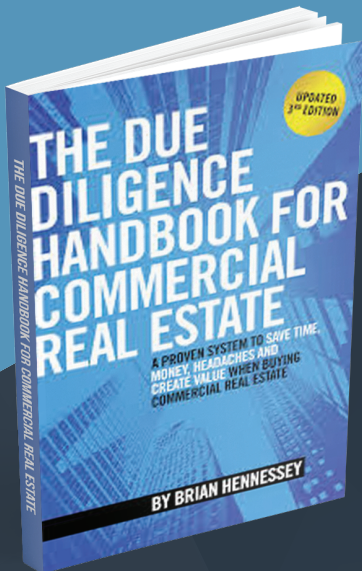




THE ESSENTIAL **DUE DILIGENCE CHECKLIST** FOR REAL ESTATE INVESTMENTS

Don't enter a transaction
without it!



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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 improvemnets			
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. Contrctution 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 place	_____	_____	_____
	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 permits			
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 supplies 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 policies

_____	_____	_____
_____	_____	_____

2. Analyze City Submission Process

- a. Type and steps

_____	_____	_____
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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

_____	_____	_____
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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-Agreement	_____	_____	_____
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 and Security codes for systems	_____	_____	_____
	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/Letters of Credit to be transferred	_____	_____	_____
	8. Permits and Certificate(s) of Occupancy(ies)	_____	_____	_____
	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	_____	_____	_____

The Essential Due Diligence Checklist For RE Investments

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: Tax Consultant

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

Email: _____
Phone: _____
Fax: _____

13. Other

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

Email: _____
Phone: _____
Fax: _____