

CHARTERED SURVEYORS

Due diligence key to smart investment decisions

Acquiring new business premises is always a challenge. Whether moving to a modern business park or a period town centre property, the familiar questions over its suitability, value and the associated risks are sure to exercise the mind right up to – and often long after – completion. **Steven Jelfs**, of Birmingham-based Fusion Building Consultancy, explains how early attention to due diligence issues can save money, time and stress for all concerned



No one would dream of buying or leasing a commercial property without proper legal representation. Yet when it comes to addressing the more practical considerations, making sure these premises are truly fit for your purpose, many organisations remain surprisingly casual in their approach.

It is quite common for a company to be virtually committed to a deal, with contract and completion dates already planned, before these critical practical matters enter the field of vision.

A period of stark realisation – if not downright panic – then follows, as managers finally confront issues which will influence their future success.

This raises many questions. Is the property exactly the right size and type of building? Are the specifications all adequate? Are there suitable repair and dilapidations arrangements? What about our contingency plans?

With time running out and many important questions outstanding, it is surprising how many companies then try to salvage the situation with an ill-conceived do-it-yourself due diligence report.

The managing director or finance director will have the nightmarish task of wrestling with reams of unfamiliar documentation on complex, building-related issues they know little about.

Another typical last-minute scenario is to simply find a surveyor from the phone book and

throw the problem at them.

Chances are, this unexpected and unwelcome task will be quickly be delegated to a junior member as a useful so-called learning exercise.

By contrast, what should happen – assuming you want to avoid such stress, save money and gain a full appreciation of the property itself and the purchase/lease terms – is that you engage a specialist surveyor for a due diligence report earlier in the proceedings.

It makes greatest business sense for the surveyor to examine the practical aspects of the acquisition before you are under pressure to sign. Then any anomalies or sticking points can be dealt with in a measured, professional manner.

When dealing with developers, as is typically the case when buying a newly-built property, they may not want to point the buyer towards a surveyor with due diligence expertise.

After all, why tie yourself down with onerous clauses when you have a naïve customer waiting to pay lots of money?

Increasingly however, even developers are likely to welcome – or even suggest – the involvement of a due diligence advisor.

Of course, this may be due entirely due to their selfless professional integrity and commitment to fair play.

Much as I'd love to think so, I also believe that developers and other sellers are simply being realistic.

'The notion that you can save money by avoiding professional due diligence is simply wrong – a false economy'

They know from experience that a proper due diligence exercise will ultimately hasten the deal, prevent unnecessary delays and ensure that key decisions are made at the right time.

They also know that a full up-front examination and understanding of the sale/lease conditions and their practical implications is bound to reduce misunderstanding and lengthy disputes at a later date.

The right time to appoint surveyor for due diligence is following the appointment of agents and solicitors, early on in the proceedings.

The due diligence process is likely to take around six weeks and involve extensive inspection and transfer of documentation.

As such, by the time contracts

are due for exchange, the buyer/tenant can be certain not only of the legality of the transaction, but also that the new premises are fully suitable and fit for their new purpose, that all specifications are adequate, that there are appropriate arrangements for any dispute resolution and damages, and that there is a suitable contingency plan in the event of the deal breaking down.

Of the 20-plus due diligence exercises we have been engaged in over the last two years, I can say with confidence that we have more than covered our professional fees by saving clients money, either through savings on the scheme itself or re-negotiating the cost of contract variations.

The notion that you can save money by avoiding professional due diligence is simply wrong – a false economy.

As I see it, moving your business premises is tough enough.

The last thing you need is to overlook a practical, timely assessment of the new property, as this can only lead to missed deadlines, added costs and extra hassle further down the line.