



THE COMPREHENSIVE **14-PAGE** DUE DILIGENCE CHECKLIST FOR **REAL ESTATE INVESTMENTS**



- ☒ PROPERTY LOCATION
- ☒ SELLER NAME
- ☒ PURCHASE PRICE
- ☒ CONTINGENCY PERIODS AND CRITICAL DATES



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Property Acquisition and Due Diligence Checklist

I. SUMMARY

- A. Property Location: _____
- B. Seller Name: _____
- C. Purchase Price: _____
- D. Contingency Periods and Critical Dates
 - 1. Title Contingency: _____
 - 2. Inspection Contingency: _____
 - 3. Environmental Contingency: _____
 - 4. Financing Contingency: _____
 - 5. Lease Review Contingency: _____
 - 6. Other Contingencies: _____
 - 7. Increase Deposit on: _____
 - 8. Closing Date: _____

Property Acquisition and Due Diligence Checklist

II. NEGOTIATION OF PURCHASE AGREEMENT

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Determine Transaction			
1. Straight Purchase			
2. Option (if any)			
3. Ground Lease			
4. Sale and Leaseback			
5. Installment Sale			
6. Master Lease			
B. Draft and Negotiate Letter of Intent			
C. Determine Purchasing Entity			
D. Determine Form of Purchase Agreement			
E. Retain Attorneys to Handle Drafting/Negotiations			
F. Negotiate Critical Terms of Agreement			
1. Purchase Price			
2. Deposit			
a. Amount			
b. Timing			
c. Who holds			
d. Who received interest			
e. Liquidated damages			
3. Specific Contingencies			
4. Contingency Periods			
5. Financing			
a. Third party			
b. Seller carry-back			
c. Assumption of existing loans			
6. Extension Rights (Closing & Contingency)			
7. Closing Date			
8. Condition of Title (Survey)			
9. Title Company and Escrow			
10. Seller Covenants			
a. Rental guarantees			
b. Leasing activities pre-closing			
c. Completing current tenant improvements			
d. Pay unpaid leasing commissions			
e. Seller lease-back			
11. Representation and Warranties			
12. Indemnities			
13. Closing Costs and Commissions			
14. Proration Formulas			
15. Holdback for Repairs, Environmental, etc.			
G. Finalize Any Brokerage Agreements			
H. Record Memorandum of Purchase Agreement			

Property Acquisition and Due Diligence Checklist

III. CONTINGENCY PERIOD DUE DILIGENCE

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Title and Escrow			
1. Select Title Company			
2. Order Preliminary Report & Copy of Exceptions			
a. Specify ALTA or CTLA title policy			
b. Request survey update			
c. Get legible copies of exceptions			
d. Have all easements plotted			
e. Get copy of subdivision map			
f. Consider requesting chain of title			
g. Get current assessment amounts			
3. Order Survey			
a. Select surveyor			
b. Negotiate cost			
c. Specify certification and scope			
4. Review Preliminary Report & Exceptions			
a. Liens			
b. Restrictions			
c. Taxes and assessments			
d. Easements			
e. Right of Way			
f. Covenants, Conditions & Restrictions (CC&R) and Reciprocal Easement Agreements (REA)			
1. Obtain estoppels			
2. Review articles, by-laws & budgets of any association			
5. Determine if New Easements Needed			
6. Determine if New CC&Rs or REAs Needed			
7. Review Survey			
a. Certification (to buyer and lender)			
b. Encroachments			
c. Easements			
d. Property description			
e. Deliver to title company			
8. Timely Object to Title Problems			
9. Determine Required Endorsements			
a. Owner's 100			
b. Subdivision			
c. Encroachments			
d. Survey			
e. Access			
f. Inflation			
g. Binder			
h. Bankruptcy exclusions			
10. Obtain Pro Forma Title Policy			
11. Open Escrow			
a. Deliver deposit			
b. Specify Investments for deposit			
c. Select escrow agent			
d. Obtain reinsurance if necessary			
B. Debt Financing			
1. Determine if Debt Financing is Necessary			
a. Construction loan			
b. Takeout loan			
2. Determine if Existing Loan is Assumable			

