

Mitigating Risk to Maximize Revenue

Driving Profitability with Leak Defense in
Commercial & Multi-Family Properties

LEAKDEFENSE[®]
A WATTS Brand

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EXECUTIVE SUMMARY

Water damage represents one of the most significant threats to the financial and operational performance of commercial and multi-family residential properties. Left undetected and unaddressed, hidden leaks can quickly compound into catastrophic property damage and severely impact a property's financial performance. This white paper explores the costly considerations of failing to properly address a leak, and how proactive risk mitigation through the implementation of an IoT-enabled leak defense system empowers commercial property owners and managers to bolster their bottom line against expensive, frustrating, and time-consuming repairs and remediation.

INTRODUCTION

Leaks have very little regard for the idea that “what you don’t know can’t hurt you.” Ask any commercial property manager who has ever been confronted with the harsh realities of water damage and they’ll tell you the same thing: there are few commercial buildings that have not experienced hidden leaks. Water damage is 10 times more likely to affect a property than fire¹, and according to a building assessment conducted by the EPA, 85% of buildings surveyed had experienced the impacts of water damage, with a further 45% of those buildings actively struggling with ongoing leaks.²

The fact is hidden leaks can hurt your business profoundly – and in ways that go far beyond simple repair costs. From damaging critical infrastructure and creating ideal conditions for mold growth to forcing downtime and increasing insurance premiums, water damage caused by hidden leaks creates numerous costly considerations that can turn a thriving, profitable building into a black mark on your bottom line.

With your business’ financial future at stake, preventative measures aren’t just advisable – they’re essential. Every undetected leak that leads to property damage is a missed opportunity to safeguard value. By investing in connected early leak detection systems, property managers can transform leak prevention from a reactive expense into a proactive profit protection strategy.

CONSIDERATION

Structural Damage

Water is everywhere in commercial buildings. It is mission critical in nearly every industry and requires a vast, complex plumbing infrastructure to support its effective usage. However, wherever water flows, the potential for leaks follows. With most plumbing concealed behind floors, walls, and ceilings, most properties don't realize they have a leak until signs of water damage begin to appear. Unfortunately, once your tenants are reporting the telltale signs of structural damage, costly repairs are unavoidable.

Common structural damage caused by hidden leaks includes sagging, discolored ceilings, bulging, misshapen floors, or warped, peeling walls. Over time, and in severe cases, persistent leaks can degrade support structures, compromise load-bearing walls, and destabilize entire foundations.

The financial impact of these damages cannot be understated. A study from the American Society of Civil Engineers (ASCE) found that water damage from leaks can represent 10% to 25% of a facility's total annual expenditures.⁴ Insurers report that the average loss from commercial water damage claims is approximately \$89,000 per incident.⁵ Further research suggests that commercial buildings experience, on average, two water leaks every month.⁶ That's over two million dollars in potential repairs in just one year if these leaks remain undetected.

Mold & Mold Remediation

Leaks can go undetected for months, or even years, depending on severity and location. Mold can begin to grow on damp surfaces within 24-48 hours.⁷ This creates a potential nightmare scenario for commercial properties, especially those experiencing several concurrent leaks. Mold rapidly reproduces and spreads in the conditions created by hidden leaks, and in most cases, remains undiscovered until obvious structural damage alerts property management.



