



How Not to Sell Your Listing Short

Every commercial-industrial property sale includes a due diligence period prior to the settlement date. More often than not, the buyer finds structural defects or mechanical systems issues that require repairs or remediation. That's when the negotiation begins as to how to remedy the potentially costly problem. The seller is anxious to move forward towards the settlement. Often, the solution to the problem is to reduce the selling price to cover the cost of repairs or remediation of the property. You've sold your listing short.

There's a better way! The listing agent should encourage the property owner to hire a multi-disciplined engineering firm like Bohler Engineering to conduct Property Condition Assessment, or PCA, at the onset of servicing the listing. The PCA should generally be completed in accordance with ASTM E2018-08, which is the standard guide for such assessments, and should be completed by a field technician educated or trained in the field of architecture or engineering. Depending on the size of the property, the PCA site visit should take the technician from a few hours to an entire day to complete. The resulting report would serve to identify various potential issues with the property that can either be taken care of by the seller or itemized in a disclosure statement to potential buyers. At a minimum, the Property Condition Assessment should include inspection of, the building structure, interior finish conditions, roofing condition, as well as the mechanical, plumbing, and electrical systems. Optionally the seller may want to also include handicapped accessibility issues that may exist in the PCA.

Even if the seller chooses not to address any of the potential issues found in the Property Condition Assessment, including an itemized disclosure statement to the potential buyer, with cost estimates from various subcontractors can still result in a significantly lower punch list cost. If the Buyer conducts Property Condition Assessment, and the cost estimate process, they are doing so under the time pressure of the due diligence deadline. The overall punch list cost usually comes in higher because the Buyer doesn't have the time to solicit numerous bids for each line item issue. The result can often mean a 20% to 25% reduction from the original contractual selling price.

A prime example of a costly line item repair that commonly occurs during the pending sale of a property, is the roof condition. For a 30,000 SF single-level warehouse, we received bids from three roofing companies. The original building was 20,000 SF. There was a 10,000 SF addition that was built five years after the original section. One roofing company came in with a bid that was \$5 per square foot, \$150,000. Another bid came in at \$4.25 per square foot, \$127,500. The engineering firm that prepared a Property Condition Assessment report early on in the listing process, stated that the functional life expectancy of the roof for the 10,000 SF addition was another 3 years. We shared that information with all the contractors that bid on the overall roof project. A third roofer agreed with the condition assessment of the two roof sections that the engineer provided us with. They submitted a bid in the amount of \$4.50 per SF for the 20,000 SF section, \$90,000. Their cost included some minor maintenance to the old section of the building roof. We factored in the cost of the partial roof replacement into the quoted selling price and we promoted the fact that the roof was replaced for 2/3 of the entire building in our marketing materials that were submitted to prospects. The overall savings that the property owner saved for this one repair items was in excess of \$55,000. This is just one line item that is likely to appear on the repair punch list for a given property.

Any time you sell an existing commercial/industrial building, there are likely to be items needing repair or remediation. Whether it is the building structure itself, the utilities inside, or even the parking area. As a seller, would you agree it is worth \$3000 to \$5,000 to have a multi-disciplined engineering firm like Bohler Engineering perform a Property Condition Assessment on your site, and potentially save 10 times that amount in the final sale? Without question, at the very least you will be better prepared to address what your potential buyers may discover during their due diligence period, and will be in a more advantageous position to negotiate the sale of your property. Don't sell yourself short!