

NAVIGATING THE PROPERTY CONDITION ASSESSMENT

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ALLIANCE
REAL ESTATE
INSPECTIONS

*Specializing in Property
Condition Assessments*

Serving all of California,
Arizona and Nevada

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GLOSSARY OF TERMS

ADA: Americans with Disabilities Act lays out the requirements for new construction and alterations to accommodate persons with disabilities. An ADA certification assures compliance. A Property Condition Assessment does not include an ADA certification, but the inspector will make note of any ADA measures in place.

ASHI: American Society of Home Inspectors is probably the most reputable nationwide residential inspection association with the highest standards.

ASTM: American Society for Testing and Materials is an organization that sets standards for a wide range of materials, products, systems, et cetera.

CREIA: California Real Estate Inspection Association is a highly respected residential inspector association in California with multiple member levels. CCI (Certified CREIA Inspector) means they have had a background check, passed the required tests, performed the required inspections and fulfilled all other requirements to be a full member. MCI (Master CREIA inspector) requires passing a more difficult exam as well as other more stringent requirements.

PCA: Property Condition Assessment is the term used for an inspection of a commercial structure.

PCR: Property Condition Report is the report based on the inspection of a commercial structure.

PHASE I OR PHASE II: These are specialty inspections dealing with environmental hazards, such as soil and subsurface substances.

ABOUT ALLIANCE REAL ESTATE INSPECTIONS

We require all of our inspectors to be a member of ASHI (American Society of Home Inspectors) to ensure they adhere to high nationwide standards. To learn more about our inspectors, please visit our [About Us](#) page and read their bios or watch their interview videos.



Robert Gaudreault, our lead inspector, has earned a reputation over the past decades for reliability and accuracy in his work on both residential and commercial inspections. He chooses our inspectors carefully for their extensive construction experience then personally trains them. All our inspectors are knowledgeable, professional and approachable. They take their time with clients so no one is alarmed unnecessarily.

We take pride in our detailed inspections and exceptional reporting, while providing unbiased service to all parties.

Robert Gaudreault's credentials:

- Member of ASTM International
- Construction Management certificate degree from UCLA
- CA State Contractors License #488726 & C29 in Masonry
- Level One Infrared certified
- Has worked exclusively in construction since 1972
- Inspecting commercial & residential properties since 1995
- ASHI certified
- CREIA certified since 1998
- CREIA's highest certification (MCI)
- Former president of a CREIA chapter

WHAT IS A PROPERTY CONDITION ASSESSMENT?

An assessment of the structure and its condition is commonly referred to as a “general inspection” or “physical inspection” or “survey.” These terms are accurate since the assessment will be a *general* visual inspection of the *physical* structure and its systems. However, on a commercial structure, the correct term for this inspection is “Property Condition Assessment” or PCA.

A PCA is performed following ASTM E2018 standards. The inspector performing the PCA may be referred to as a Consultant.

The majority of the Consultant’s focus will be on the major systems such as the roof, foundation, electrical, plumbing, and the heating/air. They will also examine other parts of the building, such as windows, doors, outlets, bathrooms, kitchens, water heaters, as well as some of the building exteriors.

STANDARDS OF PRACTICE: Per the standards of practice of ASTM, the Consultant is not performing an intrusive, invasive or exhaustive assessment. The Consultant strives to find visible defects and flag them, then recommends the appropriate qualified professional to perform a more in-depth examination of the entire flagged system.

OVERALL GOAL: The Consultant’s purpose is to flag issues that could affect the client’s decision to lease or purchase the property. For sellers, the goal is to catch major issues that could be a deterrent to a potential buyer. The Consultant’s focus is primarily on functionality and safety as opposed to subjective cosmetic issues.

More details on ASTM standards can be found at ASTM.org.

WHAT A PROPERTY CONDITION ASSESSMENT INCLUDES

We perform a general limited visual examination per the ASTM E2018 standards of practice. Per those guidelines, inspectors will examine the structure with emphasis on the five major systems of the building — *the foundation, roof, plumbing, electrical and heating/air*. They will also look at the interiors, exteriors of the structure, grounds, and (depending on the Consultant) pools or spas (apartments, hotels, et cetera).

In addition to the above, a Property Condition Assessment will also include a brief overview of ADA (not a certification). The inspector will examine the parking area and asphalt or concrete, as well as provide a cost estimate of any necessary repairs that could be over \$3,000. On structures over 10,000 square feet, a five-year cost assessment will also be included in the report.

