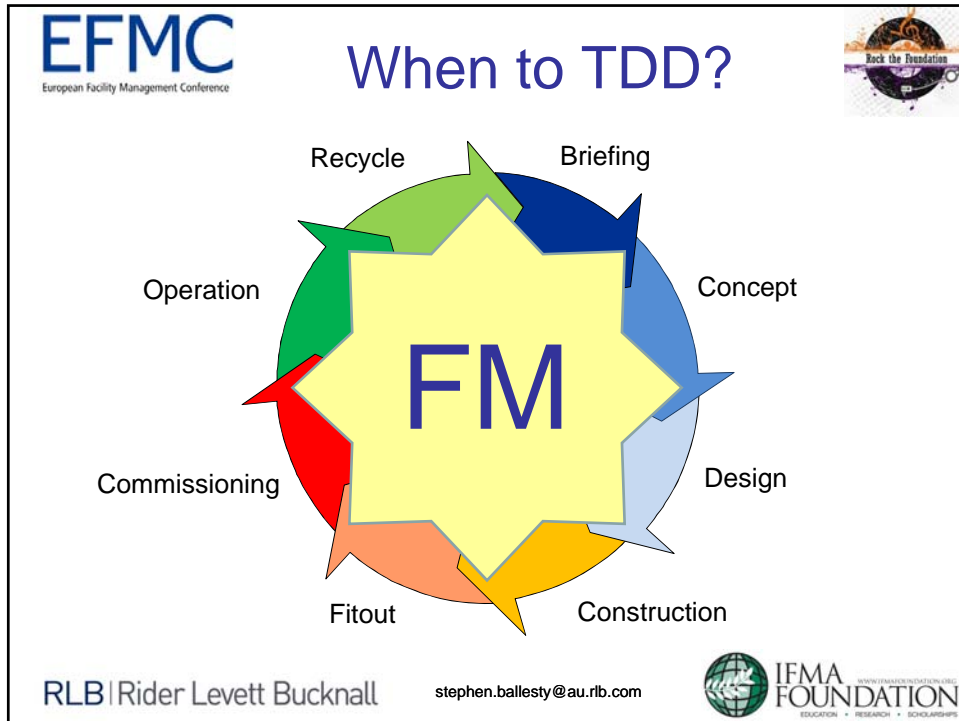
- Acquisition
- Occupation
- Disposal
- Development
- On-going



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- ## How to TDD?
- Due diligence as a noun and a verb
  - One size does not fit all – tailored solutions are required
  - Key inclusions, need to understand
    1. Compliance status
    2. Benefits or values
    3. Risks or liabilities
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## How to TDD?

1. Inhouse resources
2. Inhouse or project management of specialists
3. External Consultancy with internal team of specialists
4. External Consultancy utilising a customised mix of internal and external specialists

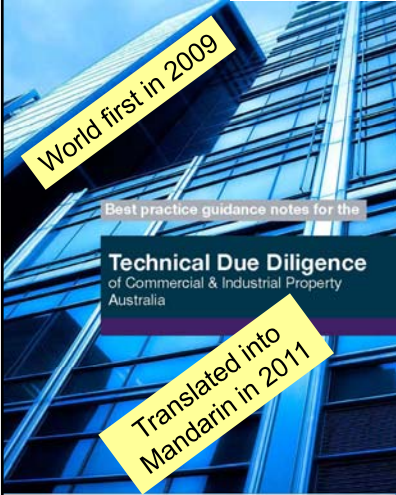
Requirements, levels of assessment and staged reporting

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## TDD Guide




- ❑ RICS Best Practice Guidance on Technical Due Diligence (2009)
- ❑ Provides a 22 page “guide”, not an instruction manual or standard
- ❑ Risk mitigation, value enhancement & opportunity identification
- ❑ Structure and language

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**TDD Guide**



What the RICS Guide covers;


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

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**TDD Scope**





What could a TDD report cover ?

