

## Risk Management in Commercial Real Estate: What It Actually Costs to Get It Wrong



Start with a hypothetical that's less hypothetical than it sounds. A vendor is on site without a current certificate of insurance. The fire suppression system passed its last inspection in 2021 and hasn't been looked at since. A tenant is quietly operating outside the permitted use in their lease, which nobody has checked on in months. None of this is unusual. In fact, for a lot of commercial properties, it's closer to routine than anyone managing those assets would want to admit.

Risk management in commercial real estate is the discipline of surfacing those problems before they become expensive ones. It spans operational, safety, compliance, financial and liability exposure across a property or portfolio and while it rarely gets the airtime that leasing activity or capital improvements do, its effect on an asset's financial performance over a holding period is substantial. Most owners already know risk management matters. The harder part is doing it properly, day to day, across an asset or a portfolio that keeps generating new variables.

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## What property risk management actually involves

Stripped of jargon, it's the set of processes that keep a commercial property from becoming a liability. Regular building inspections and maintenance scheduling that actually gets followed through on. Vendor compliance tracking where certificates are verified rather than just filed. Life-safety system oversight across HVAC, fire suppression, electrical and elevators. Lease enforcement. Emergency preparedness planning. Increasingly, cybersecurity controls on the building systems that run the property.

None of these operate in isolation. A lapse in vendor compliance becomes acutely relevant the moment there's a contractor incident on site. Deferred maintenance on a building system leads to a failure that leads to a business interruption claim. An unenforced lease clause creates a liability dispute that, in hindsight, the lease was supposed to prevent. The financial argument for managing risk proactively is straightforward: catching a problem while it's small is nearly always cheaper than addressing it after it's grown and the research on this is fairly unambiguous. One widely cited analysis found that every \$1 of maintenance deferred creates roughly \$4 of capital renewal cost down the line, with some estimates running significantly higher depending on the building system involved.

## The areas owners most commonly underestimate

Building systems are one of them, though maybe not for the reason people assume. They don't always give you a warning before they fail. HVAC units seize up suddenly. Pipes burst. A lift fails mid-cycle and puts a property offline for a week. What makes those failures more likely and more costly when they arrive is the accumulated deferred maintenance that precedes them. The pattern across well-documented failure data is consistent: properties without regular inspection and maintenance schedules pay significantly more for emergency repairs, carry higher vacancy risk during remediation and face more friction in insurance claims where 'neglect' becomes a contested term.

Vendor and contractor risk is underestimated for a different reason entirely and that reason is mostly administrative inertia. Checking insurance certificates and verifying they're current, reviewing service agreements, confirming licensing status. None of this is complicated work, but it also doesn't happen automatically and the question of who was on site and under what coverage becomes pressing very quickly when something goes wrong.

Cybersecurity is where commercial real estate has the sharpest catching up to do. Cybersecurity is where commercial real estate has some of the fastest operational catching up to do. Industry reporting over the past year showed cyber incidents affecting thousands of smart commercial buildings and office properties, with building automation systems, access control platforms and property management software becoming increasingly common points of vulnerability.

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More than 1.2 billion IoT devices are now installed in commercial buildings worldwide and roughly 44% of them lack adequate security protections. Building automation systems, access control platforms and property management software are all potential vectors. Business email compromise was the most commonly reported payments fraud in 2024 and wire fraud targeting rent collection and transaction processes is a well-documented, recurring issue in commercial real estate specifically. RSM US has observed that the rapid expansion of IoT into building operations requires a fundamentally different security approach from traditional IT and that many property teams simply don't have full visibility into what is connected to their networks.

Lease compliance tends to sit at the bottom of the priority list, mostly because the consequences of ignoring it are slow to materialize. Tenants not carrying their required insurance, not meeting maintenance obligations, operating outside permitted use categories. Systematic monitoring is the only mechanism that catches these issues before they migrate into liability that defaults back to the owner.

### **Where professional property management actually earns its keep**

The honest answer to 'who does all this work' is that most commercial property owners are not well positioned to do it themselves and that's not a failing of any individual owner. It's a resourcing reality. Running a genuine risk management program means tracking inspection schedules and following through on findings, managing and verifying vendor compliance documentation on an ongoing basis, maintaining current life-safety compliance logs across building systems, enforcing lease obligations consistently rather than selectively and having actual emergency response protocols that people know how to execute. That's administrative and operational infrastructure and it requires dedicated capacity to function properly.

At NAI Realvest, our property management team works with owners throughout Central Florida to help identify, monitor and mitigate operational risks before they become costly problems. From vendor oversight and preventative maintenance programs to lease administration, financial reporting and regulatory compliance, our approach is designed to protect asset value while supporting long-term property performance.

With decades of experience managing office, industrial, retail, medical and mixed-use properties across the region, NAI Realvest understands the unique challenges facing commercial property owners in Florida's evolving market.

To learn more about commercial property management services or to discuss your commercial real estate needs, visit [www.nairealvest.com](http://www.nairealvest.com).