

Technical due diligence *before you buy.*

A buyer's guide to building services due diligence — for investors, lenders, developers and the people who have to defend the number in the investment paper.

APIS · ENGINEERING & ADVISORY

27 pages · PDF · English
Issue v1.0 · 18 August 2026
apisgroup.net/guides-ebooks

Due diligence is not a report. *It is a price.*

Technical due diligence exists to answer one commercial question: what will this building cost me that the seller has not told me about, and when? Everything else — the inspection, the document review, the photographs, the condition gradings — is method. The output is a number, a date, and a level of confidence.

Most technical due diligence reports fail at that last step. They describe what was seen, grade it, and stop. The buyer receives two hundred pages, cannot find the three findings that matter, and either ignores the report or applies an arbitrary allowance. Meanwhile the plant room that will need replacing in year three sits on page 147, correctly recorded, unpriced and unread.

This guide is written from the buyer's side. It covers how to scope the assignment so the report answers your question, what to request and what its absence tells you, what to inspect system by system, how remaining life becomes a capex forecast, where statutory and ESG exposure hides, how to interrogate the report you receive, and how findings become price. It ends with a forty-point checklist you can attach to the instruction.

A NOTE ON SCOPE

This guide covers **building services and the technical condition of the asset** — mechanical, electrical, public health, fire, transport, controls, and their interface with the fabric. It does not cover legal title, valuation, environmental contamination, ground conditions or structural engineering, each of which is a separate discipline with its own specialist. Where those touch the technical scope, the guide says so and stops.

Who this is written for

- ◆ Investors and funds acquiring commercial, industrial, retail or residential assets
- ◆ Banks and lenders financing an acquisition and relying on a technical report
- ◆ Developers buying an existing building to reposition or extend
- ◆ Corporate occupiers acquiring premises for their own use
- ◆ Boards and investment committees reading a report somebody else commissioned

How to use it

If you are commissioning: work through Sections 01 to 03 before instructing, and attach the checklist in Section 09 to the instruction. If you have already received a report: start at Section 07, which is about interrogating what you have been given, then use Section 08 to turn it into a position. Sections 04 to 06 are the technical substance — what a good inspection covers and why each item matters commercially.

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What technical due diligence *is actually for*.

To find, price and date the liabilities that are not in the seller's information pack — and to say how confident you can be that there are no others.

A seller's information pack describes a building that works. That is not dishonest; it is simply what a seller has. The building does work, on the day of inspection, in the sense that the lights come on and the offices are warm. Technical due diligence exists to establish the distance between that and the building's actual condition, obligations and future cost.

The four questions a report must answer

1. **What is broken or non-compliant now?** Items requiring expenditure or remedy immediately, or before the asset can be let, occupied or operated as intended.
2. **What will need money, and when?** A dated capex forecast over a defined horizon, tied to the remaining life of each major system.
3. **What are the obligations?** Statutory inspection and certification regimes, outstanding notices, licences, warranties, and the regulatory exposure the asset carries into the holding period.
4. **What could not be established, and what is the exposure if it is bad?** The most valuable section of any report and the one most often written as a boilerplate limitation.

A report that cannot be reduced to a number, a date and a confidence level has described the building without valuing the risk.

The three ways technical due diligence fails

1 • The report describes rather than prices

Condition gradings are a means, not an end. A boiler graded "fair" tells the reader nothing they can put in a model. What they need is: this boiler is around eighteen years old, the type typically runs to twenty-five, spares availability is deteriorating, replacement including associated works is of this order, and it should be assumed in year four to seven. That is the same finding, expressed in a form that can be negotiated.

2 • The scope was set by cost rather than by exposure

Technical due diligence fees are small relative to a transaction and are nonetheless compressed, usually by a party with no exposure to the outcome. The result is a visual inspection of accessible areas, no testing, no roof access, no opening up, and a report caveated so heavily that its findings cannot be relied on for the very decision it was commissioned to support.

The proportionate response is not always to spend more. It is to decide, deliberately, which risks you are choosing not to investigate — and to record that choice, so that the decision was made by someone with exposure rather than by a fee negotiation.

3 • The timetable makes real diligence impossible

A five-day exclusivity period produces a five-day report. Where the timetable cannot be extended, the honest response is to narrow the scope to the highest-exposure systems, state plainly what was not examined, and price that uncertainty into the offer or into a retention. Pretending that a compressed inspection covered everything is how buyers end up owning problems the report technically mentioned.

WHO THE REPORT IS ADDRESSED TO MATTERS

A technical report prepared for the seller, or for a previous prospective buyer, is not prepared for you and generally cannot be relied on by you. If you are offered an existing report, establish who it was addressed to, whether reliance can be extended to you and to your lender, on what terms, whether the author's professional indemnity cover responds, and whether the report has been updated since. Reliance is a legal question and it belongs with your advisers — but the technical answer is that a report you cannot rely on is background reading, not due diligence.

Red-flag review, or full technical due diligence?

