



Environmental Issues in Real Estate

Many Lenders & Real Estate Professionals Unaware of PCAs

Many lenders and real estate professionals in today's real estate market are unaware of what a Property Condition Assessment (PCA) is. Simply put, a PCA offers a baseline condition of apartments, commercial or industrial real estate. It consists of a walkthrough survey, a document research review, and interviews. The final report is written to the ASTM Standard E2188-01 Guidelines for Property Condition Assessments: *Baseline Property Condition Assessment Process*. The walkthrough survey identifies the property's material physical deficiencies, and the document review reveals the property use and identifies reoccurring physical deficiencies. The report includes recommendations and a lifetime cost appraisal of the physical deficiencies identified. The report is unique in that it identifies the financial obligations of properly maintaining a property, and it is not an engineering or environmental report. [ASTM Standard](#)

Problems with Arizona House Bill 2779

A new law has been passed in Arizona that could affect the way residential property transactions are done. Arizona HB 2779 requires disclosure of hazards in a report form on all residential properties. The bill was signed into law in June 2006. However, there are some problems with this law that are requiring amendments to the bill. The amendments are being worked out in the current legislative session and can be expected to come into light soon. These are also issues that may soon be addressed as part of commercial and industrial transactions. [Arizona HB 2779](#)

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Even new buildings should have a PCA performed

AZ HB 2779 Makes Waves

Arizona HB 2779, promulgated in June 2006, is undergoing a review to include amendments, which could affect the way residential property transactions are done.

Why People are Having a PCA Performed



Apartment complexes are often in most need of having a PCA performed

In some cases, PCAs are more important than environmental reports to the buyers and lenders of apartments and commercial real estate. The buyer and lender will want to know what the total cost of purchasing the property will be. Buildings that are 15 years old or older may have a series of code-related deficiencies that may be costly to fix, and even newer buildings can have extensive deficiencies. Often times with apartment complexes, the rent rolls and other such financial information is available to buyers and lenders; however, future costs of maintaining the buildings in good condition is overlooked. These expenses over the first 10 years could be cost prohibitive for the projected income. Because of problems like these, buyers become more aware that they need a good PCA before they commit to purchasing the structure. Lenders also become more aware of the need for a PCA, so that they understand the entire projected costs of the project before committing to the loan.

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