

Construction Delay Economic Loss Analysis: Financial Impact of a Water Event in a Luxury High-Rise Development

Client: Insurance Carrier

Industry: High-End Real Estate Development in a Major Metropolitan Area

BACKGROUND:

During construction of a luxury residential high-rise in a major metropolitan area, a water event occurred when a sprinkler pipe failed inside the building. Water traveled through several levels of the structure while the development was still under construction.

Although the physical damage required repairs, the central issue in the claim involved the alleged financial impact of delays to the project schedule.

The development included high-end residential units within a large metropolitan real estate project supported by multiple financing arrangements and investor funding sources. Because of the size and complexity of the development, evaluating the alleged financial losses required specialized forensic accounting analysis.

Stakeholders needed an independent assessment to determine which financial impacts were directly related to the water event and which were part of the project's broader financing and development activities.

AT A GLANCE

Challenges:

- Water intrusion during construction disrupted a luxury high-rise residential development
- The project involved complex financing structures and multiple capital sources
- The claim included alleged damages related to financing costs, development expenses, and lost income
- Stakeholders required an independent forensic accounting evaluation to clarify the financial impact

Benefits:

- Independent and defensible financial analysis
- Clear explanation of complex financing and development cost claims
- Objective evaluation of alleged economic damages
- Support for attorneys and stakeholders working toward resolution

OBJECTIVE:

Meaden & Moore was retained to independently evaluate the financial aspects of the claim related to the alleged construction delay.

The engagement involved reviewing the financial analysis supporting the claim and assessing whether the alleged damages were supported by the project's financial records, financing structure, and available documentation.

The goal was to provide stakeholders with a clear and defensible financial analysis to help clarify the issues and support an informed resolution of the matter.

OTHE CHALLENGE:

The claim involved a large-scale luxury real estate development supported by multiple funding sources and layered financing arrangements.

Evaluating the alleged losses required understanding how the project was financed, how funding sources interacted with construction timelines, and whether the claimed costs were truly caused by the water event.

The analysis also required evaluating assumptions related to projected property sales and rental income. In large metropolitan real estate developments, these projections can be influenced by broader market conditions as well as project-specific events.

As a result, the key challenge was distinguishing between financial impacts caused by the event and costs that were part of the project's planned financing and development structure.

OUR APPROACH:

1. Project Financing Review

Reviewed the development's financing agreements and funding structure to understand how capital supported the construction timeline.

2. Financial Impact Analysis

Applied forensic accounting methodologies to evaluate claimed financing costs, development expenses, and projected income associated with the alleged delay.

3. Independent Loss Evaluation

Analyzed financial records and supporting documentation to determine which costs were attributable to the water event and which were unrelated to the alleged delay.

4. Collaborative Review

Professionals across the firm collaborated to review the analysis and report findings, helping ensure that key financial issues were thoroughly evaluated and clearly presented.

THE OUTCOME:

Meaden & Moore's independent analysis clarified several key financial issues related to the claim.

The analysis demonstrated that certain financing activities and project costs were part of the development's planned funding structure and were not necessarily caused by the water event. The analysis also identified assumptions in the claim that required further evaluation based on available documentation and market conditions.

By evaluating the project's financing structure, development timeline, and financial data, the team helped stakeholders better understand the drivers behind the claim.

RESULTS:

- Provided an independent forensic accounting evaluation of the alleged damages
- Clarified the financial impact of the claimed construction delay
- Identified financing and cost assumptions requiring further consideration
- Delivered a clear and defensible financial analysis for stakeholders and legal counsel
- Supported informed discussions toward resolution of the dispute

KEY TAKEAWAYS:

This engagement highlights how financial losses associated with large real estate developments often extend beyond visible physical damage. For high-end residential projects in major metropolitan areas, construction disruptions can affect financing structures, development timelines, and projected revenue.

By carefully analyzing financial records, project funding arrangements, and development assumptions, Meaden & Moore helped stakeholders better understand the financial drivers behind the claim. Translating complex financial analysis into clear conclusions allowed all parties to evaluate the issues more effectively and move the matter toward resolution with greater confidence.

EXPERT PERSPECTIVE:

In large real estate developments, financial disputes often involve more than reviewing numbers. Understanding how financing structures, construction timelines, and market conditions interact is critical to evaluating the true financial impact of an event.

Meaden & Moore analyzes these factors objectively and translates complex financial information into clear conclusions stakeholders can rely on. This clarity helps attorneys, insurers, and developers understand the issues and move complex disputes toward resolution more efficiently.



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“Our role is to look beyond the numbers and help clients understand what they mean. When stakeholders clearly see what’s driving the differences in a claim, it provides the clarity needed to move the matter toward resolution.”

— Patrick Kelleher, Partner