

# How to Holistically Manage Environmental Property Risk: A 10-Step Action Plan



## ***What You'll Discover...***

Introduction	1
What does “holistic property management” mean?	1
Steps to overcome environmental challenges:	1
1) Manage Stakeholder Expectations	2
2) Learn About Tax & Monetary Incentives	3
3) Invest in Preventative Measures	3
4) Prioritize Critical Systems	4
5) Stay Abreast of Upcoming Regulations	4
6) Leverage Technology, PropTech and Internet of Things (IoT) for Net Zero	5
7) The Ideal Employee Experience in Homes & Buildings	5
8) Share Knowledge	6
9) Make Continual Environmental Real Estate Risk Improvements for Greater Value	6
10) Communicate Your Environmental Real Estate Risk Management Progress	7
Conclusion	9
About ADEC SiteRisk	10



## ***Introduction***

In today's real estate market, it's no longer enough for property owners and managers to identify and mitigate potential risks. Today they must also prioritize sustainability and secure long-term resiliency while maximizing profit. This often feels like an overwhelming challenge, and not everyone knows where to begin. But by adopting a "holistic approach" that weighs the advantages of the various risk management strategies, professionals can move beyond merely protecting their investments and contribute to a more sustainable and resilient future while remaining profitable or even improving upon it. In this book, you'll learn practical approaches to effectively evaluate and implement such holistic strategies.

## ***What does "holistic property management" mean?***

A holistic approach means that we look at the problem from all angles and use systems thinking to understand the complexity involved. Normally, challenges are examined through isolated analysis of their constituent parts. But with holistic systems thinking, we examine the entire property risk management process and try to understand the dynamics between the elements, how they interact and influence one another and how, by making changes in one area, it will affect the entire business.

## ***New environmental challenges***

In the face of climate change's impact on real estate, resilience is essential – it is no longer optional. Traditionally, investments were focused on greater efficiencies and improved customer experiences, sometimes even in opposition to sustainability and resilience. But now we can prioritize sustainability to create greater efficiencies while still addressing the business demands of stakeholders – sustainability normally improves profitability.

Consumer and investor awareness and acceptance of climate change and other environmental impacts are here. While not all people agree on the reasons behind these changes, there is a consensus that we need to adopt long-term sustainable practices to reduce and help prevent the worst effects of business activities from overwhelming an environment that is currently hanging in the balance. To achieve this, we need to start managing stakeholder expectations for a transition into prioritizing environmental property management and risk reduction.

# 1 **Manage Stakeholder Expectations**

Shifting the mindset of stakeholders to prioritize sustainability is one of the first steps. Part of this challenge is communicating in such a way that the complexity of sustainability becomes clear. When you examine a complex system, such as the reduction of environmental real estate risk for an organization, it gives you insights about where profits can come from and how to cut costs. In other words, taking a systems-thinking approach to the complexity of sustainability in environmental real estate risk management can allow stakeholders to see how, when they change something in one area of property management, it affects another area.

For example, if we fail to remain up-to-date with the latest environmental regulations – or even with adjustments to long-standing laws, such as the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) – it will inevitably come back to cause monetary injury to the business, through fees for non-compliance, bad publicity for the brand or, even worse, the condemning of buildings and properties. At the same time, knowing about the latest adjustments to the CERCLA before the competition knows about them and becoming compliant ahead of time puts you in an advantageous position in relationship to prospective customers and in your relationships with regulators.

Managing stakeholder expectations means communicating “[polluter pays](#)” risks and risks that threaten a brand while also making sure stakeholders understand that every risk avoidance measure is an opportunity for the business to move beyond compliance, using its conformance with standards and regulations to create a good name for itself in the marketplace and get ahead of the competition. If environmental risk is neglected, it is not a matter of if, but when. Taking proactive measures now can minimize the costs of implementing sustainable technologies and practices in the future. Sustainable assets are also more efficient and more valuable, and they offer

a better long-term customer experience. Tackling the problem holistically, while communicating the complexity of environmental risk to all relevant stakeholders, puts the business in a place where it can use property risk to generate opportunities for itself.



## 2 **Learn About Tax & Monetary Incentives**

Implementing measures to fight environmental risk can curb long-term operating expenses. In the United States, there are many state and federal incentives, such as District Improvement Financing (DIF) and Tax Increment Financing (TIF), to help you move toward greater resilience while minimizing costs. These are economic tools promoting redevelopment through public/private partnerships. TIF offers tax breaks to developers, while DIF channels tax dollars into targeted redevelopment districts.

