

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	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.
Interest Rate Risk	Interest rates rise, increasing the cost of future refinancing in Year 5.	Medium	High	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.
Market Rent Decline	New supply (competitors) forces market rents down, eroding projected income.	Medium	Medium	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.
Inflation Risk	Operating expenses (utilities, insurance, labor) rise faster than contractual rent increases.	High	Medium	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.

Risk Category	Specific Risk Identified	Probability (High/Med/Low)	Potential Impact (High/Med/Low)	Mitigation Strategy
Deferred Maintenance	HVAC system is aging and could fail, leading to high emergency CapEx.	Medium	High	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.
Management Failure	The current property management company is inefficient, leading to high expenses and low tenant satisfaction.	Medium	Medium	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.
Environmental Hazard	Potential for undiscovered contaminants (e.g., old fuel tank) on site.	Low	High	Strategy: Require Seller indemnification for pre-closing environmental issues. Purchase Environmental Liability Insurance.

Risk Category	Specific Risk Identified	Probability (High/Med/Low)	Potential Impact (High/Med/Low)	Mitigation Strategy
CapEx Overruns	The Year 1 renovation budget of \$1M is exceeded by 20%.	Medium	Medium	Strategy: Use Guaranteed Maximum Price (GMP) contracts with contractors. Hold a 10% contingency reserve within the total equity budget (\$273k from Sources & Uses).
Zoning/Permitting Delay	Delay in obtaining permits for the lobby renovation slows lease-up of vacant space.	Medium	Low	Strategy: Pre-file a preliminary zoning review before closing. Engage an experienced local expediter to manage the permit process with the city.
Liquidity Risk	Inability to sell the property quickly at the target price in Year 5 due to market downturn.	Medium	Medium	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.