	a. Review existing loan documents			
	b. Negotiate assumption agreement			
	3. Determine Availability of Bond Financing, Redevelopment Funds, or Similar Financing			
	4. Consider Seller Financing			
	5. Consider Secondary Financing			
	6. Prepare Lender Package			
	7. Contact Lenders			
	8. Negotiate Terms and Loan Application			
	a. Rate, term, amount			
	b. Nonrecourse/guarantees			
	c. Transfer/assumption rights			
	d. Other Terms			
	9. Negotiate Loan Commitment			
	a. Commitment Fee			
	1. Cash			
	2. Letter of Credit			
	b. Conditions for funding			
	10. Approve or Disapprove Financing Contingency			
C.	Equity Financing			
	1. Determine if Equity Financing Is Necessary			
	2. Identify Possible Equity Sources			
	3. Identify Possible Equity Structures			
	4. Consider Seller as Equity Source			
	5. Consider Ground Lease Structure for Equity			
	6. Consider Sale/Leaseback			
	7. Prepare Package for Equity Financing			
	8. Negotiate Equity Documents			
	9. Obtain Firm Commitment			
	10. Approve or Disapprove Financing Contingency			
	11. Consider Pre-Sale			
D.	Environmental			
	1. Retain Environmental Engineer or Consultant			
	2. Conduct and Review Phase I Investigation			
	3. Conduct and Review Phase II Investigation			
	4. Deliver Environmental Reports to:			
	a. Prospective lenders			
	b. Prospective equity participants			
	c. Seller			
	5. Prepare Response to Environmental Reports			
	a. Prepare remediation plan			
	b. Renegotiate seller's cleanup obligations			
	c. Obtain clearance from necessary agencies			
	d. Consider closure of underground tanks			
	e. Obtain third party commitment to remediate			
	f. Obtain remediation cost bid			
	6. Approve or Disapprove Environmental Contingency			
E.	Leases and Contract Review			
	1. Obtain and Review the Following Documents:			
	a. Rent Roll			
	b. All leases and lease amendments			
	c. All lease guarantees and subleases			
	d. Lease concessions			
	e. Tenant and guarantor financial statements			
	f. Gross sales reports			
	g. Current rent delinquency report			
	h. Historical rent delinquency report			
	i. Any executed letter of intent			

