




MULTIFAMILY PROPERTY TOOLBOOK

**This is the same Comprehensive
Checklist we use on our deals**



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Rod Khleif.com**

-  **Always get Actual Numbers Only**
-  **Ask All Questions and Receive All Documents Via Email**
-  **Put Everything in Writing**
-  **Checklist and Verify You Received All Answers Before Closing**
-  **Remember, the Best Deals may be ones You Don't Do**



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- 1) Pre-Site Visit Due Diligence**
 - A) Basic Property Review**
 - B) Basic Financial Review**
 - C) Basic Market Review**



- 2) LOI (submit a letter-of-intent)**



- 3) Build Your Team (gather resources to get the deal done)**



- 4) PSA (negotiate a purchase and sale agreement)**



- 5) Onsite Due Diligence (verify initial assumptions)**
 - A) Advanced Property Review**
 - B) Advanced Market Review**
 - C) Advanced Financial Review**



- 6) Close The Deal**
 - A) Raise Equity**
 - B) Fund Loan**
 - C) Property Management**





Step 1:

Pre-Site Visit Due Diligence – Basic Property Review

Basic Info

Name of Property:

Property Address:

Lead Source:

Owner Name:

Owner Phone:

Real Estate Broker Contact Info (Name, Phone, Email):

How motivated is the seller?

Reason for selling:

Is this the size, class, and type of property I want in my portfolio?



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Neighborhood/Area

Look at aerial view on Google Earth. Is the property surrounded by houses? By factories? Google and do street view – what is around? Note the date on the street view, as things can change:

What types of businesses in the area? (IE: pawn shops vs Starbucks):

Use City-data.com, bestplaces.net, and datausa.io to gather demographic, employment, income, and economic data about the area.

If I am buying in a different climate, have I taken into account any seasonal expenses I may not be used to? Ex. Snow removal, high AC bills in summer, etc.:

Physical Conditions

Total acreage / any extra land?

Number of buildings:

Number of parking spaces:

Does parking meet city requirements for total spaces and handicapped spaces?

Parking Ratio (parking spots per bedroom; parking spots per unit):



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If there is a lot of vacancy: Once building/property is fully occupied will there still be enough parking?

Immediate Cap X needed? Yes No (describe)

Construction

Number of stories:

Construction type (frame/block/etc):

Plumbing type (PVC/ CPVC/cast iron/other):

Electrical type (copper/aluminum):

Age of Property:

Year Built:

Deferred Maintenance Pre-Site Visit (based on phone calls and feedback, what items appear to need work and will require a CAPEX budget to address):

Who pays the following at the property?

Trash –	Owner	Resident
Pest Control –	Owner	Resident
Cable/Internet –	Owner	Resident



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Market Rent Comp Study

Property 2

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Municipality/Utilities/Taxes

Tax district / County:

Parcel ID:

Pull copy of current year assessment as well as historical assessments

Utility companies:

Water	submeter	y / n	RUBS	y / n
Sewer	submeter	y / n	RUBS	y / n
Electric	submeter	y / n	RUBS	y / n
Gas	submeter	y / n	RUBS	y / n

Am I certain there is no code violations, environmental concerns, or geographic concerns?

Unit Features

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Property Features/Amenities

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____



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Would renting a unit for short-term rentals make sense?

Could I rent “by the bed” to students?

Do I have to pay for any extra services such as parking, security, etc.?

Occupancy/Vacancy

Vacancy % (Declining or Increasing) past 12 months:

Vacancy % (Declining or Increasing) Over Past 3 Years:

How does the area’s vacancy rate compare to subject property?

If subject property has high vacancy (over 10%), what’s the reason?

Who is living at property? (Demographics?)



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Turnover rate:

Is everyone paying rent? (Economic vacancy)

Are subject sq. ft. sizes similar to comparable properties

Is there demand for comparable properties and units? (Craigslist Ad)

Does the property have reviews online? How are they?



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Subject Property Unit Analysis

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					

***If some are renovated and others aren't, you'll want to break out average rents by renovated and non-renovated**



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Lease Information

Are rents below market, at market, or above market?

When are the current leases expiring? Are they all expiring soon?

Do all the leases expire around the same month or two?

Analyzing the Competition

Who are the six biggest competitors to subject property?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Does the competition offer a better value to tenants?

Why should prospective tenants live in subject property over the competition?



