



RT ENVIRONMENTAL SERVICES, INC.
Your Solution-Oriented Environmental Services Firm

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MORE BARGAINS EVERY WEEK IN REAL ESTATE - DO BUYERS KNOW WHAT THEY ARE ABOUT TO PURCHASE?



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Every week, more properties are becoming available in our region, as occupancy drops. Unfortunately, energy prices are rising. Although no one can quite put their finger on exactly where our economy is headed, many current property owners are seeking to sell to get themselves out of difficult financial positions and avoid bankruptcy. The hard realities of the current financial decline, in-turn, however, provide opportunities for those with cash, who don't need a lender's approval before moving to purchase a property.

RT is seeing a significant uptick in purchases of apartment buildings as well as "in fill" one to two acre retail locations. Despite all of the difficulties with job loss, we Americans still like State of the Art new retail stores at convenient locations, and we still need a place to live. To thrive in the current market, some investors have raised investment funds to purchase apartment buildings, which are viewed as one of the safest forms of investment right now. Occupied apartment buildings offer a good return on investment, particularly where "economy of scale" ownership can afford substantial "economy of scale" cost savings, and higher returns for the owners.

The key to most purchases are simple factors:

- The building location
- The cost of energy and heating system efficiency
- The condition of the building

The condition of the building can be easily assessed and in the case of older apartment buildings, the twin issue of asbestos and lead-based paint can make or break a sale. Usually, in a day or two, Licensed Asbestos Containing Material Inspectors and Lead-Based Paint Inspectors can get to the bottom line on asbestos and lead based paint issues. If the building has been adequately maintained, and deterioration has not set in, in most



instances, asbestos materials can be maintained in-place.

It is important, though, to thoroughly check out each building, because there are sometimes odd uses of materials with wide spread use of asbestos, for example in plaster, which can make building ownership and maintenance very expensive. It is also important to have a handle on lead based paint, in particular, as the new EPA rule on renovation is final, and new practices for renovation will be starting in the near future.

The energy side of the equation frequently offers the major opportunity for increased yields for a new owner. There are a number of reasons for this including:

- *Older boilers are frequently inefficient.*
- *Owners frequently are using older transformers, don't have individual metering, or don't even know they can get a much less expensive electric service rate, if they change energy providers or request a different tariff.*
- *Property management has not taken the time to sit down and determine whether it will pay to go to an ENERGY STAR approach to minimize energy or power consumption, or to embrace GREEN building operating management approaches as a way to increase perceived tenant value, and actually reduce energy costs, while at the same time building tenant good will.*

As the next stage of energy deregulation comes in the next two years in Pennsylvania, these factors will become more important, but with the tight economic conditions, now is clearly the time to make moves to increase property value, and increase yield, because so many fundamental cost issues have changed, and, unfortunately, the situation is likely to become tighter before it gets better.



Another issue which deserves mention is **mothballing, which involves proper management of space which will not be occupied for a period of time.** Failure to properly mothball can result in loss of property value, which many property managers and building owners don't appreciate, because they have never been through the mothballing process nor do they understand the importance of it. Where parts of demised premises or whole buildings are not properly mothballed, the typical outcome after a season or two is mold damage due to lack of ventilation, and major utility systems damaged, which in combination can result in total loss of property value. Building owners, to their detriment, also frequently forget that, per building codes, if the loss in value of the building approaches half of the building's value, the building will usually be required to be brought up to "current code" a prospect which is usually higher than the cost of demolishing the building, and putting up a new building in its place. **Put simply, failure to properly mothball frequently results in complete loss of building value or sometimes, negative building value, because the asset was not properly protected.**

RT has always focused on serving TriState Members and, of course, their customers and clients, with the services that are most important at any given time. We are pleased to announce that **RT will be working with Diversified Energy Associates, and Elliott Lewis, to offer services related to mothballing and to complete ENERGY STAR surveys.** This includes evaluating best energy management approaches, for buildings. When a building faces a reduction or complete loss of occupancy, we can provide a small team of professionals to go into a building, and come back with recommendations on how to best mothball the

premises involved, secure the site from an environmental standpoint, and strictly minimize energy costs, all, of course, to protect building asset value.

We at RT also appreciate the many opportunities we get to work with TriState Realtors, who are some of the best in the real estate profession. A recent seminar opportunity with the Young Real Estate Professionals in early April, and another in February with the Montgomery County Industrial Development Corporation (MCIDC) demonstrates TriState's ongoing commitment to provide the latest thinking and information on such topics as protecting asset value - information that can be passed on everyday in the real world. We appreciate the opportunity to collaborate in these seminars, and to provide important information to the real estate community on an ongoing basis.

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