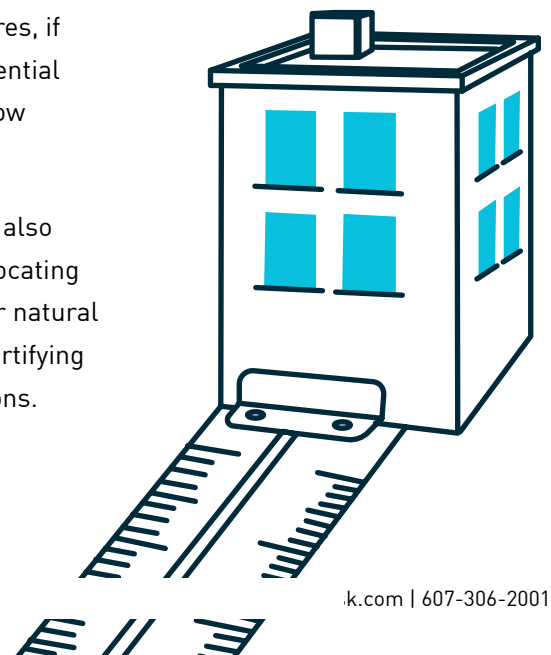
Redevelopment and upgrades with sustainability in mind, especially where government incentives are available, is a win for the developer and a win for the community, able to curb long-term operating costs with respect to future energy demands. That's why building resilience in real estate requires you to learn about natural risk hazards on a regional scale. You should always be learning, because it helps in the development of site-specific and region-specific strategies in response to known or statistically anticipated natural hazards. For a full list of US tax and monetary incentives, check out the EPA's page on [Economic Incentives](#).

## 3 **Invest in Preventative Measures**

In your resilience planning for real estate, you can address anticipated hazards with mitigation, building upgrades or procedural changes that help minimize or prevent building damage and/or loss of life from an extreme environmental hazard. Examples of this include retrofitting a building in a seismically active area or relocating critical electrical infrastructure above anticipated flood levels.

Private and public partnerships are key to ensuring that real estate assets are protected and made resilient ahead of the mounting climate change and the inevitable increase in natural disasters. So reaching out to governmental agencies and NGOs in surrounding areas should be part of every real estate professional's preventative measures, if you wish to remain in the loop when it comes to potential risks and opportunities. Build those relationships now rather than later.

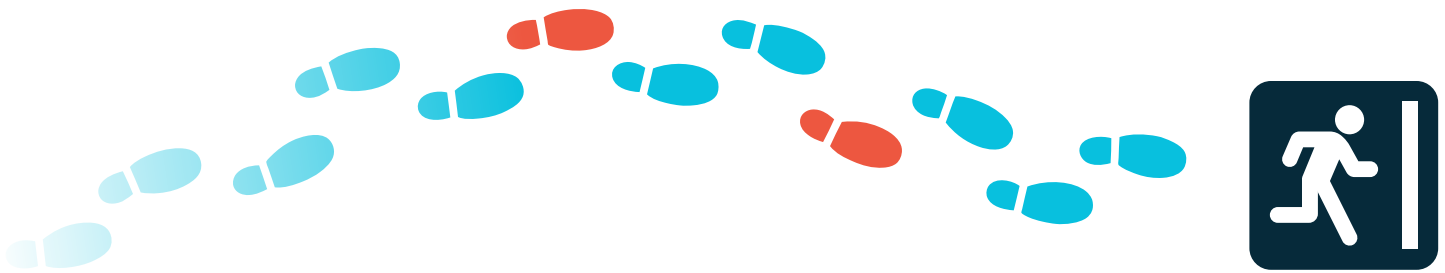
Resilience strategies for new and existing buildings also include assessing vulnerability and risk, planning, locating new construction in areas with minimal potential for natural hazards to optimize building structures and sites, fortifying building systems and streamlining building operations.