j. Most recent leasing status report	_____	_____	_____
k. Standard form lease	_____	_____	_____
l. All service and maintenance contracts	_____	_____	_____
m. All management contracts	_____	_____	_____
n. All warranties and guarantees	_____	_____	_____
2. Prepare Estoppels for Leases and Contracts	_____	_____	_____
3. Deliver, Receive and Review Estoppels	_____	_____	_____
4. Approve or Disapprove Estoppel Contingency	_____	_____	_____
5. Obtain Subordination Agreements for New Lender	_____	_____	_____
6. Determine Which Contracts Will be Terminated	_____	_____	_____
7. Renegotiate Tenant Leases	_____	_____	_____
8. Conduct Manager and Contractor Interviews	_____	_____	_____
9. Approve or Disapprove Lease Contingency	_____	_____	_____
 F. Financial Analysis			
1. Review and Approve the Following:			
a. Historical financial statements	_____	_____	_____
b. Year-to-date unaudited financial statement	_____	_____	_____
c. Current operating and capital budgets	_____	_____	_____
d. Historical capital expenditures	_____	_____	_____
e. Real estate tax bills (including assessments)	_____	_____	_____
f. Aged receivables report	_____	_____	_____
g. Insurance policies now in effect	_____	_____	_____
h. Claims under insurance policies	_____	_____	_____
2. Prepare Pro Forma Budgets and Cash Flows	_____	_____	_____
3. Analyze Value on Cost, Comparable and Other Bases	_____	_____	_____
4. Approve or Disapprove Economic Contingency	_____	_____	_____
 G. Physical Inspection			
1. Determine Gross and Net Acreage	_____	_____	_____
2. Inspect Physical Improvements	_____	_____	_____
a. Obtain and review the following reports:			
1. Engineering reports	_____	_____	_____
2. Mechanical reports, including HVAC	_____	_____	_____
3. Roof reports	_____	_____	_____
4. Asbestos reports	_____	_____	_____
5. Seismographic reports	_____	_____	_____
6. Existing plans and specifications	_____	_____	_____
7. Americans with Disabilities Act (ADA reports)	_____	_____	_____
8. Architect's review	_____	_____	_____
9. Structural engineer reports	_____	_____	_____
10. Contract's reports	_____	_____	_____
11. Fire code reports.	_____	_____	_____
b. Review public records regarding violations	_____	_____	_____
c. Analyze feasibility of planned modifications	_____	_____	_____
1. Discuss with building & planning agencies	_____	_____	_____
2. Process permit	_____	_____	_____
d. Inspect parking areas	_____	_____	_____
e. Determine compliance with Uniform Building Code (UBC) and zoning	_____	_____	_____
f. Obtain Inspection by Insurance company	_____	_____	_____
g. Obtain personal property inventory	_____	_____	_____
h. Perform UCC-3 search	_____	_____	_____
i. Approve or disapprove inspection contingency	_____	_____	_____
3. Inspect Nature of Land	_____	_____	_____
a. Topography	_____	_____	_____
b. Soils	_____	_____	_____
c. Obtain and review soils report	_____	_____	_____
d. Special conditions/cost	_____	_____	_____
e. Drainage	_____	_____	_____
1. Any special requirements	_____	_____	_____

2. Cost of such requirements
4. Inspect Vegetation
 - a. Usefulness
 - b. Sensitivity
5. Inspect Natural Water
 - a. Usefulness
 - b. Flood Hazard
 - c. Sensitivity
 - d. Water table
6. Mineral Rights
7. Special Hazards
 - a. Erosion potential
 - b. Subsidence potential
 - c. Fault zones potential
 - d. Noise/vibration
 - e. Toxics/chemicals
 - f. Existing underground tanks
 - g. Unsightly neighbors
 - h. High winds
 - i. Incompatibly zoned neighbors
8. Accessibility
 - a. Frontage/access streets
 - b. Ability to handle projected traffic
 1. Necessity for new signals
 2. Necessity for road expansion
 - c. Distance to major freeway
 - d. Distance to shopping
 1. Convenience shopping
 2. Regional shopping
 - e. Fire access
9. Solicit Local Advice
 - a. Seller(s)
 - b. Local civil/soils engineers
 - c. Planning/public works
 - d. Architects
 - e. Others
10. Utilities
 - a. Water
 1. Availability
 2. Sufficient quantity/pressure
 3. Hook-up charges (fees)
 4. Separation of fire and domestic supply
 - b. Sewer
 1. Adequate suppliest to the site?
 2. Hook-up charges (fees)
 - c. Gas/electric
 1. Availability
 2. Cost to make available
 3. Fees (how much, who pays)
 - d. Telephone
 1. Availability
 2. Cost to make available
 3. Fees (how much, who pays)
 - e. Cable TV/satellite dish
 - f. Storm drains/flood control
 1. Cost
11. Existing Approvals
 - a. Review the following:
 1. All licenses, permits and approvals
 2. Certificates of occupancy
 3. Copies of any notices of violations of law

