

Multifamily Due Diligence Checklist

Physical, Financial and Legal

Physical Due Diligence – Property Condition Assessment (PCA)

Just like a home inspection. Need to inspect EVERY SINGLE unit.

1. Exterior
2. Interior
3. Electrical
4. Plumbing
5. Heating
6. Foundation
7. Termite
8. Get a list of units that are individually metered for utilities if any
9. Etc.

Financial Due Diligence

Verify all financials given by the seller (All need to be certified by the seller)

1. Rent roll
 - a. Unit number
 - b. Unit Type
 - c. Beginning date
 - d. Expiration date
 - e. Contract rent
 - f. Security deposit held for each tenant
 - i. Pet deposit
 - g. Square footage
 - h. Month to month or annual lease
 - i. Concession
 - j. Charged to Resident
 - i. Utility
 - ii. Garage
 - iii. Pets
2. Any existing eviction in progress
3. List of personal properties that will be transferred with the sale
4. Loss run report of insurance (3 to 5 years)

5. copies of all warranties: appliances, equipment, roof, paving, pool. Etc.
6. Income Statement/Trailing-12(T12)/Profit & Loss Statement(P&L) for the previous two years and YTD
 - a. Income
 - i. All lease agreements
 1. If hard to read or missing, need to sign an estoppel certificate
 - ii. Leasing Agreement with laundry equipment company/ third-party vendors
 - b. Expenses
 - i. One-year property tax bill
 - ii. Current insurance policy
 - iii. All utilities bills (at least one year)
 - iv. Business license and invoice
 - v. CapEx invoices (last 3 to 5 years)
 - vi. Landscaping service invoice/contract/contact info
 - vii. Pest control service invoice/contract/contact info
 - viii. Swimming pool service invoice/contract/contact info
 - ix. Other third-party vendor invoices/contract/contact info
7. Property manager agreement (both on-site and off-site)
 - a. Compensation
 - b. Services
 - c. Beginning date
 - d. Expiration date
 - e. On-site manager unit
8. Rent survey/rent comps
 - a. Market rent with upgrades and amenities (be specific)
 - b. Market rent with without upgrades and amenities
 - c. Unit size
 - d. Layout
9. Sold comps
- 10.Etc.

Legal Due Diligence

1. Inspection documents by the city/county in the last 5 years if any
2. Zoning
3. Title report
4. Natural Hazard Disclosure Report

5. ALTA survey – a boundary survey created pursuant to a set of minimum standards adopted jointly by the American Land Title Association (ALTA)
6. Environmental reports (Phase I and/or Phase II)
7. Code compliance
8. Any 3rd party reports required by the bank
9. Etc.