

Due Diligence: Checklist

If you're ready to dive in then you need to make sure you've covered your bases. If you think you can get rich without doing your homework then think again! This checklist should help you gain confidence in your decision-making and don't worry it doesn't have to be completed all at once. Use it throughout the process to ensure you have enough information and the right conversations so you can begin achieving the goals you have set for yourself.

Your Goals

What is your goal for this investment property?

Short-term

Medium-term

Long-term

What is your investment strategy?

- Buy and Hold
- Quick Flip
- Vacation Rental
- Wholesale
- Other

Cash Flow Per Annum / Other

Notes:

Market and Location

Property zip code

I have researched the following information:

- The local economy & job market
- Local cap rates similar property (ask investors)
- Recent cash-on-cash returns
- Vacancy rates

~ continued

Notes:



Market and Location

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- Average gross rents similar property
- Population trends and demographics
- Appreciation rates
- Unemployment rates
- Cost of living
- Crime rates
- Local household incomes

Notes:

Return on Investment

Purchase Fees

- Purchase price
- Inspection fee
- Recording fee
- Title insurance
- Escrow fees
- Application / loan fees

Notes:

Income

- Current rental income
 - Has property sat vacant in last 24 months
 - Current rent rate same size / # beds
- HINT: try Zillow, Rentometer and Craigslist
- Other income (storage/laundry, etc.)

Notes:

Operating Expenses

- Initial repairs
- New/replace appliances cost
- Property tax
- Landlord Insurance
- Maintenance

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Notes:



Return on Investment

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- Property management fees
- Utilities
- Other
- Other

HINT: if existing investor property, ask for recent monthly statements.

Seller

- Name
- Business
- Address
- Address
- Email
- Phone number
- How long they've owned the property
- Why are they selling

Turnkey Providers

This should be a discussion around their approach and history

- How long they have been in business
- How they started selling turnkey
- How many properties they turn a month
- Who does the renovation (own crew/contract)
- Provide a breakdown of work completed
- Any warranty on the work completed
- Permits used or city inspections
- Yelp rating / Better Business Bureau
- Two or three investor references



Property Condition

HINT: Most of these questions can be answered by a good independent inspection report. Take notes on age and condition of major parts of the structure and mechanicals in your property and have a live 5-10 minute chat **on the phone** with the inspector after you receive your report. Ask them what their big concerns and recommendations are. You will get the must fix items from this discussion as their reports tend to be very long.

Inspection report completed

Structure

- Street address
- Dwelling square feet
- Building type (condo, single family, etc.)
- Number of bedrooms
- Number of bathrooms
- Number of floors
- Age of structure
- Garage size, location and condition
- Condition of foundation
- Any additions made or permitted
- Windows type (wood, aluminum, vinyl)
- Other rooms the building has

Roof

- Roof age and condition
- Roof type (asphalt, wood shakes, tile)
- Recent repairs or known roof defects

Plumbing

- Water supply source (city, septic tank)
- Type of pipes (copper, lead, PVC)
- Any water problems (pressure, leaks, drainage, sewer)
- Type of pipes (copper, lead, PVC)



Property Condition

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Plumbing ~ cont.

- Condition of plumbing
- Presence/condition of landscape sprinklers

Electrical

- Wiring type and voltage
- Condition of wiring
- GFI needed/installed in kitchen and bathroom

Mechanicals

- Heating system type (gas/electrical)
- Heating/furnace location and age
- Date of last service or inspection
- Is there A/C? Type, location and age
- Date of last A/C inspection
- Any known Heating/AC defects
- Water heater age, capacity and location

Interior

- Alarm system present (owned/leased)
- Kitchen appliances
- Room furniture inventory (window, blinds)
- Fireplace type and operation
- Date fireplace last cleaned
- Type of flooring and age and condition
- Fireplace type and operation
- Date fireplace last cleaned



Property Management and Tenants

Property Managers

- How long has the company been in business
- Who are the owners of the company
- Owners involved in the day-to-day operations
- Affiliated and/or owned by another company
- How many employees do they have
- Are employees full-time staff or temporary
- Average tenure of an employee
- How many properties do they manage now
- How many in the past (growing/declining)
- Who does the leasing
- How do they market and advertise
- What are local vacancy rates
- Do they work with section 8
- What is their screening process

HINT: do they run credit checks, call employers and prior landlords, do they ensure rent is no greater than 33% of gross monthly income

- Who does the maintenance (in house or contractor)
- How much for leasing fees
- How much for management fees
- List of typical service fees (lock replacement, snow removal, eviction)
- Software used for updates and statements
- Sample contract
- Sample monthly income statement
- Two or three investor references



Property Management and Tenants

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Tenants

- How many occupy the property
- How long are leases
- Have they ever been behind or late
- Were they screened
(payroll receipts/credit check)
- How much is security deposit

Legal

- Title Insurance
- Clear of liens

Once you have completed your checklist you should feel more confident in purchasing your new investment property. Remember, understanding your market and getting answers to the right questions will help you build a successful real estate portfolio. As always, situations or issues not on this checklist may arise, but the more you know about your property and who you are working with will help you to address whatever may come up.



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