



Be ready to negotiate the value of a building.

If you are intending on buying a commercial building, your due diligence must include the buildings seismic rating.

There are a series of interrelated motivations.

- The seismic rating is a key factor in determining the purchase price of a building.
- A lender is going to want to know the rating for the quality of the security over any debt.
- The seismic rating will be a factor for tenants when making a choice of renewing or entering a lease.
- Tenants can leverage a poor seismic rating to stall future lease increases.
- A PCBU must ensure, so far as is reasonably practicable, that the health and safety of other persons is not put at risk from work carried out as part of the conduct of the business... A commercial building owner is a PCBU.

The seismic rating of a building helps determine the value of the building.

You could negotiate to offset the cost of seismic upgrades against the purchase price. But does this allow for the lost revenue in this process? Maybe quantify those costs too.

Lenders do require an understanding of the seismic rating because this impacts on the value of the building and therefore their security. A poor seismic rating can result in restricted finance options and higher interest rates. Further, your insurance costs are also likely to be negatively influenced by a less than favourable seismic rating.

A Detailed Seismic Assessment (DSA) is a good first step in the process of valuing a building. You will find an NBS score in a DSA. A poor NBS score can become an opportunity depending on your appetite for adding value. That opportunity then has two key elements.

1. Negotiate remediation costs as part of the purchase price
2. Make improvements to the asset in the process.

Retaining maximum functionality of the building, in the new design, and retaining maximum revenue in the construction process is generally outside the scope of an engineer. Those needs require buildability and programming. You will need gridline^{NZ} for these sophisticated approaches to seismic building value understanding.

Key tools in your buying negotiation include:

TOOL	SOURCE
Detailed Seismic Assessment (DSA)	Engineer or gridline ^{NZ}
Concept remediation design	gridline ^{NZ}
Estimated cost for remediation construction	gridline ^{NZ}
Construction programme	gridline ^{NZ}

gridline^{NZ} can offer a suite of solutions to provide Seismic Clarity from Seismic Assessments. Leveraging opportunity into value. Contact gridline^{NZ} now to get an appraisal of your situation.

09 441 4242
enquiries@glnz.co.nz
glnz.co.nz

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Seismic Clarity