

EFMC 2011
European Facility Management Conference

Chicago, June 1, 2011

“Rock the Foundation” 2011
from Vienna to Chicago

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*

Gensler **InterfaceFLOR** **HAWORTH**

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“Rock the Foundation” 2011

FUTURE STARS OF FM 2011
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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



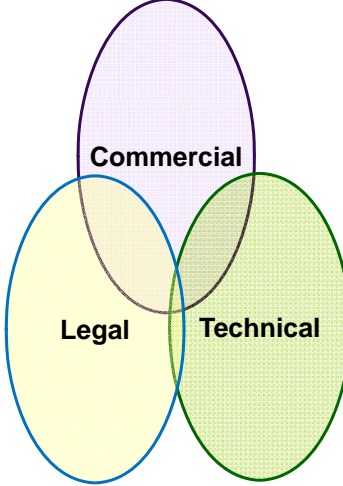
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Why TDD?

- 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?

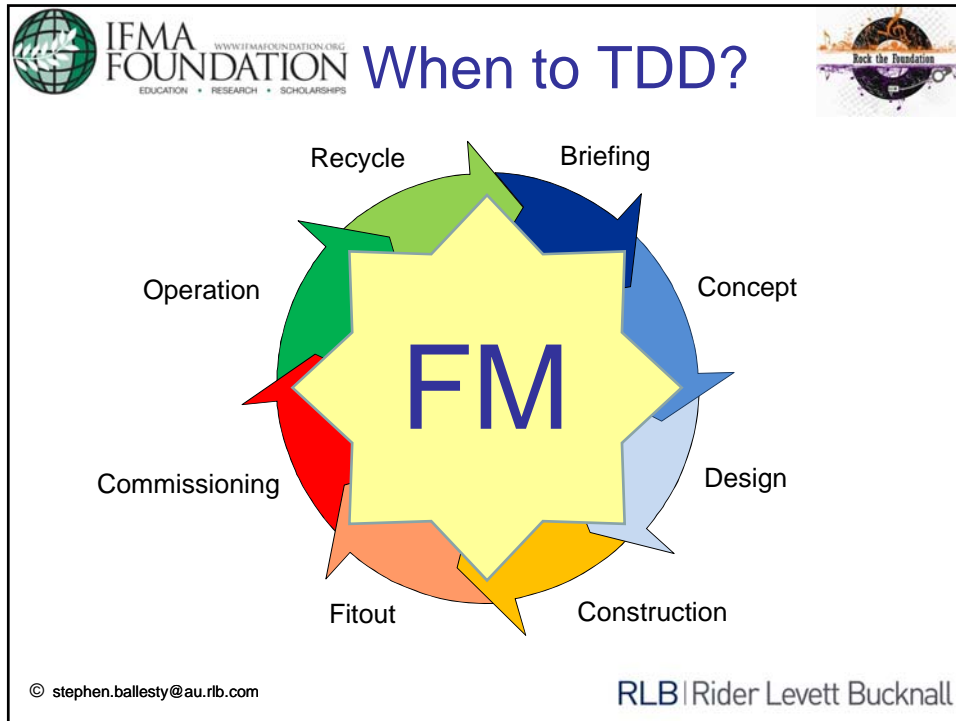
Not just at the point of sale!!

- 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

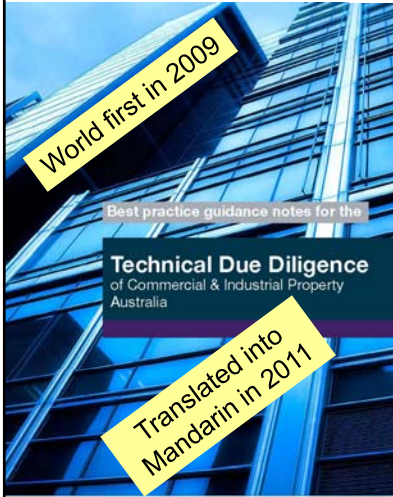

Requirements, levels of assessment and staged reporting

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TDD Guide




World first in 2009

Best practice guidance notes for the

Technical Due Diligence
of Commercial & Industrial Property
Australia


Translated into
Mandarin in 2011




rics.org.au

- ❑ 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 RElifying Opportunities




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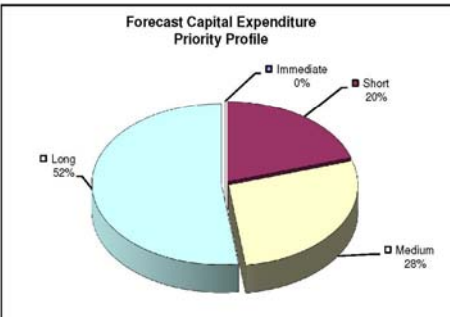