## 4 **Prioritize Critical Systems**

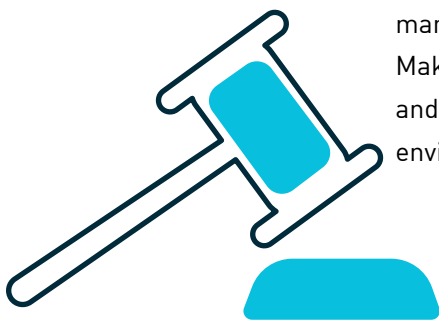
Building resilience requires prioritizing critical systems, such as energy-efficient heating, cooling and ventilation systems, and ensuring that backup power sources are located on higher ground and away from flood-prone areas.

Operational procedures are just as important for resilience during a disaster as the buildings, sites and systems themselves. Developing an emergency communications plan, instituting tenant outreach services and identifying the most vulnerable building occupants are some examples of how to protect people. Being proactive and prepared for a natural disaster is in the best interest of property owners and tenants alike. But if critical systems are not prioritized, you could end up being only reactive in the face of a true emergency.



## 5 **Stay Abreast of Upcoming Regulations**

Upcoming deadlines and increased legislation and regulation have created a sense of urgency among CRE (Commercial Real Estate) investors and occupiers, and retrofitting CRE buildings could be a pivotal next step. The EPA plans on listing polyfluoroalkyl substances (PFAS) related chemicals as hazardous substances later this year. This action will have significant ramifications amongst real estate transactions as properties previously associated with PFAS chemical use, storage or production (not considered a problem before) are now in the spotlight as possible hazardous wastes sites. Similarly, the EU is [planning to ban](#) the manufacturing of many PFAS chemicals throughout Europe. Making sure you remain aware of such upcoming regulations and adjustments to current laws is critical to a comprehensive environmental real estate risk management plan.



## 6 **Leverage Technology, PropTech and Internet of Things (IoT) for Net Zero**

Many investors feel that technology is one of the keys to achieving net zero or carbon neutrality. As regulatory agencies and important NGOs, such as the [Science Based Targets initiative \(SBTi\)](#), continue to require improved data collection and monitoring, assessing, benchmarking and reporting on real estate asset metrics with respect to environmental, social and governance (ESG) criteria, it will become necessary to switch to technologies that save time and money. Success with technologies in one sector of CRE is likely to lead businesses to use that technology elsewhere, and automation or digitization can lead to greater efficiency, less risk and more informed decisions.

For example, in the property management industry, emerging opportunities include expansion plans, improving building operations (from cost-function to customer-experience opportunities), reduction of your carbon footprint, development of smart homes and implementation of green buildings.



## 7 **The Ideal Employee Experience in Homes & Buildings**

As new ways of working have emerged in the post-COVID era, creating the best workplace experience for employees is becoming a key theme. For those who have returned to work in buildings, there is a direct link between a greener, healthier, and more efficiently managed building and a happier workforce. Real estate investors and risk managers will also have to consider modern designs for the large group of people who will continue to work from home.

From a global perspective, building resilience in real estate is becoming increasingly important as climate change, natural disasters, strains on natural resources and energy demands continue to impact regions across the globe. Building officials recognize the need for more resiliently built commercial and residential structures and are taking proactive steps to prevent and mitigate the risks.

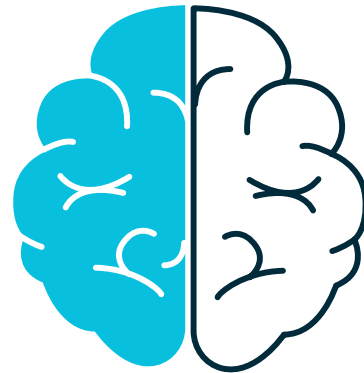


One example is the [United Nations' 2030 Agenda for Sustainable Development](#), which includes a goal to “make cities and human settlements inclusive, safe, resilient and sustainable.” This goal recognizes the importance of building resilience in the face of climate change and natural disasters.

In addition, organizations, such as the International Finance Corporation (IFC), are working to promote resilience in real estate investments. The IFC has developed a set of guidelines for building resilience in real estate investments, which includes assessing climate risks, incorporating resilience measures into building design and construction and ensuring that buildings are prepared for emergencies.

## 8 **Share Knowledge**

Another important aspect of building resilience on a global scale is the need for knowledge sharing and collaboration between different regions and stakeholders. By sharing best practices and lessons learned, regions and organizations can work together to build more resilient real estate assets and communities. The more you can share and work in cooperation with others, the more likely you will learn of environmental real estate risk developments faster than you would if you attempted to go at it alone. Overall, building resilience in real estate requires a regional and global perspective, as well as collaboration between different stakeholders, to effectively address the risks posed by climate change and natural disasters.



