

Briefing Note

VACANT SPACE MANAGEMENT



Introduction

With most businesses and workplaces in commercial buildings having either been completely closed at some point or operating at a reduced capacity to try and limit the spread of the Covid-19 virus, it is important that buildings continue to be insured and safely maintained in order to manage risks and to meet all relevant legal duties placed on property owners.

An empty property is a vulnerable property with many potential hazards that can make the building unsafe for others and reduce its value. Badly managed vacant premises can damage reputation of property owners and put relations with neighbours under strain.

A RICS UK Commercial Property Market Survey found that the retail and office sectors have been hit hardest by the pandemic. The survey conducted in 2020 found that rents and capital values are expected to fall sharply across the office and retail sectors in the coming year, and that 93% of respondents envisaged businesses scaling back their office footprint to some extent over the next two years.

Against this backdrop and despite more positive messaging coming from the sector more recently, the challenge of managing property risk remains, particularly around vacant spaces, which will be at the forefront of risk management and spend decisions in the short to medium term.

Duty of Care

Owners and managers of vacant property have a duty of care to anyone entering the building, whether they have been invited into the premises or not. If anyone on site sustains an injury, the company responsible for the building could be held liable. This would be the case if surveyors, members of emergency services, children using the site as a playground or even trespassers, were injured. Broken walls, piles of rubble, protruding nails, falling objects and live wiring are all potential causes of such incidents.

Insurance

A rise in the number of empty properties and the associated risks due to a rise in crime, including metal theft, squatting, arson, and vandalism, has driven insurance companies to consider vacant properties as high risk.

Property insurers should be informed as soon as the premises become vacant. Failure to do this can constitute a breach of the 'change of occupancy' clause with the risk of the premises probably not being covered in the event of damage.

What are the risks associated with vacant properties?

There are specific risks present in vacant commercial premises or those with reduced occupancies during the pandemic, and their significance will depend on the layout of the site and its vulnerabilities, the nature the buildings and the location of the site.

These risks will vary depending on the sector but will include:

- Check
- Fire risks – for example, posed by deliberate fire starting.
- Risk associated with a lack of routine maintenance and testing.
- Risks associated with poor security and unauthorised access.

Risk Assessment

An essential first step in keeping vacant spaces safe is risk assessment. This should identify the risks and help determine the precautions required. Each property is different and the risk will depend on its location and previous use. Among the many and varied risks that need to be considered are:

- Intruders - causing vandalism
- Fire - arson
- Weather damage - burst pipes
- Biological agents - legionella bacteria in water systems
- Asbestos damage - following vandalism
- Electrical hazards - posed by equipment which has not been isolated.

Once the hazards have been identified and their associated risks assessed, mitigation measures can then be introduced.

What can be done to mitigate these risks?

The following controls are typically identified through a robust risk assessment process:

1. Turn off and unplug all electrical items within a property and isolate electrical systems, with the exception of business-critical items which may be required to keep a business running and support temporary home working.
2. Ensure arrangements are made to enable the continued maintenance and testing of safety and security related systems, such as fire alarms, intruder alarms, sprinklers.
3. Review which utilities need to continue to operate, albeit at a reduced capacity, to maintain operation of the building, and what non-essential services can be isolated.
4. Review the water services to prevent any leaks occurring and the risks of stagnation which may occur due to lack of or reduced use, increasing the risks of Legionnaires' disease.
5. Protect against arson risk by removing any build-up of waste materials, or preventing access to waste storage areas.

6. Review the security arrangements for the property to prevent unauthorised access, and consider what security precautions for a vacant property are likely to be different to those when the site is occupied.
7. Ensure that regular inspections are undertaken by a competent person at the frequency determined by the building's insurer and inform the insurance company of the change in occupancy to maintain insurance cover.
8. Clearly understand those areas over which you have control. For multi-let properties, ensure coordination and cooperation between the various occupiers regarding the change in occupation and the control measures required to mitigate the risks.
9. Review the emergency procedures for fire, bomb threat, flood, gas leak and other foreseeable situations giving rise to serious and imminent danger for the property.
10. Have up-to-date risk assessments in place, which considers the specific risks associated with the property being unoccupied.



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