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Market Rent Comp Study (We recommend 6 Properties)

Property 1

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Property 1

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Property 2

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Market Rent Comp Study

Property 3

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Property 3

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Market Rent Comp Study

Property 4

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Property 4

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Market Rent Comp Study

Property 5

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Property 5

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Market Rent Comp Study

Property 6

Property Name:

Property Amenities:

<input type="checkbox"/>	Pool	<input type="checkbox"/>	_____
<input type="checkbox"/>	Storage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Garage	<input type="checkbox"/>	_____
<input type="checkbox"/>	Dog Park	<input type="checkbox"/>	_____
<input type="checkbox"/>	Assigned Parking	<input type="checkbox"/>	_____

Number of Units:

Unit Features:

<input type="checkbox"/>	Laundry Hookups	<input type="checkbox"/>	_____
<input type="checkbox"/>	Onsite Laundry	<input type="checkbox"/>	_____
<input type="checkbox"/>	Walk-in Closets	<input type="checkbox"/>	_____

Distance Away:

Class of Property:

Who pays the following at the comp property?

Water -	Owner	Resident
Sewer -	Owner	Resident
Trash -	Owner	Resident
Pest Control -	Owner	Resident
Cable/Internet -	Owner	Resident



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Property 6

	# of Units	Size (sf)	Rent (\$)	\$ per sf	Occupancy
Studios					
1/1					
2/1					
2/2					
3/1					
3/2					
Other					



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Step 1:

Pre-Site Visit Due Diligence – Basic Financial Review

Asking Price:

Price per unit:

Gross Income:

Expenses:

NOI:

Current Expense Ratio:

Desired Cap Rate:

Price at desired Cap Rate:

Asking Cap Rate:

Seller willing to finance/carry?

Does property have a current first mortgage or second mortgage?

What are current loan terms?

Are there prepay penalty or defeasance?

Is the loan assumable?

Is property stabilized and able to get agency financing? (90% occupied for last 3 months?)

What is the worst/lowest yearly NOI the property has generated in the past 3 – 5 years?



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What is the highest monthly expense month the property has had in the past 3-4 years?

In that year and in those months would the property still cash flow with your new debt?

What would the DSCR be in those worst months?

Will NOI be sufficient and able to cover debt?

What is the anticipated DSCR at closing?

Have you submitted for conditional loan approval?

Does everything provided by seller match up to broker's Offering Memorandum?



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What is the highest monthly expense month the property has had in the past 3-4 years?

How are subject property's expenses compared to other buildings in the area?

What expenses are higher?

Why?

What expenses are lower?

☐

Have I fully reviewed past 3 years of the income and expense statements and look for trends?

☐

Have I reviewed the YTD (year to date)?

Has the NOI been consistent and increasing over the past 3 -5 years?

If not, why not?



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Property Taxes

Will there be a change in taxes based upon the new purchase price/ownership?

Do the current owners have a third party property tax consultant? If so, have I spoken with him/her?

Have there been any property tax appeals in the past 3 -5 years? What was the outcome?



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High expenses? If so, which ones can you lower to increase NOI?

High vacancy?

Poor management?

Opportunity for RUBS or submetering?

High turnover?

Deferred maintenance?

Below market rents?

**Anything you can add to justify a rent raise? Storage? Covered parking? Extra land?
Gym?**

What would be the cost to add the amenity and is it worth it?



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Step 1:

Pre-Site Visit Due Diligence – Basic Market Review

Area Population:

Population growth/decline over past 10 years:

Population growth/decline over past 5 years:

Population growth/decline over past 1 year:

Number of households:

Percentage Married:

Ethnic Makeup:

Median Age:

Median Household Income:

Percentage Below the Poverty Line:

Employment Growth:

Number of Job Openings:



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Major Employers:

Is there employer diversity?

Is this a “one horse” town?

Number of homes vs. apartments:

Vacant Housing Percentage:

Median Home Price:

Low-end Home Price:

Crime in area/crime report results:



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What is average condition of similar properties in the area?

What type of market is this property in? (A,B,C,D)

☐

Primary

☐

Secondary

☐

Tertiary

☐

Emerging Market

Average vacancy rate for comparable properties in the area?



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Step 2:

LOI (do this prior to submitting a letter of intent)

Sale price of comparable properties in area by sq. ft.:

Price per unit/door on comparable properties in area:

Does the property's CAP rate align with the market's CAP rate?



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Step 3:

Build Your Team (ideally complete before PSA)

Mortgage Broker or Lender Name:

Mortgage Broker or Lender Phone:

Mortgage Broker or Lender Email:

Who or what skill sets do you have on your team?

General Partnership:

☐

Net Worth (equal to loan amount)

☐

Liquidity (10% of loan amount post- closing)

☐

Experience (agency debt signer for agency debt)

Total Equity Raise needed?