- Town Planning
- Structure & Fabric
- Building Services
- Regulatory Compliance
- Environmental / Contamination
- Heritage
- Tax Depreciation
- Reinstatement Costs
- CAPEX & OPEX
- Risk Analysis




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# TDD Scope




What new in a TDD reporting ?


1. FM Arrangements Review
2. Sustainability Performance Review
3. Redevelopment or REliefing Opportunities



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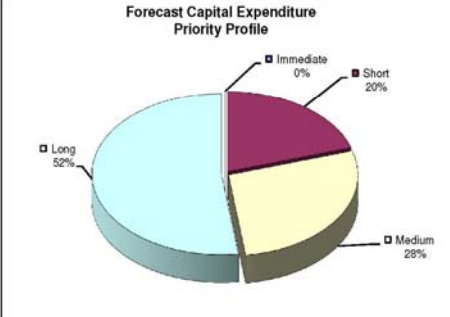


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# CAPEX Forecasts

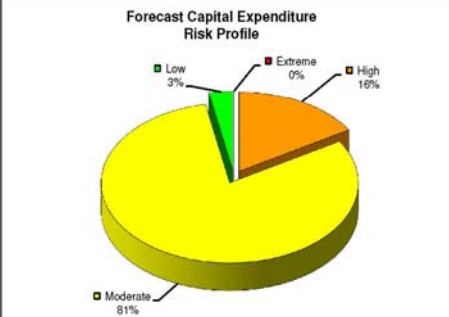


**Forecast Capital Expenditure Priority Profile**



Based on our current assessment, allocations by value (in current cost terms) of priority time periods for the Total Forecast Capital Expenditure.  
Immediate = n/a, Short = 2007, Medium = 2008 to 2011, Long = 2012 to 2016


**Forecast Capital Expenditure Risk Profile**

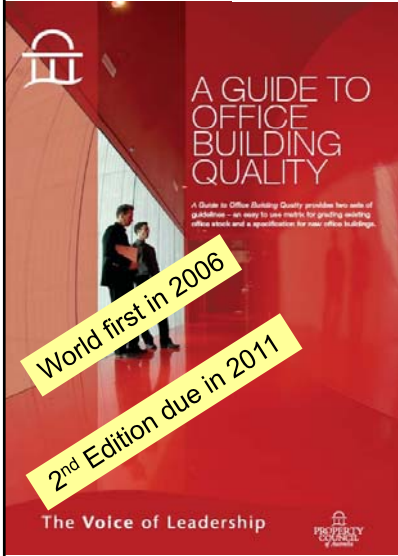


Based on our current assessment, allocations by value (in current cost terms) of risks for the Total Forecast Capital Expenditure.  
Risk classifications as per AS/NZS 4360:2004

Priority Rating	Total Cost (\$) (Escalated)
0% Immediate	-
20% Short	173,700
28% Medium	238,500
52% Long	448,600
<b>Total</b>	<b>\$ 860,800</b>


Risk Rating	Total Cost (\$) (Escalated)
0% Extreme	-
16% High	140,300
81% Moderate	694,500
3% Low	26,000
<b>Total</b>	<b>\$ 860,800</b>

**EFMC** European Facility Management Conference **Office Quality Guide** 





**A GUIDE TO OFFICE BUILDING QUALITY**  
A Guide to Office Building Quality provides two sets of guidelines – an easy to use matrix for grading existing office assets and a specification for new office buildings.

