



TIP OF THE MONTH



## REAL ESTATE DUE DILIGENCE...

### Foreclosure, short sales, Owner Assisted Financing

#### ***Do I need a Phase I Environmental Site Assessment for a foreclosed property?***

For commercial and industrial properties, the answer to this frequently asked question is **Absolutely Yes!** A significantly reduced purchase price should not deter or limit the real estate due diligence performed by the buyer, lessor or lender. Simply stated, the buyer's cost due to environmental contaminants and subsequent remediation costs may significantly exceed the bargain purchase price.

Just as important, *Phase I Due Diligence* constitutes "an all appropriate inquiry" into the previous ownerships and uses of the property and satisfies one of the requirements to qualify for liability protection under CERCLA for a prospective property purchaser or lender. The innocent land owner defense states "a person did not know and had no reason to know that contamination existed on the property at the time the purchaser acquired the property". Under CERCLA, the EPA can require potentially responsible parties to conduct cleanup or the EPA can conduct the cleanup and seek reimbursement costing thousands to millions of dollars even if the contamination was caused by prior property owners.

*Phase I Due Diligence* is rarely performed on residential properties. However, incorporating an Environmental Questionnaire or ASTM Transaction screen into your home inspection is highly recommended especially where residential properties are being converted to commercial use or vice versa.

In every case, AET recommends you customize your *Phase I Due Diligence*. Know the limitations of an ASTM Standard E1527-05 compliant Phase I. **See AET's White Paper - Real Estate Acquisition Due Diligence Limitations of Phase I Site Assessments on our website.** Expand your Phase I investigation based on your site reconnaissance, historical research and prior use findings at the property.

Be prepared with budgetary cost estimates for such recognized environmental conditions as asbestos, lead, and mold during purchasing negotiations even when the property is being sold "As Is".

Not all environmental professionals are equal. At AET, every Phase I is completed by a CIH or under the direct supervision of a CIH. As with all AET's services, prompt, honest and direct communication between AET and our clients is the key to ensure the client's timely and accurate decision-making during property negotiations.

**About our organization:** AET has over 28 years of environmental contracting/consulting/laboratory experience totaling hundreds of Phase I ESA's. A single phone call brings to you, our client, each of the necessary steps described herein to ensure cost effective, on-time, on-budget resolution to your property acquisition decision-making.

**Need help or have a question???** Email Harris Brody, CIH, CHMM, at [h.brody@aetinc.biz](mailto:h.brody@aetinc.biz) or Call at AET at 610-891-0114 or 1-800-9696-AET. We provide nationwide services; phone consultations are free. Check out the full range of environmental consulting and contracting services AET provides at our website at [www.aetinc.biz](http://www.aetinc.biz)

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