

Don't Let Property Red Flags Derail a Deal

Proactive due diligence and inspections help to minimize structural risks

By Jane Powell

Some commercial building owners, when seeking to sell a property, erroneously believe that any underlying structural issues with the property are issues best left for the next owner to address. Unfortunately, for commercial mortgage brokers and lenders, that approach can significantly complicate and, in some cases, stall transactions.

If a broker is aware of a structural issue with a property they are representing, they have a responsibility to make sure it gets addressed, thereby reducing liability for lenders and future owners. When looking to stave off the most expensive structural damage down the line, ongoing inspections and small corrections should focus on building enclosures, including roofs, exterior openings and facades; exterior stairs and balconies; general building structure; and parking garages.

The most common issues affecting these building components are structural integrity, water intrusion, steel corrosion with section loss and deterioration of materials. Inspecting these important elements regularly to ensure they are not compromised can make the difference between a structural issue remaining small and correctable with a manageable repair, and having it deteriorate to the point where a structure has to be rebuilt entirely. Deals that involve significant remediation or structural mitigation cost more, are more difficult to broker and carry far more risk.

Following is an overview of some potential building-structure red flags that every commercial real estate stakeholder, including commercial mortgage brokers, should be on top of before any property deal progresses too far toward closing.

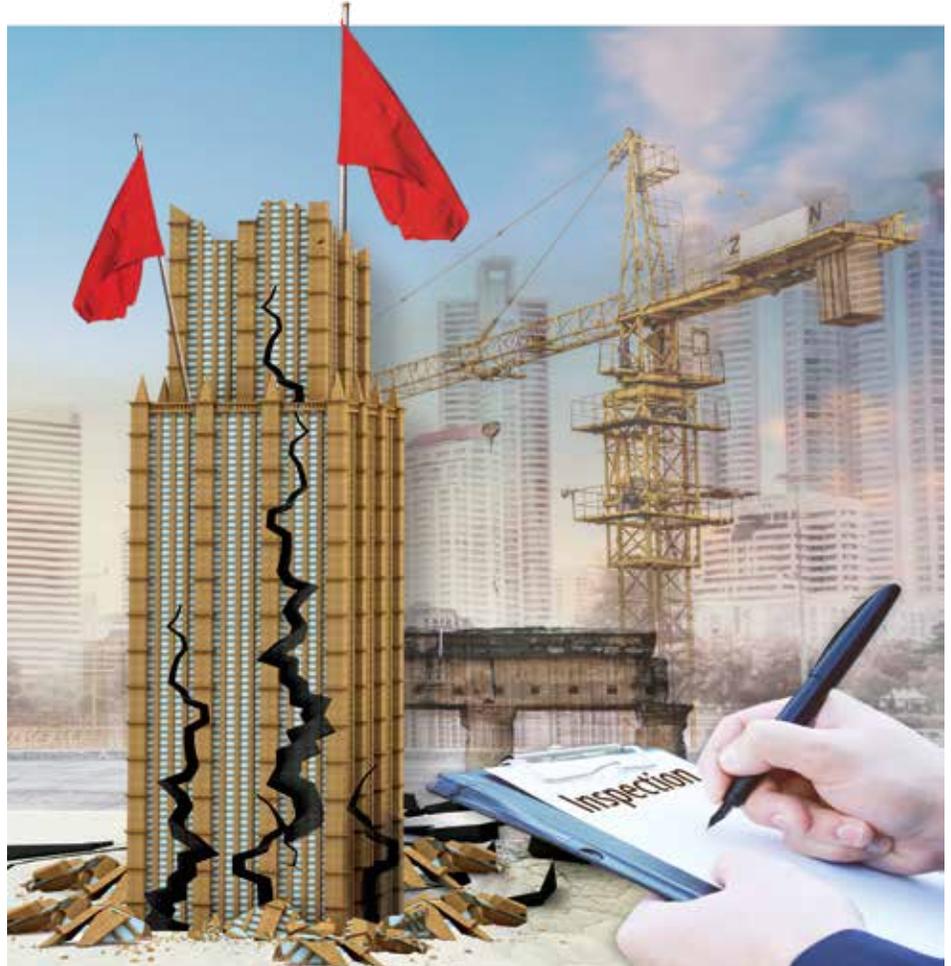


Photo illustration by Karen Steichen

Roofs and exterior openings

With any building, it's wise to examine wood soffits (such as overhanging roof eaves) for any suspected microbial growth. Water damage on porches may indicate a leak from an overhanging roof. Leaks are not always directly noticeable unless roof shingles are missing. Damage to breezeways, balconies or wood trusses also are indicators that something is wrong with the roof.

With respect to exterior openings, carefully and regularly examine trim work around doors and windows, and around the edges of balconies. If wood is not sealed properly, small cracks and

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deterioration can allow water inside the structure, particularly in tropical areas, or when wind-driven rain occurs.

As buildings are upgraded and maintained, these areas are often painted over to hide small blemishes. If you don't really look for it, you can miss these crucial details. Also, maintain proper sealants around doors and windows — particularly the framework where doors and windows come together — and around skylights.

Facades

Facades are usually composed of stucco, brick or concrete tilt-up walls, but the most common is the brick facade. If brick ties are corroded by water, it could cause a shifting in the facade, even if the main structure is OK.