Where is the equity coming from?

Anticipated Primary debt amount?



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Anticipated Primary Debt terms? (rate, term, balloon)

Do I have a reputable transactional real estate attorney who specializes in multifamily?

Have they completed transactions of similar size and class to your subject property?

Also a great idea to find a litigation attorney in your market area. Great to be able to call when things pop up during ownership (a pit bull)



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Step 5:

Onsite Due Diligence – Advanced Property Review

Ask to see the few most recently signed leases. Is anything different compared to older leases?

What are the renewal terms stated in the leases, if any?

Are there currently or any past rent concessions or anything else that could negatively affect the value of the leases?

Discounted rent for some residents?

Am I aware and have accounted for all “special leases” and anything out of the norm?

What is true economic occupancy?

Would you feel safe going home past 10pm?

What’s the property like on the weekend?



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How does parking look when everyone is home?

Is there a lot of foot traffic?

Does the property draw in people who aren't residents? Ex. Kids hanging out because it's next to school? Pedestrians running in to use bathroom because it's in a busy area of downtown? Etc.

Is there adequate lighting?

Who will be your target renter?

What is the walkability like?

City Planning and Zoning:

Confirm/deny if there are any violations on subject property? Any permits been pulled? ADA compliant? This should be in addition to the earlier assessment prior to site visit.



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Top local brokers/agents:

Try and have them come meet you at the property

What are their impressions of the property?

What are their impressions of the submarket?

Do they think they'd personally have a tough time selling this property?

Are these income and expense numbers in line with local average?

Contractors who have worked on the property:

What are typical problems?

What do they think of infrastructure?

Any deferred maintenance?



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Current tenants:



If possible, interact with a couple tenants in the parking lot. You don't want property manager there. Keep in mind your answers will only be as good as your questions.

What are their biggest likes and dislikes? Do they feel safe? How's security? Do they enjoy the surrounding area? What problems do they have in their unit? Any leaks? How's plumbing? Is parking an issue? Do they like living there? How are things maintained? What changes would they like to see?

Will they stay or leave when lease expires?

☐

YES

☐

NO

Property management interviews:



Set up meetings with several local property management companies at a competitive property that they manage and ask questions about your subject property as though you were interviewing them for the potential management role.



Ask questions about the market and how challenging it is to lease units. Ask about their experience with renovating units. Ask whether they have a marketing department. Ask about the process and how quickly they respond to tenant inquiries. Ask what they look for when they hire new onsite property managers.

Have I mystery shopped the competition?

☐

YES

☐

NO

Do competitors rents include water, Internet, etc.? You should already know the answer to this based on the rent comp study above – but confirm in person when you mystery shop



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Questions for the leasing agents at subject property:

How many leases have they signed in past month?

How many pending leases are there currently?

Is there a waiting list of tenants?

What are the most common reasons prospective tenants will not rent?

If prospective tenants don't rent here, where do they lease instead?

Property Management Company

Can the property management company provide several references of both current and past clients?

Is this property the same size, class, and type as the other properties they manage?

Does the property management company provide an operating budget?

Does the management company have ownership interest in any local properties?



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If seller utilizes an onsite manager:

How long have they worked there?

What is every detail of the arrangement?

What is their total compensation, benefits, bonuses options, etc.?

What is every task that they do on a weekly basis?

Does the onsite manager think there's more they can do to increase profitability of the building?

Would they like to stay on after acquisition?



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All Units Walk Through



You NEED to walk each and every unit. It's important to walk every unit because tenants will not tell management about problems, and you may discover issues management was unaware of. Always use a building inspector to inspect EVERY property you buy before your money goes hard.

Did I walk every unit?

☐

YES

☐

NO - WHY???

Are there units that are vacant that said they were leased on rent roll? (economic vacancy)

Do the leases and rent roll match up?

What needs to be repaired?

What needs to be fully replaced?



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Are there a lot of “old leases” that have trashed units that will need to be renovated if they leave?

Did I smell mold or mildew?

Did I see stains on carpets and/or ceilings?

Did I see any leaks?

Were there any cracks in concrete, walls, etc.?

Deferred Maintenance Post Site Visit:

Building Walk Through

How do the common areas look? Do they need renovating?



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What is the condition of the laundry room?

Time Spent at Property

Did I visit the property at several different times?

How does the security look?

How are the sight lines through the property?

How are the cars in the parking lot? Are there fewer cars during the day/people working?