Type	What it delivers	When it is the right choice
Red-flag review	A short assessment identifying deal-breakers and major exposures only. Days rather than weeks. No capex forecast, limited document review	Early in a process, before exclusivity, to decide whether to proceed and at roughly what level. Also where several assets are being screened
Full technical due diligence	Full inspection, document review, statutory position, dated capex forecast, and a reliance-addressed report	Once exclusivity is secured and the transaction is real. Normally required by a lender in any case
Targeted investigation	Specialist survey of a specific system or risk — an intrusive investigation, a specialist test, a compliance audit	Where the full review has identified a material uncertainty that the price turns on. Commissioned as a second stage, and often the best money spent in the whole process

The sequence matters. A red-flag review that costs a fraction of a full assignment can prevent the full assignment being commissioned on an asset that was never going to work — and it gives the full review a target list rather than a blank page.

Scoping the *assignment*.

Most of the value in technical due diligence is created before anyone visits the site, by whoever writes the instruction.

A generic instruction produces a generic report. The single highest-return action available to a buyer is to spend an hour writing an instruction that states what the asset is for, what the decision is, and what the reader must be able to do with the output.

State the investment intention

The same building generates entirely different findings depending on what you intend to do with it. Tell the adviser.

- ◆ **Hold as-is, with the existing tenant** — the question is maintenance liability and lease obligations over the hold period
- ◆ **Re-let after the current lease** — the question becomes what the building must be to attract the next tenant, which is a different and usually larger number
- ◆ **Reposition or refurbish** — the question is what can be retained, what the existing capacity supports, and what constrains the intended works
- ◆ **Change of use** — the question is whether the services can support a use they were never designed for, which is frequently the finding that kills the scheme
- ◆ **Owner-occupation** — operating cost, resilience and continuity carry far more weight than they would for an investor

THE INSTRUCTION SENTENCE THAT CHANGES THE REPORT

“We intend to hold for [X] years and then [sell / re-let / redevelop]. The report must allow us to forecast capital expenditure over that period and identify anything that would prevent that intention.”

That single sentence turns a condition survey into an investment document. Without it, the adviser must guess your horizon, and will default to describing the building rather than forecasting your costs.

Set the parameters explicitly

Parameter	What to state
Forecast horizon	The number of years the capex forecast must cover, matched to your hold period. Ten years is common; state yours
Reporting threshold	The value below which individual items are aggregated rather than listed. Without it you receive a schedule containing both a chiller and a door closer
Cost basis	Whether costs are current-day or inflated, whether they include professional fees, contingency, VAT and access or scaffolding, and on what basis they were derived
Access required	Roofs, plant rooms, risers, ceiling voids, tenant demises, occupied areas. State it, because access is the constraint that most often silently reduces scope
Testing and opening up	Whether any is permitted, and by whom it must be arranged. Usually none is permitted at DD stage — which is itself a finding to be recorded
Reliance	Who may rely — the buyer, the lender, the SPV, any future purchaser — and the professional indemnity level required
Deliverable format	Full report plus an executive summary of stated length, plus the capex schedule as a working spreadsheet. See below
Timetable	Inspection date, draft date, final date, and the date your decision must be taken

ASK FOR THE CAPEX SCHEDULE AS A SPREADSHEET, NOT AS A PDF TABLE

The capex forecast is the part of the report that goes into your model. Delivered as a PDF it has to be retyped, which introduces errors and discourages anyone from testing the assumptions. Delivered as a working file with the years, the items, the costs and the basis in separate columns, it can be sensitivity-tested in minutes — and testing it is exactly what your investment committee will want.

Request it in the instruction. It costs the adviser nothing and it is rarely offered.

Coordinate with the other workstreams

Technical due diligence overlaps with legal, valuation, environmental and, where relevant, structural. Findings fall between them more often than within them. Three overlaps are worth managing explicitly:

- ◆ **Lease obligations.** Who repairs what is a legal question with a technical answer. The technical adviser should be given the leases, or at least the repairing provisions, because a dilapidations liability that falls on the tenant is not your capex.
- ◆ **Statutory notices and consents.** Legal will find the notices; technical must price the compliance. Neither alone gives you the exposure.
- ◆ **Environmental.** Asbestos, refrigerant regulation, contaminated land and fuel storage sit across both. Agree who covers what, in writing, or one of them will be covered by nobody.

Choosing the adviser

- ◆ **Relevant asset experience.** A logistics shed, a hospital and a shopping centre are different technical problems. Ask for comparable assignments on comparable assets in the same market.

- ◆ **Who actually inspects.** Establish the name and the discipline of the person who will be on site, not only the name of the firm. Ask whether a mechanical and an electrical engineer will both attend; on a services-heavy asset, one generalist covering both is a limitation worth knowing about.
- ◆ **Independence.** If the adviser also wants the remedial works, say so in advance and decide whether that is acceptable. It can be an advantage — a firm that will have to deliver the fix tends to cost it realistically — but it must be disclosed and it must be your decision, not a discovery.
- ◆ **Professional indemnity cover** at a level proportionate to the transaction, confirmed in writing and current.
- ◆ **Local knowledge.** Statutory regimes, utility practice, standards adoption and construction norms are local. An adviser without local experience will miss things that a local engineer would see immediately.