World first in 2006  
2nd Edition due in 2011

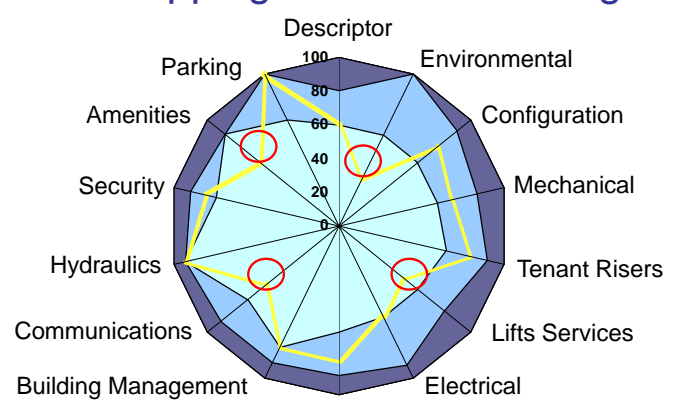
The Voice of Leadership 

- Property Council of Australia (PCA) 36 pages
- Recognised for the first time the use of Green Rating tools linking sustainability to quality
- a Guide in 2 parts
  - ✓ Grading matrix for **existing** offices
  - ✓ Specification for **new** offices

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**EFMC** European Facility Management Conference **Benchmarking Quality** 

**BQA mapping across PCA categories**




Descriptor

Parking, Environmental, Configuration, Mechanical, Tenant Risers, Lifts Services, Electrical, Standby Power, Building Management, Communications, Hydraulics, Security, Amenities

RElivering facilities...? Repositioning assets...?

■ Premium Grade (%) ■ Grade A (%) ■ Grade B (%) ■ Your Facility

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# Enhancing Value

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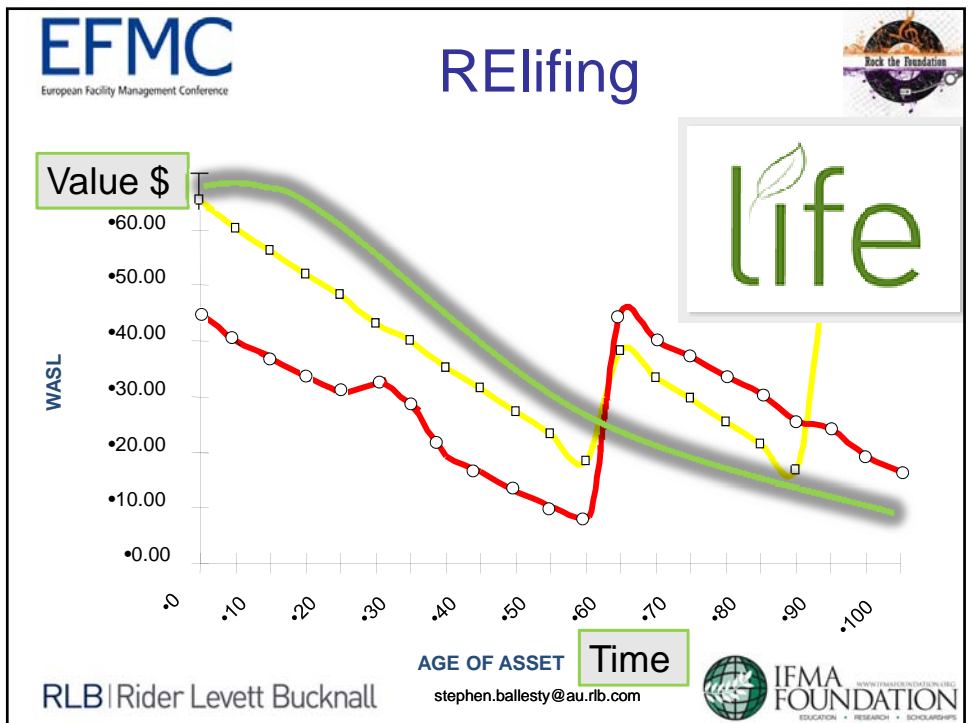
## Strategies for existing facilities

- Aligning assets with business drivers
- Whole of life performance, planned maintenance and refurbishment
- Moving beyond compliance and re-positioning assets to be innovative, efficient, productive and sustainable
- Mitigating risk and enhancing value



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## DD essentials

- ❑ Facility knowledge for risk mitigation and value enhancement
- ❑ Publications provide practice guidance on outputs
- ❑ Move Beyond Compliance and towards re-positioning existing assets to be innovative, efficient, productive and sustainable
- ❑ Briefing + Scoping + Reporting = Outcomes



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