

PROPERTY PURCHASE DUE DILIGENCE CHECKLIST

The following is a sample of a due diligence checklist which an investor may use in connection with the acquisition of a retail or office property.

Note that the investor should review this checklist shortly after execution of the Purchase Agreement and assign the various review tasks to people within its organization or to third party contractors engaged to complete some or all of the review. As well, the “Date Required” column should be completed and adhered to, so as to ensure that the reviews are completed prior to the condition removal dates contained within the Purchase Agreement.

As well, the list of reports listed under the heading “Physical Information – Obtain / review third party reports” can be expanded depending on the nature of the property and the issues which it faces. The same can be said for the list of items under “Financial Review”, which again can be modified and expanded depending on the nature of the property and the type of information available from the owner and property manager.

Finally, note that this same checklist can be used for an industrial or apartment property, although the nature of the financial information available may be different

PRELIMINARY INFORMATION

Property name:	
Address:	
Age	
Total sq.ft.	
Leasable sq.ft.	
No. of parking stalls	
No. of buildings	
No. of acres	
No. of floors	
Construction: Type	
Condition	
Roof Type	
Age / Condition	
Current zoning	

DUE DILIGENCE REVIEW

<u>ITEM</u>	<u>DATE REQUIRED</u>	<u>RESPONSIBLE PERSON</u>	<u>COMPLETE/ DATE</u>	<u>STATUS</u>
ACQUISITION				
Purchase Agreement			<input type="checkbox"/> / _____	
Inspection Condition Removal			<input type="checkbox"/> / _____	
Financing Condition			<input type="checkbox"/> / _____	

<u>ITEM</u>	<u>DATE REQUIRED</u>	<u>RESPONSIBLE PERSON</u>	<u>COMPLETE/ DATE</u>	<u>STATUS</u>
Removal				
Closing Date			<input type="checkbox"/> / ____	
FINANCING				
Loan Application			<input type="checkbox"/> / ____	
Commitment Letter			<input type="checkbox"/> / ____	
Review of current mortgage docs (if being assumed)			<input type="checkbox"/> / ____	
Confirmation of mortgage balance (if being assumed)			<input type="checkbox"/> / ____	
TENANT INFORMATION				
Review tenant schedule			<input type="checkbox"/> / ____	
Review standard lease form			<input type="checkbox"/> / ____	
Review marketing material			<input type="checkbox"/> / ____	
Market lease rate survey			<input type="checkbox"/> / ____	
FINANCIAL REVIEW				
Review property rent roll (past 12 mos)			<input type="checkbox"/> / ____	
Review and audit leases, amendments, modifications.			<input type="checkbox"/> / ____	
Confirm security deposits			<input type="checkbox"/> / ____	
Review historical operating statements and expense recoveries			<input type="checkbox"/> / ____	
Review current budget			<input type="checkbox"/> / ____	
Review historical tenant improvement allowances			<input type="checkbox"/> / ____	
Review most recent property appraisal			<input type="checkbox"/> / ____	
Review tenant billings (12 mos)			<input type="checkbox"/> / ____	
Review current or future lease concessions			<input type="checkbox"/> / ____	
Review current and past two year's capital budget			<input type="checkbox"/> / ____	
Review current and past two year's promotion fund operations			<input type="checkbox"/> / ____	
Review replacement reserve budget			<input type="checkbox"/> / ____	

<u>ITEM</u>	<u>DATE REQUIRED</u>	<u>RESPONSIBLE PERSON</u>	<u>COMPLETE/ DATE</u>	<u>STATUS</u>
PHYSICAL INFORMATION				
Obtain / review third party reports:			<input type="checkbox"/> / _____	
a) Structural/Physical			<input type="checkbox"/> / _____	
b) Mechanical				
c) Environmental			<input type="checkbox"/> / _____	
d) Soils			<input type="checkbox"/> / _____	
e) Parking / Landscaping			<input type="checkbox"/> / _____	
Review as-built drawings			<input type="checkbox"/> / _____	
Review site and area plans			<input type="checkbox"/> / _____	
Review survey plans of tenant premises, vacancies and common areas			<input type="checkbox"/> / _____	
Review historical capital repairs			<input type="checkbox"/> / _____	
PUBLIC REGISTRY SEARCH				
[See legal due diligence checklist]				
PERSONAL PROPERTY				
Inventory and determine value of personal property			<input type="checkbox"/> / _____	
SERVICE CONTRACTS				
Prepare contract summary			<input type="checkbox"/> / _____	
Review all service contracts and determine retention on a case-by-case basis			<input type="checkbox"/> / _____	
Obtain and review all agreements for leased equipment			<input type="checkbox"/> / _____	
INSURANCE				
Review current insurance policy			<input type="checkbox"/> / _____	
Review claims History			<input type="checkbox"/> / _____	
Details of current unsettled claims.			<input type="checkbox"/> / _____	
Obtain insurance quote			<input type="checkbox"/> / _____	

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<u>ITEM</u>	<u>DATE REQUIRED</u>	<u>RESPONSIBLE PERSON</u>	<u>COMPLETE/ DATE</u>	<u>STATUS</u>
TAXES				
Review property tax assessment			<input type="checkbox"/> / _____	
Review tax billings (2 yrs)			<input type="checkbox"/> / _____	
Review details of any protest			<input type="checkbox"/> / _____	
PROPERTY MANAGEMENT				
Review existing property management agreement			<input type="checkbox"/> / _____	
Consider retention of existing Employees			<input type="checkbox"/> / _____	
CLOSING MATTERS				
Review tenant estoppel certificates and compare to lease audit			<input type="checkbox"/> / _____	
Obtain certificate of insurance			<input type="checkbox"/> / _____	
Execute new property management agreement			<input type="checkbox"/> / _____	
Notification to tenants			<input type="checkbox"/> / _____	
Review and finalize statements of adjustments			<input type="checkbox"/> / _____	
OTHER ISSUES				
			<input type="checkbox"/> / _____	
			<input type="checkbox"/> / _____	
			<input type="checkbox"/> / _____	
			<input type="checkbox"/> / _____	