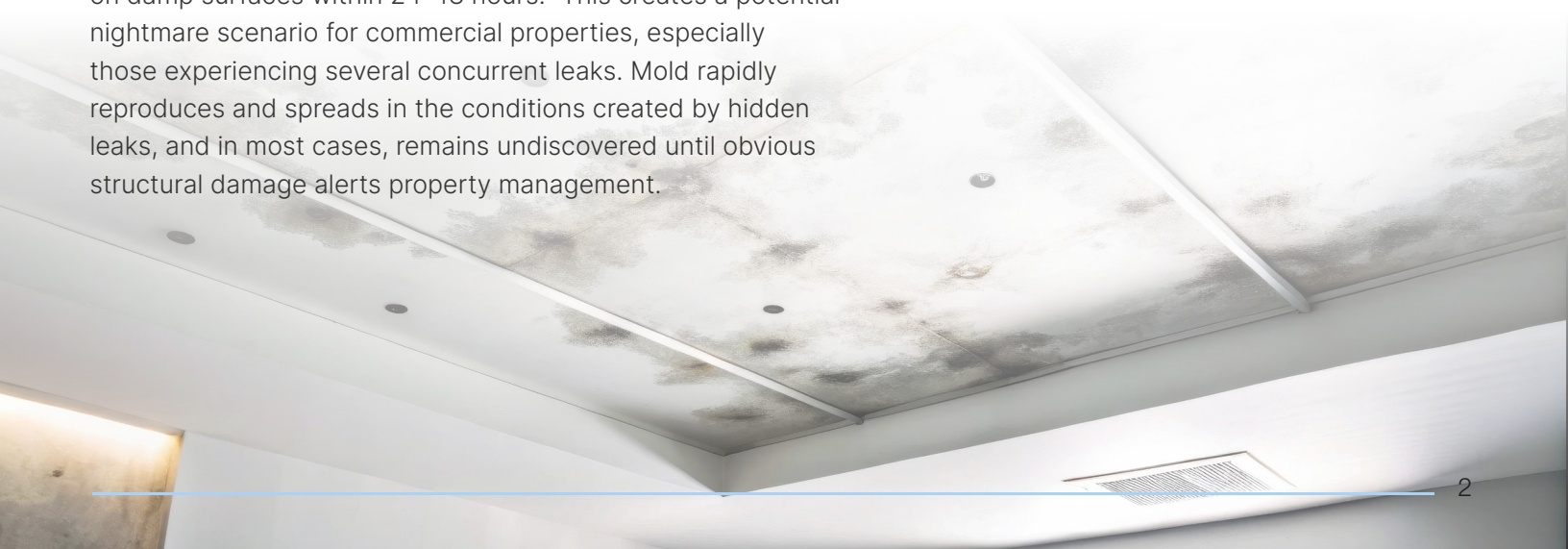
75%

of water damage losses are caused by leaks in plumbing, HVAC systems, and other water-using appliances³



“Timely detection is crucial in helping to avoid significant damage.”

- Senior Risk Consultant
for Commercial Insurance
Company



The financial implications of mold remediation are staggering. A typical mold removal specialist charges around \$2.50 per square foot, but some estimates place the cost between \$10 and \$25 per square foot, and that's just for the service itself.⁹ While labor is typically included in the square footage cost, that's not necessarily a given. Cleanfax's 2021 Restoration Benchmarking Survey Report reported average mold remediation labor costs of \$99 an hour.¹⁰ Given the average size of commercial properties is approximately 16,000 square feet¹¹, a single mold remediation project could feasibly cost a property tens of thousands of dollars. Worst of all, it is impossible to remove all mold and mold spores from indoor spaces¹², and if the underlying conditions creating a suitable environment for mold growth remain unaddressed, regrowth is a near certainty.

Mold infestations can also expose property owners to substantial legal and financial liability as occupants begin to experience negative health impacts. Prolonged exposure to mold can potentially pose a severe health risk, with reported impacts ranging from cold and flu-like symptoms to suppressed immune systems and even brain damage.¹³ This was the case in 2013 in Broward County, Florida, where a former state prosecutor filed charges (one of 19 employees to do so) and received a \$166,500 settlement for severe sinus issues purportedly caused by mold exposure at the Broward County Courthouse.¹⁴

Proactive leak detection can help prevent this catastrophic human impact and protect a property's owners finances and professional reputation.



As of 2023, the mold remediation market was estimated at **\$1.23 billion**, with estimates increasing to **\$1.27 billion** for 2024.⁸



In a severe case, a woman was awarded **\$48 million** after a mold infestation left her suffering with a chronic inflammatory condition described by her lawyer as **"horribly disabling"**.¹⁵

Downtime & Business Interruption

Quantifying the cost of downtime caused by water damage is a difficult task. While factors like operational scale, property size, and length of disruption all affect the total cost, available estimates do not paint a reassuring picture.

It goes without saying that most water damage repairs, even minor ones, aren't completed in a matter of minutes. Minor repairs typically last 3-5 days, with more extensive reconstructive efforts taking anywhere from a few weeks to several months.¹⁷ For the significant portion of businesses that operate on small margins, this downtime could be financially disastrous.

The impact of downtime doesn't end with lost revenue. Downtime for a single commercial property can create a substantial ripple effect felt by employees, tenants, and even the local economy. If damages caused by hidden leaks necessitate a site closure, employees may lose income, which in turn may lead skilled or specialized labor to seek work elsewhere. For multi-family residential properties, prolonged downtime can damage the property's professional reputation, and in severe cases, prompt tenants to terminate leases. Storefronts frequently remain empty for months or years at a time, even in affluent, high-rent retail districts¹⁸, and the resulting loss in rental income can seriously harm a property's earning potential.

Insurance & Premium Increases

Water damage is the most common insurance claim, representing one in every five claims submitted and adding up to an astonishing \$13 billion a year.¹⁹ Many commercial property owners assume that should water damage occur, their insurance will offset the costs. Unfortunately, that assumption may be about as risky as the leak itself.



For small businesses,
downtime can cost
approximately

\$427 / minute.

This figure skyrockets
for medium and large
businesses, with costs in
the range of

\$9,000 / minute.¹⁶



On average, claims
involving water damage

cost 3X

as much as claims that
don't.²⁰



Given the increasing frequency and cost associated with water damage claims, most commercial property insurance policies only cover “sudden and accidental” leaks, like pipe bursts. However, slow, gradual, hidden leaks are rarely covered. This type of damage is typically attributed to poor maintenance or neglect²¹, leading to a denial of the claim and a dent in revenue as out-of-pocket repair expenses pile up.