Get third party inspections for:

- ☐ **Pool**
- ☐ **Boilers**
- ☐ **Chillers**
- ☐ **Sewer/Septic Lines**

For anything that looks “fishy”, have I received receipts, invoices, purchase orders, certificates of completion, etc.?



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Am I certain everything was properly repaired or are things being hidden/covered up?

Mechanical Inspection/Exterior Inspection

Are there any recurring or continuous maintenance issues I should be concerned about?

Are mechanical rooms, storage rooms, and service rooms neatly organized and clean or are they a mess?

Does it look like things are maintained properly?

Are all permits up to date?

Are there any outstanding violations? Ex. Elevator, fire systems, etc.



ALWAYS use a building inspector to inspect your property before money goes hard.



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	Current Condition	Does it Need Repairs?	Does it Need to be Fully Replaced?	Is There a Warranty and is it Transferrable?
Roof: Look for stains, soft spots, flashing, etc. Check the ceilings of the top floor tenants to see if there are leaks				
Windows: Leaks, overall condition, etc.				
HVAC system				
Doors				
Elevators				
Water pumps				
Fire sprinkler system				
Foundation: Cracks, Shifting				



	Current Condition	Does it Need Repairs?	Does it Need to be Fully Replaced?	Is There a Warranty and is it Transferrable?
Parking lot: clean, no potholes, striped				
Lighting				
Electrical systems				
Security systems				
Walls/Painting				
Floors/carpets				
Misc./Etc.				



Are any of the above “deal breakers”?



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For things that need to be replaced, updated, or repaired that were misrepresented or discovered during due diligence: Am I prepared with a detailed explanation of the problem and an estimate for repair to provide to the seller if retrading?

Will the seller consider a repair credit?

Are my capex and repair numbers realistic?



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Contracts/Operating Expenses Inspection

	Did I Receive?	Did I Review?	Can I Terminate in 30-60 days at no charge?	Is This Service Contract Mandatory?
Property Management Contract				
Pest Control				
Trash Removal				
Dumpster				
Roof Maintenance				
HVAC Maintenance				
Security Service				
Landscape Contract				
Snow Removal				



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	Did I Receive?	Did I Review?	Can I Terminate in 30-60 days at no charge?	Is This Service Contract Mandatory?
Janitorial Service				
Elevator Maintenance				
Parking Lot Maintenance				
Parking Company				
Hazardous Waste Removal				
Property Tax Consultant				
Pool Maintenance				
Laundry Contract				
Website Maintenance & Updating				
Marketing Company Contract				



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Are there any ways for me to cut costs by being more energy efficient?

See the following questions:

Does the leasing office's AC run all day and all night?

Does the leasing office leave their lights and computers on all night?

Can we install timers to conserve energy?

Can we install light sensors to conserve energy?

What types of lighting are being used in common areas? Can we install LED bulbs?

Are the current HVAC systems outdated and inefficient?

Is there anything I can bill back to the tenants, which would make them more energy conscious?

Have the current owners ever worked with an energy consultant?



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Document Double Check

For all of the below documents try and get at least 2 -5 years

	Have I Received and Reviewed It?	Does it Need to be Ordered/ Requested?	Any RED Flags?
Income Statement			
Expense Statement			
Year to Date			
Operating Statement			
Last 6 Months of Bank Statements			
Utility Deposit Register			
Tax Bills			
Tax Returns & Addendums			
Rent Roll			
Security Deposit Register			



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Document Double Check

For all of the below documents try and get at least 2 -5 years

	Have I Received and Reviewed It?	Does it Need to be Ordered/ Requested?	Any RED Flags?
Onsite Staff Payroll Records			
Copies of Lease Types			
Any Special Policies/Procedures Regarding Leases (Pet, Parking, etc.)			
List of Rent Concessions			
Management Company Bio/Information			
Leasing Commissions / Bonuses Breakdown			
List of Incomplete Maintenance Requests			
List of Capital Improvements			
Litigation History (who sued who)			
Service Contracts (see above list)			



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Document Double Check

For all of the below documents try and get at least 2 -5 years

	Have I Received and Reviewed It?	Does it Need to be Ordered/ Requested?	Any RED Flags?
Copy of Insurance Policy			
Any Insurance Claims & Their Outcome			
Any Operational Manuals			
Copy of Business License			
Copy of Deed			
Any Title Policies			
Copy of Any Surveys			
Site Plan			
Any Architectural Plans			
Environmental Reports			



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Document Double Check

For all of the below documents try and get at least 2 -5 years

	Have I Received and Reviewed It?	Does it Need to be Ordered/ Requested?	Any RED Flags?
Mold Inspection			
Lead Based Paint Test (if built before 78)			
Fire Systems Report & Any Citations			
Laundry Lease			
Misc./Etc.			