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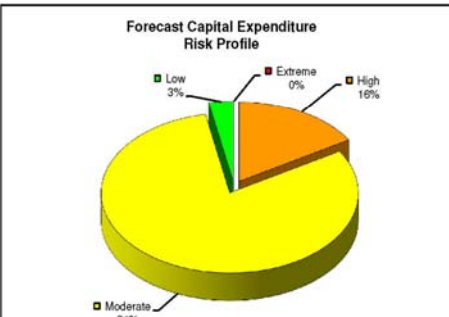
CAPEX Forecasts

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



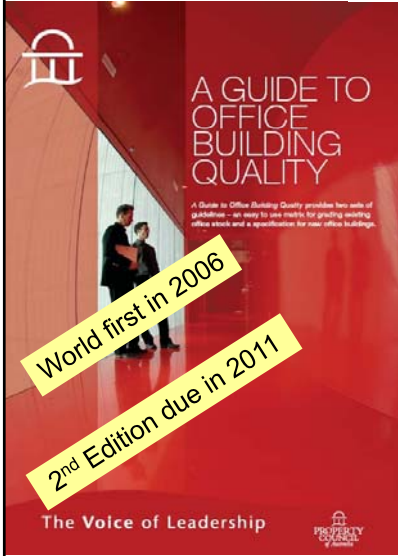
Based on our current assessment, allocations by value (in current cost terms) of risks for the Total Forecast Capital Expenditure.
Risk classifications as per AS/NZS 4360:2004

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

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

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Quality Guide



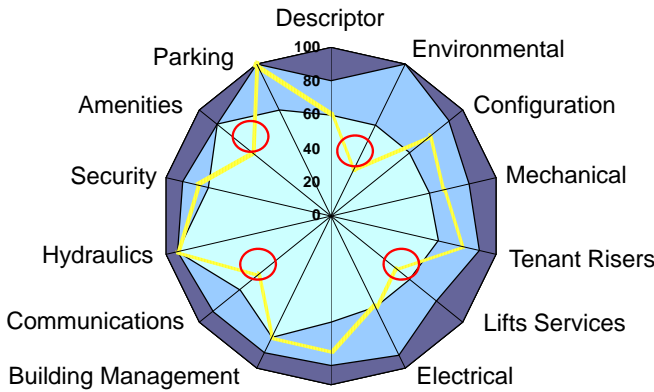
- ❑ Property Council of Australia (PCA) 36 pages
- ❑ Recognised for the first time the use of Green Rating tools linking sustainability to quality
- ❑ a Guide in 2 parts
 - ✓ Grading matrix for **existing** offices
 - ✓ Specification for **new** offices

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Benchmarking

Benchmarking Quality across PCA categories



REliefing facilities...? **Repositioning assets...?**

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

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Enhancing Value

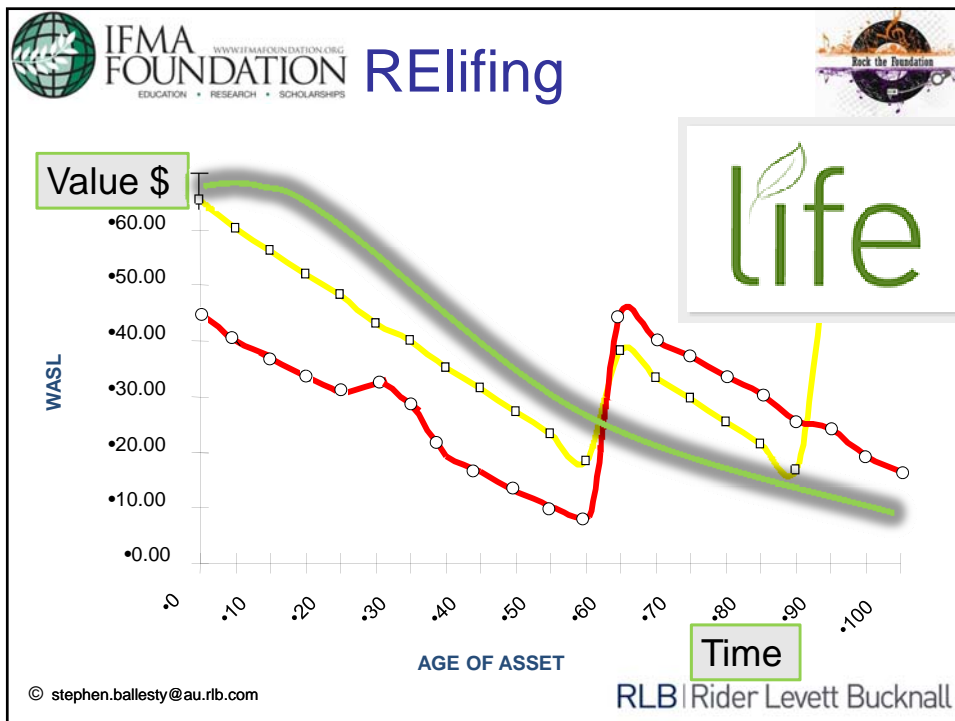


Strategies for existing facilities

- ❑ 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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Future of FM



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

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