

Scope and the instruction to each adviser

Chapters 1 and 2. Name the output before commissioning the work; decide in writing what will not be investigated. A good instruction contains six things, and most contain two.

Asset		Prepared by	
Deal / reference		Date	

Deal frame	Answer
What we are buying, at what price	
Business plan: what the value depends on	
Hold period and exit route	
Risk appetite, stated by whose money it is	
Buyer, vendor or lender diligence: whose question?	

Instruction to	Scope, positively stated	Exclusions, stated	Threshold	Deliverable, date	Reliance, cap
Legal					
Building and services					
Environmental					
Measurement					
Financial and tax					
Insurance					

Materiality, set before the reports arrive	Amount
Reporting threshold: individual items above	
Or matters affecting the ability to let, sell or finance, regardless of cost (never drop this clause)	
Aggregate category threshold	
Deal threshold: taken to negotiation above	
Contingency for follow-ups, per cent of the budget (10 to 15)	

Before instructing	Answer	Decision
If this investigation comes back adverse, what will we do: price, transfer, accept or walk?		
Red flag or full? (Full if the asset will be held and managed; red flag if bidding or short hold)		
Reusing the seller's report: original scope, inspection date, instructed by whom, reliance fee and cap?		
If this report is wrong in the worst plausible way, what do we recover, from whom, and when?		

Chapter 2: a wide scope with a low liability cap sells comfort, not protection. Narrow the scope to what you can rely on and handle the rest another way.

The critical path and the six-week calendar

Chapter 3 and Appendix D. Identify the long-lead items in the first forty-eight hours, decompose each to its first action, and build the timetable backwards from the longest.

Asset		Prepared by	
Deal / reference		Date	

Workstream	First action (usually administrative)	Owner	Instruct by	Report by	Depends on
Legal title and leases					
Building and services survey					
Environmental desk study					
Intrusive ground investigation					
Measured survey					
Financial and tax					
Insurance review					
Counterparty and source of funds					
Valuation for lender					
Lender credit committee					
Third-party consents					
Contract and disclosure					

Week	Decision gate	Answer
1	Does the data room support a six-week process (three quarters of the critical items)?	
2	Does anything found change the price by more than the headroom? Raise it now.	
3	Are the technical reports converging on a costed schedule, or still describing?	
4	Do we have a number: one adjustment and a schedule of protections?	
5	Can the protections be documented in time, with a counterparty worth having?	
6	Does everything on the risk register have a destination?	

Exclusivity: longest chain in weeks, float added, clock stops if the seller fails to provide? What can the seller do at the end?

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The issues log

Chapter 3. One line per finding, six fields and no more, one editor. A log without a materiality figure cannot be prioritised; a log without a commercial ask is a list of complaints.

Asset		Prepared by	
Deal / reference		Date	

[illegible]

Status from a fixed list: open, awaiting response, resolved, accepted. Any item that has not moved for five working days is escalated automatically. Work the weekly meeting by materiality, not by number.

The data room: absences, nil returns and the disclosure log

Chapter 4 and Appendix A. Read the room for its shape. An absence is closed by a document or a written nil return, never by an explanation.

Asset		Prepared by	
Deal / reference		Date	

Expected category	Present / partial / absent	Benign explanation	Alternative to exclude	Closed by
Inbound tenant correspondence				
Service charge reconciliations, three years				
Seller's own purchase documents				
Warranties for recent works				
Statutory inspection records				
Boundary documents				
Correspondence with neighbours				
Side letters (ask the managing agent)				
Fire risk assessment action tracker				
Reinstatement cost assessment				
Capital expenditure history				
Statement of what does not exist				

Date appeared	Location and file name	Warranty it bears on	Read by us? When?

Download the data-room activity report weekly and keep the copies. A large late upload is an adverse event: say so in writing. Negotiate that disclosure must be fair, and that an unindexed dump does not qualify.

The verified tenancy schedule

Chapter 8. The schedule is the seller's summary, not a record. Rebuild it with a source reference in every cell; an empty source cell is unfinished work.

