



Due diligence checklist for commercial real estate acquisitions

By Justin Newman



Due diligence is a comprehensive, complex, and critical stage in any commercial real estate acquisition. You don't want to leave any stone uncovered, and you want the most time available to review all documents and look for any and all possible red flags with the property, title, tenant relationships, and numerous other considerations.

That's why we've created the checklist below, which outlines many of the key documents, records, and financial information needed for a full and complete due diligence on a prospective property acquisition.

In many transactions, we typically urge clients to incorporate this checklist into the sale contract and require that the specified due diligence period will not commence until the date that the seller produces the last of each of these deliverables. Simply put, when you're the potential buyer of a property, you deserve to have all the necessary documentation in your hands before you start the intensive due diligence process.

Whether you're a growing business looking for your first independent location, or a developer with an experienced deal team conducting diligence on multiple acquisitions simultaneously, we hope this checklist will serve as a helpful guide for the items you'll need to make the most informed decision possible on your next real estate acquisition.

- The most recent title policy or title commitment on the property in the possession or control of seller together with all related documents.

- The most recent ALTA survey and topographic study for the property and a copy of the construction blueprints, engineering plans and as-built drawings in the possession or control of seller.
- Legal description of the property.
- Zoning Compliance Certificate for the property and all zoning approvals (including variances and any pending applications).
- Declaration of covenants, conditions, restrictions, reservations and easements for the property.
- Seller's third-party engineering, environmental reports (including but not limited to Phase I and Phase II reports, NFR letters, mold abatement reports and underground storage tank testing and closure reports), appraisals, soil tests, boring reports, foundation reports (logs of pilings), termite or radon studies.
- A true, correct and complete copy of each written lease and each guaranty (together with any amendments), and a certification that there are no oral leases or oral understandings, if any.
- An accounting of all rent and other income, common area maintenance, security deposits and real estate tax contributions paid by any tenant at the property, including, without limitation, a certified rent roll, showing current rent, previous rent if applicable, delinquencies, security deposits, years of occupancy, lease commencement date and lease termination date.
- All security deposits and any other amounts to which any tenant, vendor, or any other party may be entitled.
- A copy of the last three years' real estate tax bills, including special assessments or incentives, copies of all tax protests, related correspondence and protest results for the property and copies of the prior two years' utility bills for the property.
- A true, correct and complete copy of each written service contract (together with amendments thereto, if any) and a true, correct and complete written summary of each oral service contract, together with copies of any and all other contracts and agreements relating to the operation, maintenance and repair of the property.
- An accounting of all income and expenses related to the property, including collection reports and tax statements for the last three years.
- A list of all personal property, if any, owned by the seller, located at the property, and used or useful in connection with its operation and maintenance.
- A list of all permits, partial certificates of occupancy, certificates of occupancy, warranties, government notices, special assessments, code violations and unexpired guaranties and copies of same in seller's possession or control.
- A copy of existing insurance policies and certificates and any pending claims against the property.
- A schedule of pending litigation, if any, affecting the property or seller's ability to convey the property.
- Any and all other matters as purchaser may deem reasonably necessary to satisfy itself, in its sole discretion, concerning the property and the status of the property's title.

Note: The information provided herein is intended for general purposes only and is not intended to be legal advice. If you desire legal advice for a particular situation, you should consult an attorney.

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