The document request, and what *silence means*.

What arrives is useful. What does not arrive is frequently more useful, and almost nobody records it systematically.

The document request is not an administrative preliminary. The completeness of a building's records is itself a finding — a strong indicator of how the asset has been managed, and a direct predictor of what the inspection will reveal.

The request list

Category	What to request
As-built information	Drawings for mechanical, electrical, public health, fire and controls; schematics; equipment schedules; commissioning records
Operation and maintenance manuals	The full set, by system, with the health and safety file where one exists
Statutory inspection records	Electrical installation condition reports; pressure systems; lifting equipment and lifts; fire alarm, emergency lighting and suppression; water hygiene; gas installations; refrigerant records. Each with its date and its next due date
Maintenance contracts and history	Current contracts by system, scope and frequency; two to three years of service reports; the reactive call log
Asset register	With installation dates. If it does not exist, that is a finding
Energy and utility records	Two to three years of consumption by fuel, tariffs, supply capacities, any energy certificate
Warranties and guarantees	Remaining coverage on plant, roofs and installations, and whether they are assignable to a buyer
Recent works	Specifications, completion certificates and defect records for any works in the last five years
Notices, licences and consents	Any enforcement notice, insurer requirement, operating licence or utility agreement
Fire strategy and risk assessment	The strategy document, the current fire risk assessment, and the record of actions arising
Asbestos and hazardous materials	The survey, the register and the management plan, where applicable to the age of the building
Tenant fit-out information	What tenants have installed, under what consents, and what reverts at lease end

Reading the gaps

Record every requested item that does not arrive, and the reason given. The pattern of absence is diagnostic.

What is missing	What it usually indicates
No asset register with installation dates	Nobody is managing lifecycle. The capex forecast will rest on estimated ages, and its confidence level must say so
Statutory inspection certificates missing or expired	An immediate compliance exposure, and an indicator that the same is likely true of items you cannot see
Maintenance reports absent, but contracts in place	The contract exists; the work may not have been done. Ask for reports rather than contracts — a contract proves an intention, a report proves an attendance
No commissioning records	The systems may never have been proved to work as designed. Common, and a frequent explanation for chronic complaints nobody has resolved
As-built drawings absent or clearly superseded	Alterations have been made without record. Anything below a ceiling or behind a wall is now unknown, and any future works carry an allowance for discovery
No fire risk assessment, or one that is old	A statutory exposure in most jurisdictions and a serious one. Escalate immediately rather than reporting it at the back
Reactive call log heavy on one system	The most valuable document nobody asks for. A pattern of repeat calls locates the real problem far more reliably than a one-day inspection

THE ABSENCE ITSELF HAS A PRICE

Missing records are not a neutral inconvenience. They mean the buyer must re-establish, at their own cost, information that should have come with the asset — surveys, testing, an asset register, sometimes re-commissioning. That has a cost and it belongs in the capex schedule as a line, not in the report's limitations as a caveat.

It also raises the uncertainty on everything else, which is a separate and larger effect. Say so explicitly, because it is the finding a seller is least prepared for and the one most likely to be met with the missing documents suddenly appearing.

Two documents worth chasing hardest

1. **The reactive maintenance call log for the last two years.** Nothing else tells you as much for as little effort. It reveals which systems actually fail, how often, and whether anyone fixed the cause or kept fixing the symptom.
2. **The utility consumption record, by month, for three years.** It reveals plant that runs when the building is empty, a step change that indicates something failed and was never corrected, and the baseline against which any efficiency claim in the sales material can be tested.

The inspection, *system by system.*

What a competent inspection covers, and why each item matters to the price rather than only to the building.

A due diligence inspection is not a condition survey with a different cover. Its purpose is to locate the items that carry commercial consequence: large replacement costs, compliance exposures, and constraints on what the buyer intends to do with the asset. The following is what should be covered, with the commercial reason attached to each.

Heating, ventilation and cooling

- ◆ **Age and type of primary plant** — boilers, chillers, heat pumps, air handling units. This drives the largest single line in most capex forecasts.
- ◆ **Refrigerant type in every system.** Regulatory phase-down of high global warming potential refrigerants can render equipment expensive or impractical to maintain well before it wears out. A plant containing a refrigerant being withdrawn has a shorter economic life than its physical condition suggests, and this is one of the most commonly missed findings in the region.
- ◆ **Capacity against the intended use.** Sufficient for the current occupier is not sufficient for a denser fit-out, a data-heavy tenant or a change of use. Capacity is the finding that most often constrains a repositioning plan.
- ◆ **Distribution condition and accessibility** — pipework, ductwork, insulation, valves. Distribution is expensive to replace and disruptive to occupied space.
- ◆ **Controls** — what exists, whether it works, whether it is supported, and whether anyone still holds the software and the passwords. An unsupported control system is a replacement, not a repair.
- ◆ **Evidence of chronic complaints** — local heaters, portable coolers, taped grilles, propped doors. Occupant workarounds are the most reliable diagnostic on any site visit.