Asset		Prepared by	
Deal / reference		Date	

Unit / tenant (entity bound)	Term start, expiry (source)	Break, conditions (source)	Review date, basis (source)	Passing rent (source)	Area (lease plan / measured)	SC share (source)	Side letters, deposit, guarantee

Three sources that should agree	Schedule	Rent roll	Accounts	Difference and explanation
Total contracted rent				
Rent actually received, twelve months				
Concessions and steps				
Units let or surrendered since the pack				
Service charge apportionments: do they sum to 100 per cent?				

Six fields cause most of the loss: term dates, break conditions, review basis, demised area, service charge share and the identity of the current tenant. Verify them first on the tenancies that carry the income.

From quoted income to verified value

Chapter 9 and Appendix C, Case 1. Capitalise only what is permanent. A step, a void and a rent-free period end: cost them once, for the months they last. One-off items are deducted pound for pound.

Asset		Prepared by	
Deal / reference		Date	

Line	Amount a year	Months	Treatment	Value effect
Quoted income				
Permanent: service charge cap				
Permanent: shortfall from exclusions				
Permanent: turnover top-up not supported				
Permanent: other				
Stabilised income, capitalised				
Temporary: stepped rent not yet reached				
Temporary: void and rent free on a unit to let				
Temporary: void costs until let				
One-off: rent free still running				
One-off: capital contribution unpaid				
One-off: landlord works outstanding				
VERIFIED VALUE				

Arrears, deposits, guarantees	Answer	Price response
Aged ledger, trend over 3, 6, 12 months: slow payer, distressed, or disputed?		
Credit notes and write-offs, three years, by tenant and reason		
Deposit: bank confirmation, terms held on, transfer mechanism		
Guarantee: guarantor standing today; released by assignment or variation?		

Arrears are not value. The seller keeps and pursues the pre-completion debt, or a retention is held with a release on recovery.

Title, rights over the land and the site walk

Chapters 5 and 6. Title asks three questions: does the seller own it, can it be transferred, and is what you receive what you underwrote. Read the title as a constraint map whenever the plan builds anything.

Asset		Prepared by	
Deal / reference		Date	

Interest and capacity	Answer	Evidence
Nature of the interest; unexpired term		
Ground rent: amount, basis, review, can it go down?		
What happens at expiry		
Who signs, in what capacity, on what document		
Security to discharge; options, pre-emption, consents to transfer		

Physical feature on site	Documented right?	Document that answers it	Effect on the business plan
Vehicle entrance			
Drainage running off site			
Incoming services			
Fence line against the plan line			
Neighbour's building touching ours			
Routes across our land used by others			
Utility apparatus and protection zone			
Shared plant or party structure			

Constraint	Route chosen	Cost / value lost
Restriction blocking the plan: release, insurance or modification? (The choices exclude one another.)		
Amenity right such as light: could the remedy stop the building?		
A constrained strip: rerun the appraisal on the redesign, not the square metres		

Planning: the consent history and the evidence

Chapter 7. Use and building are separate questions. Check the activity against the permission and the drawings against the building; match every condition to written evidence of discharge.

Asset		Prepared by	
Deal / reference		Date	

Consent / decision	Date	What it permits	Conditions	Each discharged? Evidence	Obligations that run with the land

Matter	Evidence held	Strength	What it does not prove
Current use against authorised use			
Mezzanines, extensions, roof plant			
Occupancy certificate for the current layout			
Triggered obligations (a second phase, a letting threshold)			
Protected status or designation			

Consent the plan depends on	Consented case	Fallback case
Supported land value		
Probability, and who decides		
Months to decision; months to appeal		
Value with the timetable priced		
Structure: weighted bid, fallback plus overage, conditional exchange		

The fallback is the case you own on the day you complete. A probability without a date is half a price.

From survey and plant schedule to price

Chapters 10 and 11. Separate defect, deficiency and maintenance; allocate against the leases; load for fees and contingency; discount; net against the capital allowance already in the model.

Asset		Prepared by	
Deal / reference		Date	

Item	Defect / deficiency / maintenance	Tenant's obligation?	Cost (basis: quote, rate, judgement)	Year	Present value	Inside the hold?

Plant item	Installed (evidence)	Service life	Replacement year	Cost	Present value	Parts obsolete?

