

Neglected Commercial Spaces: How Big Is the Problem?

By Holly Tachovsky

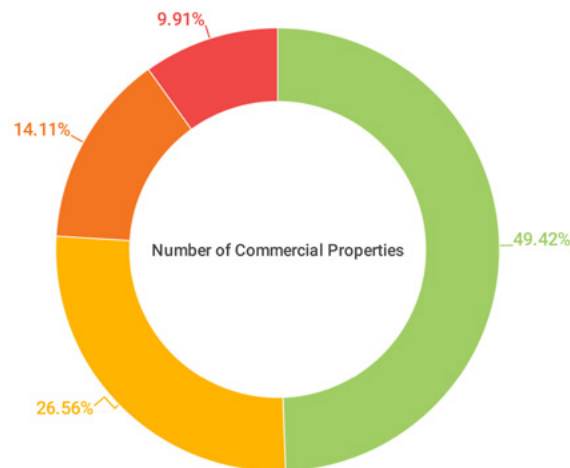
Recent tragedy brought to light the dangers of neglected commercial buildings. A deadly fire at a warehouse in Oakland, California, killed 36 people. Investors would discover that the warehouse hadn't been visited by a city building inspector in 30 years. The devastating loss of life is a grave reminder of the threat these buildings pose to the people and communities that surround them.

It makes you wonder: How many more buildings like this are there across the country?

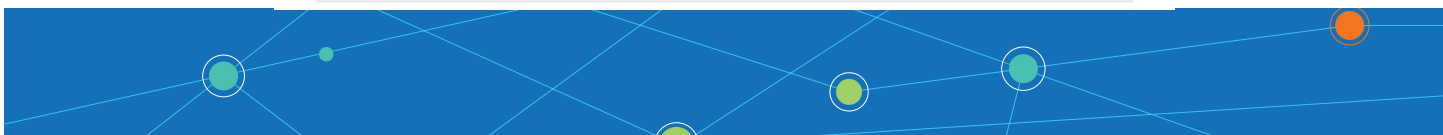
BuildFax conducted a study to see how many commercial buildings had not had permitted updates in the last 30 years. And while we can't know exactly how many of them are in a similar state of extreme risk and disrepair as the building in Oakland, looking at building permit activity can provide some astonishing insight.

We estimate there are more than a half million commercial buildings in the United States that are standing in various stages of neglect due to a lack of maintenance.

Commercial Properties with Permitted Updates



- Permitted Update in Last 10 Years
- Permitted Update 11 - 20 Years Ago
- Permitted Update 21 - 30 Years
- Permitted Update More Than 31 Years Ago





Half a Million Neglected Buildings

We looked at the more than 5.2 million commercial properties in our database and took a representative sample, where we have more than 30 years of data coverage. We flagged these properties for permit activity in 10, 20, 30 and 30+ year time frames.

Our findings were startling: 10 percent of commercial buildings haven't had a permitted update in more than 30 years. That means roughly 520,000 properties across the country are in suspect condition. They have the potential to present catastrophic risks to the people and communities that surround them.

Keeping An Eye On Aging Buildings

A total of 14 percent of the properties we sampled had permitted maintenance conducted on them between 21 and 30 years ago. This represents an estimated 780,000 of the nation's 5.6 million property inventory that likely may require updates in the coming years. And if they don't get updated, they risk slipping into the neglected category.

A Majority Maintained

On a brighter note, we found that nearly half of the commercial properties we sampled had a permitted update in the last 10 years. And more than a quarter had a permitted update in the last 20. So roughly 75 percent of the commercial buildings in the country are likely to have been properly maintained and kept up.

Detecting Maintenance and Condition on Older Buildings

One of the benefits of the building permit process is that inspectors from building departments visit the construction site during and after a project to ensure work is done to standard building codes. Trained to identify potentially unsafe conditions, these inspectors are likely to flag other possible code violations. More generally speaking, they're there to make sure buildings are safe for the people who live and work in them.

Much more information about a property can be gathered when a permit is pulled. For example: in order to be granted a permit, the work generally is carried out by a licensed contractor.

What does this mean? Permit activity suggests more favorable property conditions, while long gaps between permit activity correlates to a greater chance a property is in a state of disrepair.



That's evident when it comes to insuring properties. Well-maintained properties are proven to have significantly lower risk for carriers, while poorly maintained buildings, having become compromised over time, result in higher loss rates.

Key Takeaways

Building permits may not prevent tragedies like the one in Oakland, but they call attention to property issues that need to be addressed.

- Maintenance matters—Properties that have had permitted updates are proven to be lower-risk structures.
- There are an estimated half a million commercial properties where maintenance history is unsubstantiated.
- We see strong maintenance history with 75 percent of commercial properties.

Methodology

We analyzed the more than 5.2 million commercial properties in our database and took a representative sample where we have more than 30 years of data coverage. We flagged these properties for permit activity in 10, 20, 30 and 30+ year time frames.

Author's Note

While this data is compelling, we need to keep in mind that the catalyst that inspired this research was a very real tragedy that impacted individuals and families. Our deepest sympathies go out to those affected, both directly and indirectly, by this tragic event.

Holly Tachovsky is co-founder and chief executive officer of BuildFax. BuildFax is headquartered in Austin, Texas, is trusted by the largest insurance and financial institutions in the world to deliver business critical property condition and history data. With the only database of its kind, encompassing more than 23 billion data points on commercial and residential structures, BuildFax delivers detailed data on everything from remodeling, solar installations, new construction, roof age, maintenance history, and more. To learn more about BuildFax, visit www.buildfax.com.