Electrical

- ◆ **Incoming supply capacity and spare headroom**, and what the utility would charge and how long it would take to increase it. This constrains everything from EV charging to a new tenant's requirements, and increasing it is rarely quick.
- ◆ **Age and condition of main switchgear**, and spares availability. Obsolete switchgear is a large, disruptive replacement with a long lead time.
- ◆ **The electrical installation condition report** — its date, and every observation on it that has not been closed out. Open observations are a priced liability.
- ◆ **Standby and UPS provision**, if any: capacity, age, battery condition, fuel arrangements, and whether it is tested under load.
- ◆ **Distribution boards and small power** — labelling, spare ways, evidence of uncontrolled additions.
- ◆ **Lighting** — type, age, controls, and whether a conversion has been done or remains to be done. Frequently a straightforward improvement with a defensible return.
- ◆ **Lightning and surge protection**, and earthing arrangement.

Public health and water

- ◆ **Incoming water supply and storage**, capacity and condition of tanks.

- ◆ **Water hygiene regime** — risk assessment, monitoring records, temperature regime, dead legs. This is both a statutory and a liability exposure, and neglect is common.
- ◆ **Hot water generation** — type, age, and whether it meets the intended occupancy.
- ◆ **Drainage** — condition, evidence of blockage or backfall, and whether a survey exists. Below-ground drainage is the classic undiscovered liability, precisely because it is not visible.
- ◆ **Attenuation, pumping and any interceptor**, and their maintenance record.

Fire and life safety

Treat this section separately from everything else, and escalate its findings immediately rather than including them in the general schedule.

- ◆ **The fire strategy document** — whether one exists, and whether the building as inspected still matches it. Alterations that have quietly departed from the strategy are common and serious.
- ◆ **The current fire risk assessment** and the status of actions arising.
- ◆ **Detection and alarm** — age, coverage, servicing record, and whether the panel reports faults that have been standing for months.
- ◆ **Emergency lighting** — coverage and test records.
- ◆ **Suppression systems** where present — type, servicing, water supply, and whether the installed system still matches the risk it was designed for.
- ◆ **Compartmentation** — and specifically, the condition of service penetrations through fire-rated construction. Every cable and pipe that has been added since construction is a potential breach, and this is where a technical inspection frequently finds the most significant defect in the building.
- ◆ **Means of escape** — obstruction, signage, door hardware, and whether escape routes have been compromised by later fit-out.
- ◆ **Smoke control and firefighting provision**, where installed, and its maintenance and test record.

THE THREE FINDINGS THAT MOST OFTEN CHANGE A TRANSACTION

Compartmentation breaches at service penetrations. Cheap individually, enormous in aggregate across a large building, and invariably discovered only when someone lifts a ceiling tile in a riser.

Refrigerant exposure. A plant room full of equipment that works perfectly and contains a refrigerant being phased down has a very different remaining economic life from the one its condition suggests.

Incoming supply capacity with no headroom. It does not stop the building working today; it stops your business plan.

Lifts and transport

- ◆ Age, type, and whether a major refurbishment has been done or is due
- ◆ Statutory examination reports and any outstanding defect
- ◆ Controller obsolescence and spares availability — the usual driver of a lift replacement is not the mechanics but the electronics
- ◆ Performance against the building's occupancy, if a denser fit-out is intended
- ◆ Maintenance contract scope: comprehensive or basic changes the forecast materially

Building fabric, at its interface with the services

Fabric is usually a separate scope, but three interfaces belong to the services inspection because that is where they are found:

- ◆ **Roof condition where plant is mounted on it** — access, loading, waterproofing at penetrations and plinths
- ◆ **Water ingress evidence in plant rooms, risers and ceiling voids** — which the services inspection sees and the fabric survey often does not
- ◆ **Envelope performance** where it explains a services problem — an under-performing envelope is frequently the actual cause of a heating or cooling complaint being blamed on the plant

What the inspection cannot see, and how to record it

Every inspection has limits. The difference between a good report and a poor one is whether those limits are recorded specifically or generically.

A generic limitation — “concealed services were not inspected” — protects the author and tells the reader nothing. A specific one — “the riser serving floors three to six was locked and no key was available; it contains the branch distribution for those floors and was not inspected; if its condition matches the risers seen, no additional cost arises; if it matches the worst seen elsewhere, an allowance of this order should be assumed” — is a finding the buyer can act on.

Ask for limitations in that form. It is the single most useful thing to request in an instruction, and it is almost never offered voluntarily.

Remaining life and the *capex forecast*.

Where the inspection becomes a number in your model — and where most reports quietly stop being useful.

The capex forecast is the deliverable. Everything else supports it. It should be a schedule of items, each with a cost, a year, a basis and a confidence level, over the horizon you specified in the instruction.

