

Winning Article: “Environmental Risk Premiums and Price Effects in Commercial Real Estate Transactions”



Thomas O. Jackson, PhD, MAI



Chris Yost-Bremm, PhD

Thomas O. Jackson, PhD, MAI, and Chris Yost-Bremm, PhD, are the winners of the 2018 Richard U. Ratcliff Award for their article, “Environmental Risk Premiums and Price Effects in Commercial Real Estate Transactions,” published in the Winter 2018 issue of *The Appraisal Journal*.

The Richard U. Ratcliff Award is presented annually for the best original article published in *The Appraisal Journal* written by an academic author. Articles are judged on the basis of pertinent appraisal interest, provocative thought, logical analysis, perceptive reasoning, clarity of presentation, and overall contribution to the literature of valuation. To be eligible for this award, an article must have been peer reviewed by members of *The Appraisal Journal’s* Academic Review Panel and the author must be primarily engaged in teaching at a college or university.

In “Environmental Risk Premiums and Price Effects in Commercial Real Estate Transactions,” Jackson and Yost-Bremm present a study of the effects of environmental contamination on commercial properties’ sale prices and overall capitalization rates. Using a series of regression models, the study estimates price discounts and environmental risk premiums for sales of retail centers in Southern California over a fourteen-year period. Environmental risk for commercial real estate can be related to uncertainties concerning state-mandated cleanup requirements, potential off-site liabilities, and other factors. As risk increases, income is discounted or capitalized through higher required rates of return into lower prices and values. In the study, significant price discounts are evident for contaminated properties sold prior to remediation, but these are shown to disappear after the properties are remediated. In addition, environmental risk premiums, as measured through overall capitalization rates, are found but decline over time as market participants become more knowledgeable about the contamination-related issues.

Thomas O. Jackson, PhD, MAI, is a retired appraiser, urban planner, and college professor. He has over thirty-six years of experience in valuation of real property, urban planning, and real estate consulting. For over eighteen years he operated Real Property Analytics, Inc., a real estate appraisal and consulting firm based in

College Station, Texas, where he specialized in analyzing real estate potentially impacted by environmental contamination as well as other complex valuation related issues. Jackson was the G. Steven Dawson Fellow in Real Estate and a clinical associate professor in the Department of Finance of the Mays Business School at Texas A&M University, where he taught real property valuation in the Master of Real Estate Program as well as courses on land development and land use planning in the College of Architecture. He is a former member of the Professional Standards and Guidance Committee and the Education Committee of the Appraisal Institute. In addition to *The Appraisal Journal*, his research has been published in numerous other academic and professional journals.

Chris Yost-Bremm, PhD, is an assistant professor of finance at San Francisco State University, and he is a consultant with Real Property Analytics, Inc. Yost-Bremm has a PhD in finance from the Mays Business School at Texas A&M University, and he holds an MBA (with distinction) as well as undergraduate degrees in management and international economics (with honors) from California State University, Chico. His interests include econometrics and statistical modeling.

To read the award-winning article, go to <http://bit.ly/TAJarticles>.