

Risk assessment basics for real estate

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Risk assessment can be divided into three steps:

1. Identifying the risk
2. Evaluate the risk
3. Treat the risk

To be able to do an accurate assessment it is helpful to learn some basic principles and to ask a few key questions:

What can happen?

When and where?

How and why?

What can we do to prevent it from happening?

History tends to repeat itself so learn from history

To be able to identify risks you need to do some homework. Know your area. Do some research. Every year thousands of accidents occur in NZ homes and on farms. ACC, Statistics NZ and NZ Fire Service have an endless source of information of what is going on out there and it can be easily found on their websites.

Evaluate and classify your risks

There's a multitude of models out there to help you evaluate a risk. One more complicated than the other but the model below is easy to work with: Again statistics and history is also a great help. Feel free to set your own criteria, likelihoods and consequences.

Likelihood		RISKVALUE		
3. Often	3	6	9	
2. Sometimes	2	4	6	
1. Not often	1	2	3	
	1. Minor	2. Medium	3. Vast	Consequence

Likelihood

Indicate if event happens:

1. *Not often (e.g. not more than once per 10 year)*
2. *Sometimes (1-10 times per 10 year)*
3. *Often (more than once a year)*

Consequence

1. Minor (negligent)
2. Medium (considerable)
3. Vast (outright loss)

Riskvalue

The Risk (R) gets a value which consists of
(L)Likelihood x (C)Consequence = R (Risk)

If L x C = 1

Protective measure should be taken

If L x C = 2-4

Protective measures to be taken as soon as possible

If L x C = 6-9

Protective measures to be taken with highest priority

Treat your risk

Normally you have five main ways to effectively manage a risk:

1. Accept the risk and make a conscious decision not to take any action.
2. Accept the risk but take some actions to lessen or minimize its likelihood or impact.
3. Transfer the risk to another individual or organization by for example, outsourcing the activity (just be aware that there might be legal restrictions against this and a contractor might have transferred the risk back to you in their T & Cs).
4. Finance (insure against) the risk.
5. Eliminate the risk by not performing the activity causing it.

In a plan describe the protection measures that you intend to implement.
- and also how and when to implement them.

Be aware of incidents that by themselves are not costly but often occur.
It could be more vital that you protect yourself from these incidents than from expensive incidents that seldom or never occur.

In larger organisations we often also divide risks into three main categories, which help us choose appropriate counter measures:
M : Man related (or human related). We are just humans who make mistakes. This is something any organization has to take into account.
T : Technology related. Equipment can fail and cause injuries.
O : Organisational problems. Sometimes rules and regulations are not in place or not good enough (as in clear and concise) to prevent injuries.

Documentation

In any business or organization, documentation on how and when to do things is key to deliver what clients, contractors and employees expect. This is normally referred to as quality control and outlined in an Operations manual. Risk assessment is no exception.
Below are some samples of risks that can occur in residential homes, lifestyle properties and farms.

Risk

Suggested safety precautions

Hazardous substances:
Cleaning products, poison

Keep these products locked up and make it clear
to parents that no unsupervised children are allowed
In an open home

Drug contamination/allergy reactions

The brief effect on a visitor on an open home may be slightly exaggerated but just be aware of allergy reactions.
Allergies to nuts are very common. A bowl of peanuts could be very tempting for a child with allergies. Allergies to pets
are also very common. It might be a good idea to let viewers know that the property contains pets.

Pets/Animals

Dogs and cats all react different to people they don't
know. Simply keep them locked up or remove them from the site.
Animals in paddocks. Even the cutest lamb could be quite strong and knock over children. Block access to animal
paddocks.

Electricity / electric fencing

Simply turn of or block access.
Just be aware of the possible risk of animals breaking out when turning of electric fences.

Fire place / heating sources	Especially in winter it's nice and cozy with the fire going. Again no unsupervised children in an open home and just in case don't leave any matches laying around. Fire is the biggest threat to any property. Obviously NO SMOKING allowed on any property.
Kitchen – stove/oven/gas/incinerator	Turn off power
Balcony / windows / elevation / risk of falling	Normally not a problem if it complies with current standards. If not block access.
Paddocks: barb wire/ holes in the ground / dangerous objects	If necessary block access or mark out holes in the ground with cones. Suitable footwear to be worn at all times.
Forestry - Traps, bate, dangerous objects	if necessary block access Suitable footwear to be worn at all times.
Machinery	Turned off with safety switch, exposed sharp edges to be covered or protected. If necessary block access.
Doors, barn-stable doors.	Risk of slamming onto hands/feet. Fasten and secure. Suitable footwear to be worn at all times.
Risk of stumbling / slipping on carpets, walk ways and wet surfaces Stumbling over extension leads and cords	Remove or block access if necessary. Suitable footwear to be worn at all times.
Sheds, garages, workshops	Often multiple hazard areas. Block access and only allow viewing from door opening if viewing can't be supervised. Suitable footwear to be worn at all times.

RISK CHART

Property _____ Date _____ Risk assessment made by _____

RISK	RISK VALUE	COMMENTS