How remaining life is actually estimated

There is no measurement that yields remaining life. It is a judgement, and a good report makes the basis of the judgement visible so that the reader can test it. Four inputs:

1. **Age against typical service life** for the equipment type. Published indicative lives exist and are a starting point, not an answer.
2. **Observed condition** — corrosion, leakage, wear, repair history, the general standard of the installation.
3. **Maintenance history** — a well-maintained asset outlives a neglected one by a wide margin, and the maintenance record is therefore as important as the visual condition.
4. **Obsolescence** — spares, technical support, refrigerant status, control system support. This frequently governs, and it is the input most often omitted.

ECONOMIC LIFE IS SHORTER THAN PHYSICAL LIFE

A chiller can run for years past the point at which it should be replaced — consuming excessive energy, requiring increasingly expensive attention, containing a refrigerant that is becoming unobtainable, and exposing the operator to a failure at the worst possible moment. Physical life asks when it stops working. Economic life asks when replacing it becomes the better decision. A forecast built on physical life systematically understates near-term capex and pushes cost into years the buyer will not still own the asset.

What a capex line must contain

Field	Why
Item and location	So it can be found again, verified, and checked against the seller's response
Category	Immediate / statutory / lifecycle replacement / improvement. These are negotiated differently — see Section 08
Cost	With the basis stated: rate, quotation, benchmark or judgement
Year or range	A range is more honest than a single year, provided the range is narrow enough to be useful
Confidence	High, medium or low, with the reason. A low-confidence high-value item is the one to investigate further before exchange
Inclusions and exclusions	Whether the cost includes design fees, access, out-of-hours working, temporary provision, making good, and VAT
Consequential works	The item most often missed. Replacing a chiller may require a crane, a road closure, roof works, an electrical upgrade and a temporary chiller. The plant cost may be the smaller half
Who bears it	Landlord or tenant, under the lease. A liability that falls on the tenant is not your capex, and this is where the leases must be read

CONSEQUENTIAL WORKS ARE WHERE FORECASTS FAIL

Ask the adviser directly: **for the three largest items in this schedule, what does the cost include, and what does it exclude?** Plant replacement in an occupied building frequently costs a multiple of the equipment price once access, temporary provision, out-of-hours working, disruption and making good are included. A schedule of equipment prices is not a capex forecast.

Presenting the forecast so it can be used

Three views of the same data, each serving a different reader:

- ◆ **By year**, to go into the cash flow model
- ◆ **By category** — immediate, statutory, lifecycle, improvement — because the categories carry different negotiating weight
- ◆ **By system**, to identify where a coordinated intervention would be better value than a series of separate replacements. Three systems in the same plant room all due in year four is a project, not three line items, and treating it as a project usually costs less and disrupts less

Sensitivity, and the questions to ask of the total

The single total at the bottom of a capex schedule is the least reliable figure in it. Test it:

1. **What proportion of the total sits in low-confidence items?** If it is substantial, the forecast is a range and should be presented as one.
2. **What happens if the three largest items each come one year earlier?** The effect on the return is usually larger than the effect of the costs themselves being higher.
3. **Which items would change materially if the building were re-let to a different occupier?** Capacity, fit-out standard and compliance expectations all move.

4. **What is not in the forecast because it was not inspected?** Cross-check against the specific limitations from Section 04.

Statutory compliance *and ESG exposure.*

The obligations that travel with the asset, and the ones that are arriving during your hold period.

Compliance findings behave differently from condition findings. A worn-out boiler is a cost you can schedule. A missing statutory inspection is an exposure that exists from the moment you own the building, and in some cases from before.

The statutory position

The applicable regimes are national and this guide names none of them, because they differ across every market APIS operates in and they are revised. What is constant is the structure of the enquiry. For every applicable regime, establish four things:

1. **Does the required inspection or certification exist?**
2. **Is it current, and when is the next due?**
3. **What observations or actions arose, and have they been closed out?** An in-date certificate carrying open observations is not compliance.
4. **Who is the responsible person, and does that role transfer cleanly on acquisition?**

The regimes that typically apply to building services in a commercial asset:

- ◆ Fixed electrical installation inspection and testing
- ◆ Fire detection, alarm, emergency lighting and any suppression system
- ◆ Fire risk assessment and the associated management regime
- ◆ Pressure systems and any pressure vessel
- ◆ Lifting equipment, including lifts
- ◆ Water hygiene and legionella risk management
- ◆ Gas installations and combustion plant
- ◆ Refrigerant handling, leak checking and record-keeping
- ◆ Asbestos management, where applicable to the building's age
- ◆ Energy performance certification, where required for sale or letting
- ◆ Accessibility requirements, where they apply to the use

ASK FOR THE REGISTER, NOT THE CERTIFICATES

A bundle of certificates proves that certain inspections happened. It does not prove that all required inspections happened. Ask instead for a **statutory compliance register** listing every applicable regime, the responsible person, the last date, the next date and the status of open actions.

If no such register exists, that is a finding in itself — it means nobody is systematically managing the obligations, and the certificates you have received may be the ones that happen to have been done.

ESG and energy exposure

Energy and emissions performance has moved from a reporting matter to a valuation matter for many institutional buyers, and the regulatory framework is developing. This guide describes the structure of the exposure rather than the current rules, which must be established for your jurisdiction and your organisation at the time of the transaction.

