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ENVIRONMENTAL LIABILITY CLIMBS IN REIT'S RISK RANKING

Real estate investment trusts (REITs) are the most active buyers and sellers of commercial properties, making them the strongest growth market for property due diligence professionals today. Just in the first quarter of 2016, REITs sold more than $15 billion in commercial properties and bought less than $6 billion, according to CoStar. Research firm BDO just released its 2016 Risk Factor Report, ranking the top 20 risk factors that REITs face, and this year's risk ranking reflects some interesting shifts in focus. Among them is the rise in environmental liability risk, which landed itself in a top five spot this year due to the increasing emphasis being placed on green building and sustainability.

In fourth place, appearing for the first time as a top 5 risk factor, is environmental liability. Nearly all REITs (99 percent) cite environmental liability as a risk of doing business, up eight percentage points from 91 percent four years ago and 92 percent last year. Interestingly, environmental liability beat out other risk factors, like access to capital (tied for #8), an inability to sell properties quickly (#16) and development and construction risks (#18).

Concerns related to environmental liability are heightened by the greater focus on green building and sustainability, particularly as they relate to corporate social responsibility. Recent studies have found that tenant demand is stronger for environmentally-friendly properties, and that investors are championing green companies as part of their socially responsible policies.

Source: EDR. Author: Dianne Crocker. Learn more...

ASTM INTERNATIONAL UPDATES SEISMIC RISK STANDARDS

ASTM International recently released changes to E2026 Standard Guide and E2557 Standard Practice, industry standards for assessing seismic risk to buildings. The changes are expected to improve consistency of risk evaluation on commercial real estate transactions.

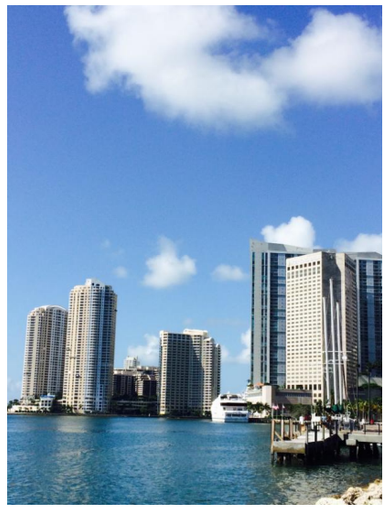
The changes are expected to improve the consistency of the evaluation of seismic risks for commercial real estate transactions. Among the changes are:

- New definitions
- Better defined criteria for consultant qualifications for performing the work
- Requirement for more detailed calculations
- Review of plans and analysis of site seismicity for higher level assessments

The biggest impact to commercial real estate due diligence pertains to changes in consultant qualification criteria. The revised standard requires that a consultant performing the analysis must be a licensed civil or structural engineer with at least 10 years of general structural engineering, at least 5 years of experience in seismic design and analysis of buildings, and at least 3 years of seismic risk assessment of buildings.

Source: Building Design and Construction

LEED vs. BREEAM: UNDERSTANDING THE DIFFERENCES



We've all heard of LEED and BREEAM, but sometimes it's hard to remember the differences between them. In short, they're both world-wide accepted certification programs that indicate a building has achieved a certain level of environmentally-conscious design.

LEED stands for Leadership in Energy and Environmental Design, and it certainly is the leader when it comes to the number of buildings certified - LEED has certified more than 13.8 billion square feet of building space.

The program is run by the non-profit US Green Building Council and includes a set of rating systems for everything from design to construction and operation to maintenance of homes, buildings, and neighborhoods.

BREEAM, or the Building Research Establishment Environmental Assessment Methodology, is the longest running method of assessing, rating, and certifying building's sustainability.

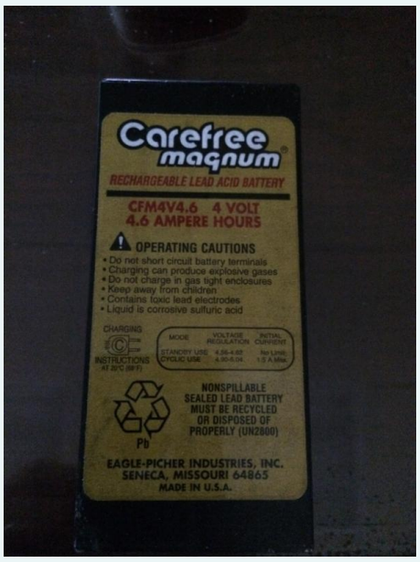
So what's the difference? The key philosophical difference between the two, according to the sustainability consultancy Inbuilt, is the process of certification itself.

BREEAM has licensed assessors who examine the evidence against the credit criteria and report it to BREEAM's parent company, Building Research Establishment (BRE). BRE then assess the report and issues the certificate if they feel it meets their requirements.

LEED, on the other hand, does not collect the evidence, the design team does. They then send the data to the US-GBC, who examine it and issue the certificate if it meets their demands.

Source: Hightower Blog. Author: Erik Dolan-Del Vecchio. learn more...

DON'T THROW THOSE BATTERIES IN THE TRASH!



Under Florida law, it is illegal to discard nickel-cadmium or small sealed lead acid rechargeable batteries or products containing such rechargeable batteries in the trash. The batteries must be recycled or sent to a facility permitted to dispose of those batteries. This prohibition applies to every resident as well as every business, institutional, government, industrial, commercial, communications or medical facility in the state.

Florida lawmakers passed the prohibition because of growing concern over the effects of the toxic heavy metals cadmium and lead on public health and the environment. Cadmium and lead can enter the environment from several sources including solid waste landfills and municipal waste combustors. Once in the environment both can accumulate in food crops and edible fish as well as appear in drinking water and the air we breathe. In humans and animals, long term exposure to these metals can result in brain, lung and kidney damage and is suspected to cause cancer. Lead exposure is especially harmful to unborn and very young children and can result in premature birth, slow growth and decreased intelligence.

This current ban enhances the existing solid waste disposal ban on vehicular (car, truck, boat) lead-acid batteries in effect since January of 1989. A similar disposal ban on mercuric oxide batteries has been in effect since January of 1994. The DEP estimates that without this new comprehensive ban on the disposal of rechargeable batteries more than 100 tons of cadmium and 400 tons of lead could be disposed of in the trash each year as a result of Floridians discarding rechargeable batteries.

Learn More

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