Bricks also can suffer damage from thermal expansion because of extreme heat and cold, given brick material can expand and contract. This can cause cracks that let moisture in via rain or humidity, structural deterioration or mold. At the base of brick walls, there are weep holes that allow for moisture to leave the structure. People often incorrectly seal these because they fear bugs or critters will get in. The mortar between bricks also can deteriorate. If some of it is missing, flakes or crumbles, repoint with new mortar.

Weep holes also are often missing in support lintels above windows and doors. Without a water-drain system in place, moisture corrodes the lintel and eventually damages the brick and substructure. Retroactively inserting weep holes is very easy to do.

The biggest detail to note in tilt-up walls are cracks. These cracks can allow moisture to get into concrete itself, risking corrosion of the reinforcing steel. What happens most often is deterioration of the sealant between concrete panels. Replacing this sealant is straightforward and inexpensive.

Stucco facades have a wire mesh that attaches to the main structure, and the stucco adheres to the mesh. If water can get to and corrode the mesh, it can literally collapse entire sections of facade. Some of this water could come from roof leaks.

Smaller warehouses, car dealerships, garages and “hip” office-warehouse spaces often are metal buildings, which are a lot less expensive to construct and easier to maintain. Sometimes, these structures can even have metal roofs. Examine how the structure is fastened together, paying particular attention to the seams between panels. Make sure the seams are sealed and protected from corrosion with proper sealants for metal buildings.

Balconies and stairs

For multistory structures, look for microbial growth on the soffits of balconies above the ground floor, as well as cracks in the concrete slab that allow for water infiltration. These are indicators of deterioration or a lack of waterproofing. Missing and/or loose bolts in guard rails and the connections used to secure guard rails to a structure are a serious safety issue. Property-condition assessments may miss these small details.

Most exterior stairs are steel frame and susceptible to corrosion. Corrosion of the stringer (the side-frame structure supporting the stair treads, or steps) also can be a serious safety issue. Likewise, cracks or spalling in concrete treads that expose the reinforcing steel to corrosion represent a major safety threat. Steel stair pans (which hold poured concrete), handrails and connections also can corrode.

The best preventative measure for maintaining exterior stairs is to clean corrosion off before repainting, with a rust-inhibiting paint, ensuring the stairs can last decades. If the stair treads connect to a wooden frame, or stringer, those connections can deteriorate and be compromised. Stair treads, pans, angles or stringers themselves all can be maintained and replaced to prevent more serious issues.

General building structure

Water damage to a property can be staved off by preventing plumbing issues from getting out of hand with respect to bathrooms, sinks, showers and dishwashers. Major and minor water leaks (especially if not reported), can dampen the wood decking that supports the floor, which can ultimately lead to a major structural failure.

Some buildings are constructed with post-tension concrete slabs. Within that concrete slab are tendons (plastic-sheathed steel cables) that extend the length and/or width of the slab. This type of slab is especially common where there is expanding soil underneath the structure because it allows the slab to be raised slightly above the ground to prevent damage from soil expansion.

On the edge of that concrete slab, you can often see little circles that look like concrete patches. This is where the tensioned tendon is set and anchored inside the concrete and protected by grout from the elements. Those patches can come off through deterioration or movement. If the exposed anchoring tendon corrodes and snaps, it could come out of the concrete suddenly and literally kill a person. Keep all anchors patched and protected from the elements at all times.

Property owners and managers should regularly look for wood-destroying insects and pests, such as termites and carpenter ants. In addition, as a preventative measure, they should implement a general pest-control maintenance program.

Parking garages

Steel parking structures are usually composed of steel columns, beams and trusses with a metal deck and concrete topping slab. Cracks in the concrete layer, along with any kind of deterioration and corrosion of the metal decks underneath, could result in deterioration of the beams and columns, resulting in structural failure.

General measures for all structures, but particularly steel structures, include sealing all cracks and repairing concrete spalls and cracks to prevent corrosion of the reinforcing steel. Salt used for de-icing in the winter and brought in with vehicles is a common catalyst for corrosion. Keep garages clean and salt-free during winter season with an occasional power wash.

For post-tension concrete structures, grease stains on the soffit (underside of slab) are an indication of serious issues with the tendons that strengthen the slabs. Steel-angle

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connections used to secure spandrel panels (the side walls on the exterior of garage) to concrete slabs often corrode because they are exposed to the elements. Maintaining the coating with a rust-inhibiting paint on the connections prevents corrosion and possible failure of the connection.

Concrete double tee beams (which can span 60 to 80 feet) with concrete topping slabs — and concrete beams in general — can often develop cracks, and spalled concrete must be sealed to prevent water intrusion. Cracks in the topping slab allow water to infiltrate the tee-beam joints, which can result in corrosion and/or failure of the shear tabs, impacting the structural integrity of the double tees. Shear tabs are plates used to connect beams to columns. It's important to ensure cracks in the concrete topping slab are properly sealed and to also keep an eye on the shear tabs. Should the shear tabs break, the repair is fairly routine and is a simple way to prevent catastrophic structural failure.



In the end, attention to detail, paired with small, often inexpensive preventative measures, can not only extend the life and structural integrity of a building, it can save owners money and minimize risk in the long run. Such an approach also helps mortgage brokers to simplify the due-diligence and mitigation process to ensure smooth, fast and successful transactions. ■