Exposure	What to establish
Current energy performance	Measured consumption over two to three years, not only a certificate. A certificate is a calculation; consumption is a fact, and they frequently disagree
Minimum performance requirements	Whether any minimum standard applies to sale or letting now, or is expected to during your hold period. Where one is coming, the cost of reaching it is a dated capex item, not a general risk
Fossil fuel plant	Gas or oil-fired plant approaching replacement raises a question the buyer will have to answer: replace like for like, or convert. The conversion cost, and any electrical capacity it requires, belongs in the forecast
Refrigerants	As Section 04. The phase-down of high global warming potential refrigerants shortens economic life and constrains maintenance
Metering and data	Whether consumption can actually be measured by system and by tenant. Without it, no improvement can be demonstrated and no reporting obligation can be met credibly
Reporting and taxonomy alignment	Where your organisation or your lender is subject to sustainability reporting or taxonomy alignment requirements, establish early what evidence the asset must produce. It is frequently evidence the building has never been asked to produce
Improvement potential	The realistic scope for improvement, its cost and its effect. This is the constructive half of the ESG finding and it is often omitted in favour of the risk half

ESTABLISH THE ESG REQUIREMENT BEFORE THE INSTRUCTION, NOT AFTER THE REPORT

If the asset must satisfy a lender's sustainability condition, a fund's own commitments, or a taxonomy alignment test, **the technical adviser needs to know that before inspecting**. The evidence required is specific — metering arrangements, measured consumption, plant specifications, refrigerant data, sometimes documentation the building has never held. Asking for it after the report is written usually means a second visit.

Insurance

Frequently forgotten and occasionally decisive. Establish whether the insurer has imposed requirements on the building, whether any are outstanding, and whether the intended use or works would change the position. An outstanding insurer requirement is a dated liability with a consequence attached, and it belongs in the capex schedule.

How to interrogate the report *you receive*.

Twelve questions that separate a report you can rely on from one that has merely been delivered.

Most buyers read a technical due diligence report once, extract the total, and file it. The report is a professional opinion, and like any professional opinion it should be tested. The following questions take an hour and routinely change the number.

On scope and method

1. **Who inspected, what discipline were they, and how long were they on site?** A large services-heavy asset covered in a single day by one generalist has been sampled, not inspected. That may be proportionate — but you should know it.
2. **What was not accessed, specifically?** Not the generic limitation — the list. Locked risers, occupied demises, roofs without safe access, plant that was running and could not be opened. Then: what is the exposure if each is bad?
3. **Was anything tested, or was it all visual?** Almost always visual at due diligence stage. Say so plainly and treat the findings accordingly.
4. **Which documents were requested and not provided?** Cross-check against Section 03. If this list is absent from the report, ask for it — the answer is frequently revealing.

On the findings

1. **What are the three findings that would most change our decision?** Ask the author directly, on a call. The answer is often not what the executive summary emphasised, and the gap between the two tells you how the report was written.
2. **Which findings are certain, and which are inferred?** “The boiler is twenty-two years old, per the nameplate” and “the boiler appears to be of early-2000s vintage” are different statements supporting different confidence levels.
3. **What did you expect to find and did not?** An experienced engineer inspecting a building of a given age and type has expectations. Where those were not met, either the building is better than typical or something was not seen.
4. **Is anything here a deal-breaker rather than a price adjustment?** Ask explicitly. Advisers are professionally cautious about the word and will often not volunteer it.

On the numbers

1. **What is included and excluded in the three largest costs?** See Section 05. Consequential works are where forecasts fail.
2. **How were the costs derived?** Quotation, recent comparable project, published benchmark, or judgement. Each carries a different tolerance, and a schedule mixing all four without saying which is which cannot be sensitivity-tested.
3. **What proportion of the total is low confidence?** If it is substantial, the forecast is a range, and the investment paper should present it as one.
4. **What would change if we re-let rather than held?** The forecast was built on the intention you stated. Test it against the alternative you may end up taking.

WARNING SIGNS IN THE REPORT ITSELF

- ◆ **Extensive photographs, thin analysis.** Length substituting for judgement.
- ◆ **Generic limitations rather than specific ones.** The author has protected themselves rather than informed you.
- ◆ **No confidence levels anywhere.** Every estimate presented with equal authority, which cannot be true.
- ◆ **Costs with no stated basis.** Untestable, and usually a benchmark applied without adjustment.
- ◆ **No mention of the leases.** The report has not distinguished your liability from the tenant's.
- ◆ **No consequential works on major replacements.** The forecast is an equipment price list.
- ◆ **An executive summary that does not name the three biggest issues.** If you have to read to page 90 to find the finding that matters, the report has failed at its main job.

The one-page test

Can you write, on one page, the five things about this building that will cost you money, when, how much, and how sure you are?

If the report supports that page, it has done its job. If it does not, the missing element is usually confidence levels, consequential works, or the lease allocation — and all three can be obtained by asking, at no additional cost, before the report is finalised.

Ask for a draft. Interrogate the draft. A report finalised without that conversation is a report written to a template.