NOTE: On the occasion that a commercial real estate agent or investor becomes involved in a residential inspection, they often are not aware that per ASHI and CREIA standards, inspectors do not provide prices or estimates on residential properties (4 units or fewer). For residential properties, the best course of action is to get the recommended qualified licensed professional to examine the system and provide costs.

Although this explanation is short, by looking at [sample reports](#), you can see for yourself how extensive these reports can get and how many different items a Consultant might note.

Many other inspector associations exist, but we have found ASTM to hold the highest standards. More information on the standards of practice can be found at ASTM.org.

WHAT A PROPERTY CONDITION ASSESSMENT EXCLUDES

Here are the basics:

SPECIALIZED EQUIPMENT: This assessment does not include any specialized equipment, such as deep freezers, printing presses, etc. The Consultant is only concerned with the structure.

REPRESENTATIVE SAMPLINGS: On buildings over 10,000 square feet, every unit or component may not be inspected. Only a representative sampling (20-30%) may be taken of HVAC systems, water heaters, units, interiors, etc.

ENVIRONMENTAL: Pests and microbial growth are outside the scope of a PCA. If any future occupants of the building have respiratory issues or other health concerns, the client should get a mold or environmental specialist to evaluate the structure in its entirety. The generalist should never be relied upon to determine whether or not environmental menaces exist.

SEWER LINE: This is the waste line that runs from the building to the main line in the street. Since this pipe is buried, the Consultant is unable to see it and therefore can't comment on it. Most Consultants will recommend getting the line scoped.

SEPTIC: Like the sewer line, the septic system is buried and can't be viewed and, therefore, the inspector will not comment on it, except to recommend a licensed professional examine it.

TERMITES: Termite inspectors are typically required to be licensed by the state, as in California and Nevada. Due to this requirement, anything related to termites is excluded from the Property Condition Report.

ELEVATORS, HANDICAP ACCESS, FIRE SAFETY: The Consultant will note certifications posted in the elevator and may comment on the interiors. He will note the presence of handicap access features, as well as fire safety measures installed, but any comments he makes are not a substitute for a certification. The Consultant is not a specialist for these systems.

POOLS AND SPAS (HOTELS, RESORTS, ETC.): Most Consultants will examine these, even though it isn't required per ASTM standards. Minimally, the inspector will make notes on child safety barrier requirements.

CHIMNEYS (HOTELS, RESORTS, ETC.): Though Consultants do examine the chimney and fireplace, they don't have the camera and scope to look up the flue. Without fully viewing the system, the Consultant ultimately can't know if it's safe and, therefore, won't usually light the gas valve. Instead, they will recommend that a chimney inspector evaluate the system further.

APPLIANCES: Between characteristics specific to various models and the multitude of settings, inspecting an appliance thoroughly on every setting isn't practical nor is it economical for the client. Consultants usually limit the visual examination of the appliance to turning it on to ensure it operates and then turning it off. Only built-in appliances are included in the inspection report. Washers, dryers, refrigerators, et cetera are excluded. When inspecting multiple apartment units, dishwashers are also excluded.

LANDSCAPING: Sprinklers are usually on timers, which the Consultant will not risk altering. Additionally, pipes and lines are buried and not visible to examine. A large portion of landscaping is cosmetic or preference and, therefore, not inspected — unless sprinklers, trees or shrubs appear to adversely affect the structure. The inspector will do only a very minimal examination of the visible sprinklers but will not operate them.

PERMITS: Inspectors do not research permits as part of the inspection.

CODE COMPLIANCE: Since codes for municipalities can vary widely, inspectors do not customize their reports to accommodate specific city codes. Instead, they follow a nationwide building standard.

PHASE I & PHASE II INSPECTIONS: These are specialty inspections dealing with environmental hazards, such as soil and subsurface substances. A Property Condition Assessment is concerned mainly with the structure and excludes environmental testing or evaluations.

MEASURING: The inspector will not do any measuring to determine if the property suits specific needs, nor will they evaluate sizes of rooms, confirm property or lot square footage, et cetera.

COSMETIC DEFECTS: The property inspector is mainly interested in the system's function and its correct installation. Cosmetic issues are often subjective and don't affect the system's performance and, therefore, are not usually evaluated.

To put some of these exclusions in perspective, if you see your family doctor, it's usually a general practitioner. The general practitioner doesn't typically do any special testing, but if they see something that should be examined further, they refer the client to a specialist. The general practitioner also doesn't make notes on cosmetic issues, nor will they measure to ensure shoes will fit. :)

More details can be found in the ASTM E2018 Standards of Practice at ASTM.org.