## 9 **Make Continual Environmental Real Estate Risk Improvements for Greater Value**

As you progress in your environmental property risk management and ESG programs, you'll want to make sure to also integrate a plan for continual improvements over time, always looking for opportunities, changes in regulation and markets and emerging technological solutions.



The last of these, new technologies, can play a key role in detecting where you need to make improvements. You can streamline the process of managing property risk and increasing sustainability and resiliency while remaining profitable. Innovative solutions, such as [ADEC SiteRisk](#), can simplify risk management by providing a comprehensive view of potential hazards. Additionally, technology can improve data collection and monitoring, allowing for better assessment, benchmarking and reporting of real estate assets' ESG credentials. Automation and digitization can also lead to more efficiency, less risk and better decision-making.

## 10 **Communicate Your Environmental Real Estate Risk Management Progress**

As with point 1 (managing stakeholder expectations), achieving the greatest transparency with the outside world will require you to dedicate time and effort to communicating your progress.

First, start by involving internal stakeholders and collaborators throughout your value chain. As already mentioned, the right software solution will give you the means of assessment of your status to share critical data with your employees, value chain and other internal stakeholders. Added to this is the need to develop the right kind of company culture in which pointing out risks is encouraged and in which widespread alignment on the environmental property risk management plan and goals is encouraged and supported. Once your own house is in order, you are ready to share with the outside world.

The opportunities for external communication are enormous. Marketing differentiation means selecting the differentiators that your company has (as opposed to those of the competition) and vigorously marketing your environmental risk management progress to the public. Become compliant and set measurable goals using legitimate 3rd-party standards and share your progress against those standards to show improvements on property risk management.



Avoid misinforming anyone (ESG greenwashing) at all costs. Companies always have a lot of scrutiny on them, both internally and externally. Do not fall into the trap of misrepresenting part of your activities to the public, governmental bodies, partners or other businesses, as savvy journalists love to engage in the kind of investigative work that will reveal the truth, especially if organizations fail to take preemptive measures to minimize environmental risk and then a disaster occurs.

For CRE portfolios, most lending institutions have some informal requirement to evaluate groups of properties on an annual or semi-annual basis, checking against documented government environmental database listings. For federally insured facilities, borrowers are required to report situations to their lender that may create risks to the property value. The lenders often use some form of portfolio monitoring and, at more risky sites, sometimes require a physical site inspection. Find a technological solution, such as ADEC SiteRisk, that will allow you to upload your portfolios and scan your assets for documented issues (specific to the subject property). ADEC SiteRisk' user dashboard, for example, is developing features to allow you to review risks, dates, etc. and set an initial set of conditions, assessing the property against those initial conditions.

## ***Conclusion***

Holistic environmental property risk management is crucial for the real estate industry to thrive in the face of climate change, natural disasters, emerging regulations and increased social and political awareness. It involves taking a comprehensive approach that considers the long-term impacts of risk management strategies and the way systems interact, incorporating sustainable practices and leveraging technology to ease the process. Building resilience means prioritizing critical systems, assessing vulnerability and risk, developing emergency response plans and sharing best practices and lessons learned with regions and organizations. By prioritizing sustainability and resilience in real estate investments, property owners and managers not only protect their investments but contribute to a more sustainable and resilient future for all.



### About **ADEC SiteRisk**

The ADEC SiteRisk SaaS On-demand Property Risk Forecasting Platform lets you proactively address issues before they escalate. Utilize advanced algorithms and data analytics to predict and identify potential risks. With frequent monitoring, customizable reporting and expert support, our platform provides a comprehensive solution to managing property risks and ensuring your investment stays resilient. ADEC SiteRisk aims to optimize how property risk data is accessed and utilized by seamlessly integrating it into the decision-making process for users from different industries, making it accessible to all.



**Mitigate**  
unforeseen risks



**Maximize**  
returns



**Facilitate**  
risk identification



**Enhance**  
sustainability



**Empower** real-time  
decision-making



**Increase**  
deal-closing ratios

**ADEC** SITERISK<sup>•••</sup>  
an **ADEC** Innovation

**Identifying Risk, Protecting Value  
and Creating Resiliency.**

[adec-siterisk.com](http://adec-siterisk.com)