From findings to price.

Four categories of finding, four different negotiating outcomes. Treating them all the same is how value is left on the table.

A capex schedule is not a price reduction. Some findings justify a reduction, some justify a retention, some justify a warranty, and some justify nothing at all because they were already in the price. The categorisation is where the commercial work happens.

Category	What it is	Normal treatment
Immediate defect	Broken, failed, or preventing the asset being used as intended, now	The strongest position. A cost the buyer incurs immediately for a condition that existed before purchase. Normally a direct price adjustment, or the seller remedies before completion
Statutory or compliance gap	Missing certification, open observations, an outstanding notice or insurer requirement	Also strong, and often stronger than its cost — because the exposure is regulatory, not merely financial, and sellers resist it less than they resist condition claims. Adjustment or a specific warranty and indemnity
Lifecycle replacement	Plant approaching end of life on a normal cycle	The weakest, and the one buyers over-claim. A twenty-year-old boiler in a building priced as a twenty-year-old building is arguably already reflected in the price. Negotiable where the timing is nearer than the market would assume, or where the cost is materially above normal because of access or consequential works
Improvement	Works to reach a higher standard than the asset currently has — efficiency upgrades, repositioning works, ESG improvement	Generally not a price adjustment, because it is discretionary and it creates value. It belongs in the business plan, not in the negotiation — unless a requirement is arriving during the hold period, in which case it moves toward the compliance category

WHERE BUYERS OVER-CLAIM, AND LOSE CREDIBILITY

Presenting the full capex schedule total as a price reduction claim is the most common error, and it damages the negotiation. The seller's adviser will immediately point out that lifecycle replacement is inherent in the age of the asset, and having overreached on the whole, the buyer finds it harder to hold the ground on the items that genuinely merit adjustment.

Present the immediate and compliance items as the claim. Present the lifecycle items as context for the pricing. Keep the improvement items in your own plan, where they belong.

The instruments available

- ◆ **Price adjustment.** Clean, final, and the buyer carries the execution risk at the agreed number.
- ◆ **Retention.** Part of the price held until a defined remedy is completed or a condition is met. Useful where the cost is uncertain, but requires clear release criteria and a deadline, or it becomes a dispute.

- ◆ **Seller remedies before completion.** Attractive on paper, and the outcome depends entirely on specification and verification. Define the scope, the standard and who signs it off — otherwise the work is done to the seller's standard and the buyer inherits it anyway.
- ◆ **Warranty or indemnity.** Best suited to compliance exposures where the cost cannot be quantified but the risk is identifiable. Value depends on the covenant behind it and on how long it survives completion.
- ◆ **Condition precedent.** For anything that would prevent the business plan — a supply capacity confirmation, a consent, a licence. Better than pricing an uncertainty you cannot bound.
- ◆ **Walk away.** Rare and legitimate. Usually where a finding is not a cost but a constraint: the capacity is not there, the compartmentation is systemically defective, or the change of use is not achievable.

Building the position

1. **Separate the categories** before the first conversation, and know which total you are actually claiming.
2. **Lead with the compliance findings.** They are the least arguable, they establish the seriousness of the review, and they set the tone for the condition discussion that follows.
3. **Bring the evidence.** A finding with a photograph, a location, a date and a costed basis is negotiated. A finding presented as a total is disputed.
4. **Deal with the low-confidence items separately.** Either investigate them before exchange, or handle them with a retention or a condition — do not price a guess into a fixed reduction.
5. **Keep the report's author available.** Sellers challenge findings. An adviser who can defend a finding on a call is worth considerably more than a report that cannot answer back.

THE FINDING THAT IS NOT ABOUT MONEY

Occasionally due diligence produces a finding that no price adjustment addresses: the electrical supply cannot be increased within the timescale the plan requires; the structure will not accept the plant the change of use needs; the compartmentation is defective throughout and cannot be economically remedied in an occupied building.

These are constraints, not costs. They should be surfaced immediately and separately, and they are the reason the red-flag review in Section 01 exists — to find them before the full process has been paid for.

The forty-point *checklist*.

Attach it to the instruction. If every box can be ticked when the report is delivered, you have what you paid for.

A · BEFORE INSTRUCTING

- ☐ Investment intention stated — hold, re-let, reposition, change of use or occupy
- ☐ Hold period stated, and the capex forecast horizon matched to it
- ☐ Reporting threshold set, below which items are aggregated
- ☐ Cost basis defined — fees, contingency, VAT, access, current-day or inflated
- ☐ Access required listed, including roofs, risers, tenant demises and locked areas
- ☐ Reliance parties named, including the lender, with PI cover level confirmed
- ☐ Deliverables defined, including the capex schedule as a working spreadsheet
- ☐ Overlaps with legal, valuation and environmental allocated in writing
- ☐ Inspecting engineers named, with disciplines and local experience confirmed
- ☐ Any adviser interest in the remedial works disclosed and accepted