THE STEPS OF THE ASSESSMENT PROCESS

1. ***Know the inspection contingency period.*** On purchases, all inspections must be completed within the inspection contingency time frame. This is not the same as the length of escrow. The escrow for a residential purchase is usually about thirty days, but commercial transactions often allow much longer contingencies and escrows.
2. ***Research inspectors.*** Everyone loves a great bargain, but be sure to research the Consultant and their credentials or certifications, construction background experience, and read online reviews. Remember, you usually get what you pay for.
3. ***Schedule all inspections as soon as possible.*** Allow plenty of time between receiving the PCA and the end of your contingency period. More homework is likely needed after the assessment is completed, such as arranging for specialty inspections or researching. Make sure there is enough time to do everything before the contingency period ends.
4. ***Arrange your schedule so that you can be present during the inspection.*** The assessment is for the client's benefit. If the true condition of the building is not understood, the report won't be as beneficial. Being on-site with the inspector provides the client the opportunity to do their own due diligence and explore the property. After the Consultant has conducted the survey, they will review the findings with the client. This is a great opportunity to ask questions and take notes while walking through the property. Although we highly recommend the client be present, we understand that sometimes this just isn't possible.
5. ***Request that your real estate agent and other essential people be present at the inspection.*** If the property has a building engineer or manager (or someone who knows the history of the building and its maintenance) he or she should be present and available for an interview, if possible. Having your real estate agent on-site is usually quite beneficial as well. The buying, selling or

leasing process has many moving parts which is the reason clients hire a professional to help them. With your agent present at the assessment, everyone stays on the same page and the agent's ability to maintain control is greater.

6. ***Sign contract and arrange payment with Consultant.*** Most inspectors will not release the report until the client has paid and signed the contract. Some companies won't even send out their inspectors until receiving payment and a signed contract. When the client handles these things in advance, the Consultant is free to focus on servicing the client without being concerned with paperwork.
7. ***Make sure the property is prepared.*** The utilities should be on during the inspection. If they are not, then the seller may be willing to give an extension on the inspection contingency period and postpone the inspection until after the utilities are on. The Consultant will need access to the entire structure, such as the roof, attic, basement or crawl space, boiler room, parking structure and any utility closets and cabinets. Please keep in mind that you and the inspector are on someone else's property and the inspector can't break any locks or move furniture or belongings. Ideally, full access is arranged ahead of time. If not, the inspector will do their best to work around any obstructions.
8. ***Client receives disclosures on property.*** Ideally, you get the disclosures before the inspection. This gives the client the opportunity to review any past or current issues and bring any concerns to Consultant's attention. This gives the client the opportunity to review past or current issues and bring any concerns to Consultant's attention.
9. ***Arrival at the inspection:*** A good inspector will encourage his client's presence, but keep in mind that any additional or unnecessary people can create distractions or get in the inspector's way. To get the most out of your assessment, only those absolutely necessary (agent, client,

partner, contractor, building engineer, et cetera) should be present. And when Consultant is ready to deliver the summary, the client should feel free to ask questions. That is the reason for hiring the Consultant — to get as much information on the property as possible.

10. ***Do not rely solely on the verbal summary.*** Very often, the Consultant has accumulated a great deal of information, which can be overwhelming. Reviewing every single defect can be quite time-consuming. Inspectors generally discuss only the most important issues or safety concerns and may not cover lesser issues on-site, especially if the property has many defects. Clients should read every page of the report, even the disclaimers, to make sure they have the full picture. If anything isn't completely clear, call the Consultant to clarify.
11. ***Follow recommendations and schedule appropriate specialists.***
12. ***When all information is in, any negotiations can begin.***
13. ***If repairs have been performed since the inspection, the original inspector likely will not return to the property to verify repairs.*** Ideally, the repairs recommended by the inspector would be made by a licensed qualified contractor who specializes in that system or unit. The Consultant probably won't comment on the specialist's work. Doing so is a huge liability, and most insurance companies will deny coverage should any problems arise in the future. We suggest getting the documentation from the sellers on the contractors who made the repairs.
14. ***Sign off on the inspection contingency before the end of the contingency period.*** If you have decided not to continue with the purchase, however, then you would not sign off.