	4. List of litigation pending against property	_____	_____	_____
	5. Conditional use permits	_____	_____	_____
	6. Pending Environmental Impact Reports (EIR)	_____	_____	_____
	b. Obtain estoppels from local agencies	_____	_____	_____
	c. Obtain new permits required for redevelopment	_____	_____	_____
H.	Governmental Due Diligence			
	1. Analyze Political Situation			
	a. Politics of the city	_____	_____	_____
	b. Politics of the site	_____	_____	_____
	c. Neighborhood polities	_____	_____	_____
	2. Analyze City Submission Process	_____	_____	_____
	a. Type and steps	_____	_____	_____
	3. Analyze Zoning/Density	_____	_____	_____
	a. Present zoning	_____	_____	_____
	b. Likely density	_____	_____	_____
	c. Planned changes	_____	_____	_____
	d. Procedure for changing	_____	_____	_____
	e. Attitude of city officials towards changing	_____	_____	_____
	4. Determine Attitude of Neighbors	_____	_____	_____
	5. Investigate Growth Restrictions	_____	_____	_____
	a. Existing	_____	_____	_____
	b. Proposed	_____	_____	_____
	c. Attitudes	_____	_____	_____
	1. City officials	_____	_____	_____
	2. Citizens	_____	_____	_____
	6. Investigate Planning/Building Requirements	_____	_____	_____
	a. Parking	_____	_____	_____
	b. Design criteria	_____	_____	_____
	c. Setbacks	_____	_____	_____
	d. Special requirements/restrictions	_____	_____	_____
	e. Landscaping	_____	_____	_____
	f. Height	_____	_____	_____
	g. Condo vs. apartment requirements	_____	_____	_____
	h. Sprinklers	_____	_____	_____
	i. ADA requirements	_____	_____	_____
	j. Sound wall requirements	_____	_____	_____
	k. Solar requirements	_____	_____	_____
	l. Security requirements	_____	_____	_____
	m. Seismic requirements	_____	_____	_____
	7. Low/Moderate Income Requirements	_____	_____	_____
	8. Public Use Requirements	_____	_____	_____
	a. Fire station	_____	_____	_____
	b. Open space, parks, roadway, school, etc.	_____	_____	_____
	c. Any condemnation likely?	_____	_____	_____
	d. Historical/archaeological	_____	_____	_____
	e. Wildlife/environment	_____	_____	_____
	f. Flood/fire/earthquake	_____	_____	_____
	9. Investigate Subdivision Requirements	_____	_____	_____
	a. Steps required	_____	_____	_____
	b. Maps required	_____	_____	_____
	c. Timing	_____	_____	_____
	d. Special requirements	_____	_____	_____
	10. Investigate City Fees	_____	_____	_____
	a. Building/permits	_____	_____	_____
	b. Subdivision/site development	_____	_____	_____
	c. Planning/zoning	_____	_____	_____
	d. Utility	_____	_____	_____
	1. Sewers	_____	_____	_____

	2. Water			
	3. Electrical/gas			
	4. Storm drains			
	e. Parks			
	f. Roads/traffic			
	g. Schools			
	h. Special fees			
	i. Special assessments			
	j. Tree fee			
	k. Street lighting			
	l. Underground signaling			
	m. Housing mitigation fees			
	n. Flood control			
	o. Engineering/Inspection			
	p. Special taxes			
	q. Growth management fees			
11.	Review Off-Site Improvements			
	a. Storm drainage			
	b. Road improvement			
	c. Flood control			
	d. Parks improvement			
	e. Special facilities			
	f. Traffic signals			
	g. Sanitary			
	h. Underground utilities			
	i. Sidewalks			
12.	Analyze Possible Development Agreements			
	a. Are they available			
	b. Is a long agreement required			
I.	Negotiate New Leases			
	1. Identify Prospective Tenants			
	2. Obtain Seller Consent to Negotiate			
	3. Draft Letter of Intent			
	4. Draft New Leases			
J.	Ground Leases			
	1. Review and Approve Ground Leases			
	2. Confirm Finance Ability			
	3. Renegotiate			
	4. Buy-Out Ground Lessor			
	5. Get Ground Lessor Estoppel			
	6. Draft and Obtain Ground Lessor Consent			
	7. Prepare Form of Ground Lessor Assignment			
K.	Obtain Board Approval			
L.	Other			
	1. Obtain Appraisal			
	2. Determine If Any Current or Threatened Litigation			
	3. Determine If Any Current or Threatened Condemnation			

