



## **CDQ RISK MANAGEMENT TIP**

### **- Best Practices for purchasing a new/existing DQ store -**

Prior to purchasing any new or existing commercial property/operation, from a risk management standpoint it is prudent to conduct a full building inspection by a qualified, commercial building inspector. Commercial property inspections are utilized to determine the condition of a property, the cost to make repairs and will provide you with detail report on the findings before you enter into a purchase agreement.

**Case Example** – You are purchasing a DQ Grill & Chill store with its own building, and do not have building inspection done. Few months thereafter the deal closes, you suffer water damage due to faulty roof or plumbing and later found out from the contractor that there was prior issues at this location. Now you could be faced with a large repair bill you didn't expect affecting your cash flow or have an insurance claim which will have a deductible and could affect your future rates, along with the concern of possible additional issues down the road.

The purchase of a commercial property is an expensive investment that requires careful consideration and research. Below are examples of items that should be considered along with a building inspection checklist.

#### **Building Systems**

A commercial building inspection should include the structure's systems including the electrical, mechanical, heating, plumbing, air conditioning and ventilation systems. The inspector should determine whether all systems are in good working condition. In the event a system is not in working condition, the inspector may include the cost of replacement or repair in the inspection report. Fire safety systems such as building alarms and sprinkler systems as well as security systems are part of a commercial building inspection.

#### **Exterior**

The exterior of the commercial building is part of an inspection. Exterior areas include parking facilities, landscaping, roof and the building structure. A commercial inspection must determine whether the building is structurally sound and the cost to make repairs when necessary. Inspectors may hire experts such as roofing and construction contractors or building code inspectors to help inspect the exterior of the building.

#### **Interior**

The walls, floors, offices, bathrooms, kitchen facilities and all interior elements of the commercial building are evaluated during the inspection. The interior inspection provides the investor with information for renovations such as the cost to bring interiors up to date. The interior areas of the building must meet local building codes as well. Inspections should determine if the facility poses any potential safety issues for occupants.

## **Document Review**

Professional commercial building inspectors and the purchasing company should review documents such as certificates of occupancy, appraisals, building plans, surveys, citations, construction permits, maintenance records, evacuation plans, environmental studies and floor plans. The document review must include the building's emergency and fire safety system records as well such as fire detection maintenance and test documents, inspection reports, fire door inspection and fire extinguisher service documents. The documents for a current store should include rent records and inspection reports from local code enforcement. An investor in a commercial building should evaluate previous utility bills when planning a purchase. Utility bills, the cost of the building and renovation or repair costs help the investor determine the value of the property.

## **A BASELINE COMMERCIAL PROPERTY INSPECTION INCLUDES:**

- **Site Characteristics (paving, landscaping and utilities)**
- **Structural Frame and Building Envelope**
- **Roof Surface Areas**
- **Mechanical and Electrical Systems**
- **Plumbing Systems**
- **Heating Systems**
- **Air Conditioning and Ventilation Systems**
- **Vertical Transportation**
- **Life Safety/Fire Protection**
- **Interior Elements**
- **Document Review**
- **Opinions of Probable Costs**
- **Recommendations**

For further information or additional Risk Management advice please contact:

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