Unfortunately, approved claims come with a catch, as insurers will often increase premiums to offset the costs of coverage. Water damage is considered a high-risk claim and can lead to premium increases ranging from 20% to 40%, with elevated rates lasting up to five years. In some cases, insurers may even refuse to renew a policy, forcing property owners into high-risk policies with substantially higher premiums.²²

PROACTIVELY PROTECT PROFITABILITY WITH LEAK DEFENSE

The longer a leak remains undetected, the greater the potential for damage. At a typical rate of 10 drips per minute, a single leak wastes a gallon of water every single day and nearly 350 gallons every year.²³ Over time, these leaks will undermine a property’s structural integrity, create ideal conditions for mold growth, and culminate in extensive repairs and costly downtime, none of which are guaranteed coverage by typical water damage policies. Addressing the financial risk of hidden leaks demands a proactive solution that prioritizes early detection and empowers property owners to intervene before significant water damage can occur.

The Watts Leak Defense System is a revolutionary, IoT-enabled solution providing commercial and multi-family residential properties unparalleled, 24/7 protection against the margin shattering risk of water damage. Designed for seamless integration with existing plumbing systems, the Leak Defense System detects even the smallest hidden leaks in impossible to monitor areas, like under slabs, behind walls, and in ceilings, automatically shuts off flow to prevent damage, and sends property managers real time alerts via phone, text, or email to ensure a prompt response.

Leak Defense is an effective risk mitigation tool trusted by leading insurers including Chubb, PURE Insurance, Cincinnati Insurance Companies, Berkley One, Vault, Nationwide, State Farm, AIG, and Hanover Insurance Group.²⁴



“Based on individual risk characteristics, you might have a separate \$50,000 water damage deductible, or even a separate \$100,000 water damage deductible, along with a \$25,000 AOP — all other peril deductible.”

- Real Estate Industry
Practice Lead

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CHUBB

pure
INSURANCE
A member of the Tokio Marine Group



Berkley One
a Berkley Company



State Farm



The Hanover
Insurance Group

REAL WORLD RESULTS

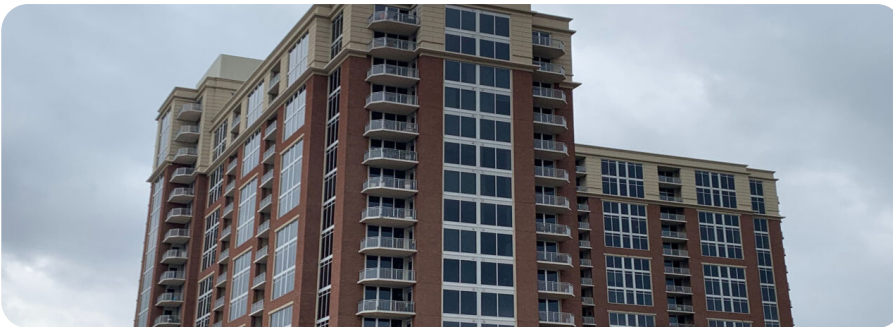


Case Study: Florida Housing Complex Saves Six Digits²⁵

A luxury condominium complex in St. Petersburg, Florida, was plagued by frequent leaks, averaging one incident every two months. In a 6-month period, leaks resulted in approximately \$150,000 in damages to these high-end, million dollar units. In response, property management installed Watts Leak Defense Systems in all 130 occupied units. Post installation, zero losses have been claimed due to water damage. By taking proactive measures and investing in leak detection, this property achieved ROI within just one year.

“We haven’t had a single loss or had to go back to the insurance companies even one time.”

- President of the Condo Association



Case Study: The Leak Defense System Saves Condo Complex Thousands²⁶

For several years, a high-rise condominium tower in Atlanta, Georgia struggled with recurring water damage claims, prompting management to seek a proactive monitoring solution. During installation, the Leak Defense System unexpectedly shut off the building’s water supply. With no visible signs of water damage present, the team was skeptical. However, further investigation uncovered multiple hidden leaks in the shower valves, water heaters, and toilet flappers of every single unit—issues too small for traditional meters to detect but instantly discovered by Leak Defense.

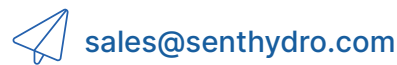
“We will save close to one million dollars because of the Leak Defense System.”

- Building Manager of the Condominium Complex

Leak Defense units were installed in all 218 units. Since then, water damage claims have dropped to zero, and the property has saved \$7,000 and 400,000 gallons of water per month—totaling \$84,000 annually. Looking ahead, projected savings could reach \$1 million over a decade.

CONCLUSION

The financial risks posed by hidden leaks significantly outweigh the cost of proactive detection, making leak defense a strategic investment in property profitability. The Watts Leak Defense System not only prevents costly water damage but also delivers measurable ROI by reducing uncertainty and operational expenses. By implementing proactive leak detection, property owners can safeguard their assets, mitigate financial risk, and ensure long-term resilience and profitability.



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Not being protected from the risk of water damage from hidden leaks can be stressful. For over 17 years, Leak Defense has helped thousands of commercial and multi-family building owners and facility managers easily monitor and protect their properties. With a wide array of flexible components to create a customized solution for your unique needs, you can relax knowing your investment and your tenants are protected.

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