

HRC

The High-Risers Club

Coach Jeff Wright

Welcome

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Does anyone have anything great to share personally or professionally?



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Podcast

Tune in wherever you get your podcasts!

- **Ask Jeff : Similarities and Differences Between Commercial and Residential Real Estate**
- **Ray Rizio – An Investor’s Insight on Deal Selection**

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Greatness is Within



You Can Do This

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Buyer Sequence

1. Buyer client(s) identifies a wish to purchase a commercial property.
2. Buyer client(s) signs an Exclusive Buyer Rep. Agreement.
3. Property Search: LoopNet, CREXI, CoStar, MLS
4. Email your database of commercial agents with property specs.
5. Drive the specific area buyer client(s) have identified for the location of the property, if applicable.
6. Review potential properties.
7. Confirm if the seller is offering a commission for bringing the buyer(s) and what the fee is.
8. Information Request: Rent Roll, Income/Expense
9. NDA signed by buyer client(s) and you.
10. Review municipal field card.
11. Compare recent sales data.
12. Determine property value.
13. Prepare Letter of Intent (LOI): Price, Conditions, Terms
14. Perform Due Diligence: Physical, Financial, Legal
15. Start the financing process.
16. Obtain and compare term sheets.
17. Order appraisal.
18. Order environmental inspection.
19. Close and get paid.

Due Diligence

Due diligence starts once the contract is fully executed. This comprehensive process provides the buyer and the lender the opportunity to create an “x-ray” of sorts for the property, to confirm what they are getting or lending against. This x-ray reviews the financial records, the property condition (both structural and environmental) and tax records. The goal of due diligence is to understand the risks associated with the acquisition and to ensure that the information that was provided reflects the actual conditions.

Due Diligence

Due Diligence

A thorough due diligence process may cost several thousands of dollars or more. However, it may be significantly more costly to be surprised later by an issue that a less thorough process may miss.

- Personally inspect all the space you are purchasing.
- Review each lease in detail.
- Review all expenses in detail.
- Create a pro forma. Underestimate your income and overestimate your expenses.
- Request estoppel certificates early in the process, and make sure they match the leases.
- Get your title commitment early.

Due Diligence

Physical Due Diligence Checklist:

What is the current condition of the property, and what capital funds may be required in the future?

Request the following items:

- Building blueprints
- Complete building inspection to include structural, mechanical, electrical and plumbing
- List of capital improvements
- Site plans
- Asbestos inspection, if necessary
- Lead paint, if necessary
- Termite inspection, if necessary
- Pest inspection, if necessary

Due Diligence

Financial Due Diligence Checklist

Request the following items:

- Last 3 years of tax returns
- Last 3 years of profit and loss statements
- Profit and loss statement year-to-date
- Last 3 years of tax bills and any special assessments or incentives
- Certified rent roll by unit number, tenant original occupancy date, square footage, current monthly rent, current rent per square foot, expiration date, rent increases, renewal options, Section 8 housing assistance, additional income or reimbursements
- Lease agreements
- Vacancy list over the last 3 years
- Tenant estoppel letters
- List of all security deposits
- List of all outstanding commissions due
- Last 2 years of utility bills
- Insurance policy
- Employee wages and benefits for building staff
- Property management agreement

Due Diligence

Legal Due Diligence Checklist

Verifies that the property's legal house is in order and there are no surprises.

Request the following items:

- Survey review
- Zoning compliance
- Certificates of occupancies, licenses and building permits
- Building warranties and guarantees
- Maintenance schedule for property and property equipment
- Vendor contracts
- Personal property inventory
- Environmental reports
- Historic and pending litigation
- Most recent title policy
- Municipal title search for building code and/or zoning violations
- Dig deep into liens, especially:
 - Mechanics
 - Property tax
 - Judgement
- Is the property being used as security for an equipment or service lease agreement?
- Are there any unsatisfied mortgages?
- Verify the signer is the owner and is authorized to sign the contract documents.
- Are there any easements that have been granted that impact what the new buyer intends to do with the property?
- Are there any land use restrictions?
- Are there any lawsuits?

Join Our Facebook Group

<https://www.facebook.com/groups/commercialrealestateforresidentialrealtors>



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Next Session

Buyer Sequence: Financing

**Tuesday, November 21, 2023
@ Noon Eastern**

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