

Risk Category	Specific Risk Identified	Probability (High/Med/Low)	Potential Impact (High/Med/Low)	Mitigation Strategy
Leasing Risk	Major Tenant Expiration (Tech Corp A) in Year 2 leaves a 33% vacancy.	High	High	<i>Strategy: Begin renewal negotiations 18 months prior. Have a shadow leasing plan targeting three specific mid-size firms. Budget \$40/sq ft in Tenant Improvement (TI) allowance to be market competitive.</i>
Interest Rate Risk	Interest rates rise, increasing the cost of future refinancing in Year 5.	Medium	High	<i>Strategy: Structure the current loan with a rate cap or consider a floating-to-fixed swap after year 2. Ensure the property generates sufficient cash flow to cover a hypothetical 150 basis point rate increase.</i>
Market Rent Decline	New supply (competitors) forces market rents down, eroding projected income.	Medium	Medium	<i>Strategy: Differentiate the asset through the planned Year 1 CapEx (lobby/amenities). Offer flexible lease terms (e.g., 2-year options) to quickly capture market upswing if conditions improve.</i>
Inflation Risk	Operating expenses (utilities, insurance, labor) rise faster than contractual rent increases.	High	Medium	<i>Strategy: Ensure full pass-throughs of most operating expenses to tenants (NNN or Gross lease with expense stop). Negotiate multi-year contracts for cleaning/security services.</i>

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Deferred Maintenance	HVAC system is aging and could fail, leading to high emergency CapEx.	Medium	High	<i>Strategy: Commission a Phase I Environmental Site Assessment (ESA) and Property Condition Assessment (PCA) during due diligence. Allocate a dedicated \$1M repair reserve in Year 1 for HVAC replacement.</i>
Management Failure	The current property management company is inefficient, leading to high expenses and low tenant satisfaction.	Medium	Medium	<i>Strategy: Plan to issue an RFP (Request for Proposal) for a new, top-tier property manager within 90 days post-closing. Tie management fees to NOI performance benchmarks.</i>
Environmental Hazard	Potential for undiscovered contaminants (e.g., old fuel tank) on site.	Low	High	<i>Strategy: Require Seller indemnification for pre-closing environmental issues. Purchase Environmental Liability Insurance.</i>

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CapEx Overruns	The Year 1 renovation budget of \$1M is exceeded by 20%.	Medium	Medium	<i>Strategy: Use Guaranteed Maximum Price (GMP) contracts with contractors. Hold a 10% contingency reserve within the total equity budget (\$273k from Sources & Uses).</i>
Zoning/Permitting Delay	Delay in obtaining permits for the lobby renovation slows lease-up of vacant space.	Medium	Low	<i>Strategy: Pre-file a preliminary zoning review before closing. Engage an experienced local expeditor to manage the permit process with the city.</i>
Liquidity Risk	Inability to sell the property quickly at the target price in Year 5 due to market downturn.	Medium	Medium	<i>Strategy: Maintain a low debt-to-equity ratio (60% LTV) to allow for greater flexibility. Ensure the property is stabilized (fully leased) by Year 4 to maximize its marketability to institutional buyers.</i>