COMMON MISTAKES AND MISCONCEPTIONS

1. ***New construction:*** All too often, the client assumes that since the structure is brand new, no inspection is necessary. It should be perfect, right? Not necessarily. The contractor could be honest and work with high integrity, but even the best people make mistakes. Also, the contractor can't oversee every aspect of the construction. Other people make mistakes too. Getting information from the Property Condition Report affords one the opportunity to request repairs before moving in. Defects often become visible as the structure and systems are used. Many Consultants also recommend getting a second assessment after occupying the building for a few months — preferably before the builder's warranty ends.
2. ***Inspectors do not carry ladders longer than sixteen feet.*** Per industry standards, if Consultant is not able to *safely* access the roof, he may need to view the roof from the ground level instead. If the roof is greater than 16 feet, please ensure that roof access is provided on-site through an extension ladder or a permanently installed ladder that can be safely accessed.
3. ***The property is in need of too many repairs.*** The property is in need of too many repairs. Before the client gives up and falls out of escrow due to flaws with the structure or systems, keep in mind that no perfect building exists. Any property will have flaws. The Consultant can't advise whether or not to cancel escrow or continue with the transaction. The Consultant doesn't know the purchase price or if the property is worth that amount. They can only point out defects. Only you can decide if the good outweighs the bad.
4. ***An appliance or system broke down shortly after client moved in.*** Before calling the Consultant, keep in mind that the Consultant's job is to note the condition at the time of the inspection. If the unit was working at the time, then that is what was noted. That's all they can do. Appliances, units and systems require maintenance, and no one can know when they will break down. The Consultant may not be able to check every single aspect of the unit and can't know how

long it will work, nor can they predict the future.

5. ***This is not a punch list.*** A common misconception is that the inspector should find 100 percent of the building's flaws as well as predict anything that could go wrong in the near or distant future. If inspectors had to be responsible for finding every single little defect on the property, they would be on-site many times longer, minimally, and this extra time would cost the client much more. This is neither practical nor economical. Consultants typically focus mainly on more significant and costly issues.
6. ***Not taking the inspector's recommendations seriously:*** The doctor analogy works well here. All a doctor can do is make recommendations and the rest is up to the client. Upon examination by a qualified specialist, there may be no problem after all. On the other hand, the flagged issue could end up being a major problem. As with the doctor, all an inspector can do is flag the issue and make a recommendation.
7. ***Inspectors do not turn on water or gas valves nor do they relight pilots or reset tripped breakers.*** When these systems are shut down, the inspector has no idea why these systems or components were shut down or whether they are safe to turn back on.

OTHER THINGS TO KEEP IN MIND

SHADOWING THE INSPECTOR: Although most inspectors are more than happy to accommodate special requests when they can, some clients want to follow the Consultant around during the inspection.

Most people feel that having someone look over their shoulder interferes with their concentration. Keep in mind that any attention spent on something else is attention that should be dedicated exclusively to the building and finding defects. Further, most consultants do not want the liability of potential injury while the client is following them.

The best time for the verbal summary with the Consultant is at the *end* of the inspection when they have all the information and the priorities in perspective — and when they can give the client their full attention.

INSPECTING AND ALSO PERFORMING THE REPAIRS: Clients will often ask the inspector to make the corrections, but it is against the law for the inspector to perform any related work after doing the inspection. Also, the fact that an inspector is *not* trying to get more work through an inspection assures the client that the inspector is unbiased and has no vested interest in the outcome.

INSPECTOR'S RECOMMENDATIONS: The inspector's job is to flag anything that may be an issue. The specialist's job is to investigate the issue further. During the specialist's deeper examination, more issues may be uncovered. Conversely, if the client opts not to follow the inspector's recommendations and does not get the flagged issue examined further, any other potential problems may go undiscovered and unnoted, resulting in the client being unaware of the problems until a later date. Ideally, the client learns about any defects before the close of escrow while they can still negotiate with the seller/owner, rather than deal with surprises after it's too late. We urge every client to follow their Consultant's recommendations. The Consultant's expertise is, after all, why the client hired them.

SAMPLE REPORTS

We think you'll find that Alliance Real Estate Inspections provides ample, accurate, and reliable information.

Check out our [sample Property Condition Reports](https://www.CommercialREinc.com/sample-property-condition-reports) at CommercialREinc.com.



We hope you found this booklet helpful! If you have any questions, feel free to call!

See contact information on next page.

AREAS WE SERVICE

We service all of California, Arizona and Nevada. For properties located outside these states, please call our office to see if we service that area.

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