B · DOCUMENTS

- ☐ Full document request issued at the start, not in stages
- ☐ Statutory compliance register requested — not a bundle of certificates
- ☐ Reactive maintenance call log for two years requested
- ☐ Utility consumption by month for three years requested
- ☐ Asset register with installation dates requested
- ☐ Leases or repairing provisions provided to the technical adviser
- ☐ Every item not provided is listed in the report, with the reason given
- ☐ Cost of re-establishing missing records included as a capex line

C · INSPECTION

- ☐ All primary plant identified with age, type and condition

- ☐ Refrigerant type recorded for every system, with its regulatory status
- ☐ Incoming electrical supply capacity and spare headroom established
- ☐ Switchgear obsolescence and spares availability assessed
- ☐ Compartmentation at service penetrations inspected, with risers opened
- ☐ Fire strategy compared against the building as inspected
- ☐ Fire risk assessment status and open actions recorded
- ☐ Water hygiene regime and records reviewed
- ☐ Below-ground drainage position established, or its absence recorded
- ☐ Control systems checked for support status and software availability
- ☐ Capacity assessed against the intended use, not only the current one
- ☐ Limitations recorded specifically, with the exposure if each is bad

D · THE FORECAST

- ☐ Every line carries cost, year, basis, confidence and inclusions
- ☐ Consequential works included on all major replacements
- ☐ Economic life used rather than physical life
- ☐ Lease allocation applied — landlord versus tenant liability distinguished
- ☐ Forecast presented by year, by category and by system
- ☐ Proportion of the total in low-confidence items stated

E · USING IT

- ☐ Draft report interrogated on a call before it is finalised
- ☐ Findings separated into immediate, compliance, lifecycle and improvement
- ☐ Claim built on immediate and compliance items, not on the schedule total
- ☐ Constraints — not costs — identified and escalated separately

Instruction sign-off

Complete and retain with the transaction file.

Item	Name and role	Date and signature
Asset and address		
Investment intention and hold period		
Adviser instructed, with reliance parties		
Draft report interrogated by		
Checklist points 1–40 confirmed		
Constraints identified and escalated		
Position approved by		

IF YOU CAN ONLY DO THREE THINGS

One. Put your investment intention and hold period in the instruction. It converts a condition survey into an investment document.

Two. Require limitations to be recorded specifically, with the exposure if each is bad — not as generic caveats.

Three. Interrogate the draft on a call before it is finalised, and ask which three findings would most change the decision.

References *and further reading.*

Technical due diligence is governed less by standards than by professional practice and by national statutory regimes. What follows is where to look.

Professional practice

Technical due diligence is not codified in a European standard. The principal sources of accepted method are the guidance notes published by professional bodies in the property and engineering professions, and the internal standards of institutional investors and lenders. **Establish which guidance your adviser works to, and whether your lender requires a particular form of report** — lenders frequently do, and discovering it after the report is written means writing it again.

Standards that inform the technical content

REFERENCE STANDARDS

Reference	Relevance
EN 16247 series	Energy audits — general requirements and the building-specific part. The method behind any credible energy finding
ISO 50001	Energy management systems — relevant where the vendor or the buyer operates a formal energy programme
ISO 55000 series	Asset management — the framework behind lifecycle planning and capex forecasting
EN 13306	Maintenance terminology — useful for reading maintenance contracts and reports precisely
EN 15331	Criteria for design, management and control of maintenance services for buildings
EN ISO 52120 series	Energy performance of buildings — the contribution of building automation and controls, superseding the former EN 15232
ISO 41011	Facility management — vocabulary
HD 60364 / IEC 60364 series	Low-voltage electrical installations, including periodic inspection and testing

WHAT GOVERNS ABOVE ALL OF THIS

The statutory regimes applicable at the asset's location govern, and they are national. Standards are revised, withdrawn and superseded — verify the current edition and any national adoption before relying on a citation. Nothing in this guide should be relied upon as a statement of the content of any standard or of any legal requirement.

About APIS

APIS is an integrated engineering group founded in Kosovo, operating across the Western Balkans and into the European Union. The Group delivers mechanical, electrical, energy and infrastructure works through twenty-one delivery divisions across two strategic business units — Building Systems & Technologies, and Energy, Industry &

Infrastructure — supported by four engineering excellence centres. APIS operates management systems certified to ISO 9001, ISO 14001, ISO 45001 and ISO 50001.

The **Engineering Excellence Centres** provide technical advisory work across the Group's disciplines, including technical due diligence, condition and lifecycle assessment, energy audit and capital expenditure planning. Because APIS also designs, installs, operates and maintains the systems it assesses, its cost estimates come from delivering the work rather than from a published benchmark — a distinction that matters most on the consequential works described in Section 05.

Prepared by APIS Engineering & Advisory · **Document** APS-GD-04 issue v1.0 of 18 August 2026 · **Contact** apisgroup.net/contact

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Buying a building, or reading a report *somebody else wrote?*

APIS engineers inspect, cost and defend technical findings across the Western Balkans — and because we also deliver the remedial works, our numbers come from doing the work rather than from a benchmark table. We will inspect the asset, or read the report you have been given and tell you what it does not say.

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