The bid	Amount
Present value inside the hold: the deduction	
Capital allowance already in the model, present value	
Excess over the allowance, plus disruption	
Spend after the hold: carried in the exit, once	
What the surveyor could not see, and the provision for it	

Ground, environment and compliance

Chapters 12 and 13. Desk study first, then a conceptual model, then targeted investigation. In compliance, establish whether an evidenced position exists before trying to price anything.

Asset		Prepared by	
Deal / reference		Date	

Conceptual model	Answer
Past uses on site and on adjoining land	
Plausible contaminants and where	
Pathway	
Receptor	
What must be true for it to matter	
Investigation: cost, weeks, access	

Remediation estimate	Amount
Volumes x rates, by strategy	
Validation, monitoring, protection measures	
Contingency (one-sided: volume and acceptance)	
Programme cost of the delay	
Grossed up for profit on cost, discounted to the land date	

Compliance evidence	Held? Date	Open actions	Consequence if absent
Fire strategy, updated for every alteration			
Compartmentation survey with opening-up			
External wall construction: as-built evidence			
Fire risk assessments, five years, with action trackers			
Detection, alarm, suppression, emergency lighting records			
Regulated installations: certificates and remedial actions closed			
Access appraisal and evacuation for those who cannot use stairs			

An open action on an old risk assessment establishes that the owner knew. A retention capped below the worst case does not transfer the risk.

Measurement and insurance

Chapters 15 and 17. Every area carries a basis, a date and an author. Test the sum insured against an independent reinstatement cost and the indemnity period against a realistic rebuild.

Asset		Prepared by	
Deal / reference		Date	

Area total	Figure	Basis	Date, author
Rent roll			
Valuation			
Sum of demised areas in the leases			
Service charge apportionment schedule			
Measured survey (sample or full)			

Insurance test	Figure	Finding
Declared sum insured		
Independent reinstatement cost (date, author, what it includes)		
Ratio: every claim is reduced in this proportion under average		
Loss of rent: indemnity period in months		
Realistic rebuild programme in months		
Uninsured income gap		
Premium within the portfolio against a standalone quotation		
Share of premium not recoverable (voids, caps)		
Claims, five years: pattern?		
Perils excluded, sub-limited or loaded		

Insurance covers uncertainty. Anything the diligence has found is, by that fact, no longer insurable, and goes to price, retention or indemnity.

The vehicle and the counterparty

Chapters 16 and 18. Map the chain from the signing entity to the ultimate owner before negotiating a warranty: the covenant behind it is what it is worth.

Asset		Prepared by	
Deal / reference		Date	

Balance sheet line	Paying for it, inheriting it, or disappearing at completion?	Amount
Property: carrying value against market (latent gain)		
Cash: free, or held for occupiers or earmarked?		
Receivables: collectable value		
Accruals and provisions: unbilled fees, final accounts, deficits		
Related-party balances: settled, waived or documented?		
Off-balance-sheet: guarantees, commitments, comfort letters		

Locked box	Amount
Equity price at the locked-box date	
Interest to completion (days x rate)	
Leakage: paid above what was permitted	
Completion payment	

Counterparty check	Evidence	Result
Identity of the legal seller and each link in the chain		
Authority of the signatories		
Capacity and required internal or third-party consents		
Screening of the whole chain, repeated before completion		
Source of funds and of wealth		
Seller's motivation and the asset's prior marketing		

The ask, the accepted risks and the handover

Chapters 19 and 20. Sort every finding before choosing an instrument; present a composed schedule, never a total; write down every risk you accept, with the reason and a name.

Asset		Prepared by	
Deal / reference		Date	

Finding	Certain / probable / unquantifiable	Present or expected value	Instrument	Amount in the ask	In the model already?

The ask, in one sentence	Amount
Price deduction	
Retention in escrow: release mechanism, third party, long stop	
Indemnities: cap, survival, covenant behind them	
Premiums borne by the seller	
Walk-away number, agreed before the fees accumulated	

Accepted risk	What was known	Why accepted (a number, not an adjective)	Decided by

Handover pack (twenty pages at most): asset summary; verified tenancy schedule with sources; critical dates for 36 months; accepted-risk schedule; capital plan from the reports; warranties and indemnities with claim deadlines; contacts; what the diligence could not establish.