Property Acquisition and Due Diligence Checklist

IV. CLOSING DUE DILIGENCE AND PROCEDURES

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Preparing Partnership (or LLC) Agreement			
1. Determine Identity of Partners or Members			
2. Determine Capital Contributions			
3. Determine Percentage Interests			
4. Determine Voting Rights			
5. Determine Buy-Out Right			
6. Reserve Partnership or LLC Name			
7. File LP-a			
8. Obtain Tax ID No.			
9. Draft Partnership or LLC Name			
10. Execute Partnership or LLC Agreement			
11. Deliver Partnership or LLC Agreement to Lender			
B. Prepare Final Closing Documents			
1. Grant Deed			
2. Bill of Sale			
3. Assignment of Leases			
4. Assignment of Intangibles			
5. Escrow Holdback Agreement			
6. Tax Withholding Statements			
7. Loan Documents			
8. Partnership Agreement (see Advising Partners)			
9. Loan Assumptions			
10. Authority Documents			
11. Environmental Indemnity			
12. State Withholding Exemption Certificate			
13. FIRPTA Statement			
14. Preliminary Change in Ownership Report			
C. Prepare Escrow Instructions			
1. No Transfer Tax of Record			
2. Consider Minimization of Transfer Tax			
3. Deposit of Funds			
4. Condition Closing on Termination of Contracts			
5. Condition Closing of Final Buyer Inspection			
6. Confirm Seller Authority to Sign			
D. Approve Closing Statement			
E. Finalize Title Policy			
F. Arrange for Wire Transfer of Funds			
G. Obtain Original Seller Materials			
1. Keys			
2. Original Leases and Contracts			
3. As-Builts and Other Plans			
4. Guarantees and Warranties			
5. Correspondence and Financial Records			
6. Other Original Material			
7. Security Deposits			
8. Permits and Certificate of Occupancy			
9. Other Books and Records			
H. Miscellaneous			

1. Termination Designated Contracts
2. Send Notification Letter to Tenants
3. Confirm NO Change in Condition of Property
4. Confirm Accuracy of Seller Representation

- I. Obtain and Put In Place
 1. New Insurance Policies
 2. New Property Manager
 3. New Service Providers
 4. New Utility Service
 5. Terminate Designated Contracts

Property Acquisition and Due Diligence Checklist

V. AFTER CLOSING

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Prepare Closing Binder	_____	_____	_____
B. Arrange for Delivery of Executed Documents	_____	_____	_____
C. Obtain and Review Title Policy	_____	_____	_____
D. Handle Post-Closing Prorations	_____	_____	_____
E. Condition Tax Reassessment	_____	_____	_____

Property Acquisition and Due Diligence Checklist

VI. KEY CONTACTS

1. Seller

Name of Entity:

Contact:

Address:

Email:

Phone:

Fax:

2. Seller's Broker

Name of Company:

Name of Broker:

Address:

Email:

Phone:

Fax:

3. Seller's Attorney

Name of Firm

Name of Attorney

Address:

Email:

Phone:

Fax:

4. Buyer

Name of Entity:

Contact:

Address:

Email:

Phone:

Fax:

5. Buyer's Broker

Name of Company:

Name of Broker:

Address:

Email:

Phone:

Fax:

6. Buyer's Attorney

Name of Firm:

Name of Attorney:

Address:

Email:

Phone:

Fax:

7. Title Company

Name of Company:

Title Officer:

Address:

Email:

Phone:

Fax:

8. Escrow Company

Name of Company:

Escrow Officer:

Address:

Email:

Phone:

Fax:

9. Environmental Engineer

Name of Firm:

Name of Engineer:

Address:

Email: _____
Phone: _____
Fax: _____

10. Contractor

Name of Firm: _____
Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

11. Current Property Manager

Name of Company: _____
Name of Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

12: Other

Name of Company: _____
Name of Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____