Miscellaneous “Must Checks and Last Thoughts”

Did I receive a copy of the Certificate of Occupancy?

☐

YES

☐

NO

Did I receive a copy of the “as built” plans? If not, has the seller requested a copy from the building department?

☐

YES

☐

NO

Did I ensure with the local Building Department that there are no building and/or fire code violations?

☐

YES

☐

NO



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Did I receive a copy of any current permits?

☐

YES

☐

NO

Have I obtained a list of incomplete maintenance requests?

☐

YES

☐

NO

Would you want to live at subject property?

☐

YES

☐

NO

Would you be proud to own this property?

☐

YES

☐

NO

How will this property help me achieve my goals?

Seller Detailed Info

Does the seller have the authority to sell the property?

☐

YES

☐

NO

Are there any other parties involved?

☐

YES

☐

NO

Are the sale proceeds enough to cover and pay off all liens?

☐

YES

☐

NO

Does the sale need to be approved by Board of Directors or Management team?

☐

YES

☐

NO



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Third Party Reports

	Did Seller Provide Copy?	Is it Required by my Lender?	Have I Bid it Out Yet?	Results
Phase I Environmental				
Phase II Environmental				
Property Condition Assessment Report				
Title Report				
ADA Compliance				
Appraisal				
Engineers/ Structural Report				
Geological Report				
Seismic (if in CA)				
Any specific report such as Elevators, Roof, AC, etc.				



Make sure any reports you order are from approved vendors on your lender's list.



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Inventory

	How Many/ Description	Is it Listed in the Sales Contract?	Did I Photograph for Verification?
Desktop Computers			
Laptops			
Office furniture			
Janitorial Supplies			
Tools			
Appliances			
Spare Parts			
Building Plans			
Motorized Equipment			
Cars			
Trucks			
Office Supplies			
Extra AC's			
Marketing/ Promo Materials			
Misc.			



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Step 5:

Onsite Due Diligence – Advanced Financial Review

Utilities/Bank Statement Verification

Have I received at least 2 years of utility bill copies and matched them up to expense statement?

☐

YES

☐

NO

Does everything match up? Are there any **RED** flags?

☐

YES

☐

NO

Do the seller's bank statements match up to the income statements?

☐

YES

☐

NO

Does everything match up?

☐

YES

☐

NO

Are there any red flags?

☐

YES

☐

NO

Have all been accounted for and verified?

☐

YES

☐

NO



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Legal Matters

Is there any pending litigation?

☐

YES

☐

NO

Has there been any litigation in the past 3 – 5 years?

☐

YES

☐

NO

Are there any encroachments?

☐

YES

☐

NO

Are there any ground leases?

☐

YES

☐

NO

Insurance

Have I received several quotes?

☐

YES

☐

NO

Does my agent have experience in this size, class, and type of property?

☐

YES

☐

NO

Have any claims been made on the property in the past 5 years? What was the outcome?

☐

YES

☐

NO



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Step 5:

Onsite Due Diligence – Advanced Market Review

Are schools nearby? What are their ratings?

How many miles to closest grocery store?

Is public transportation nearby and accessible?

Are there things to do?

Beach, hiking, parks?

Shopping, stores, businesses?

Are there any sex offenders who live at subject property? Parents will check the database.



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Are there any registered felons who live at the property?

Additional Income Opportunities

Is there on-site laundry? If so, what is the monthly average?

Does the property allow pets? If so, what is the pet rent?

How much is late fee income?

Other

Local Departments to contact

Chamber of Commerce: (How's business in the area? Are businesses coming or leaving?)

Economic Development Office: (Any Incentives for investing in the area? Any new businesses/employers coming?)



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Local Non-Emergency Police: (Have they had problems with crime in the past?)

County Assessor: Their opinion on property? On the neighborhood? Are assessed values increasing? Have owners contested taxes in past 3 years? Outcome? Will taxes increase based on new purchase price?

Check out the local eviction climate with a local eviction attorney. Is it hard to evict tenants? What is involved? What do you need to know?

How many evictions have taken place in the past year on subject property?

If a lot, why?



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Exit Plan

What is the exit plan?

What is the alternative exit plan?

How long do I plan to hold this property?

At what CAP rate do I expect to sell this property? Is that realistic?



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Why Shouldn't We Do This Deal?



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Investment Highlights -



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