



Preliminary due diligence checklist – Commercial Real Estate

This due diligence checklist is meant for use when purchasing commercial real estate. You can see that it is much more in-depth than the residential due diligence list.

- Financial records:
 - Annual profit and loss statements (P&Ls) past 3 years minimum (5 years preferred)
 - At least one year monthly P&Ls (preferably two years)
 - Balance sheet (3 years)
 - Rent Roll including term, deposit, and payment history
- Tax returns- 3 years
- Insurance: Insurance Policy; including all riders, risk assessments, and disclosure affidavit for carrier
- All Existing Loan Documents: including notes, deeds of trust, closing statements, title policy, rate riders, etc., and contact names and numbers.
- Deed
- All Leases: entire copies plus any addendum or riders.
- Any service or advertising contracts: (Trash, extermination, maintenance, management, commission agreements, union agreements, vending, billboard, pay telephone, etc. and any instrument or contract to be assumed by Purchaser)
- Copies of all recent appraisals, engineering reports, environmental reports
- Survey (as-built), legal description, architectural and engineering plans and specifications
- Payroll register: List of employees including name, position, wage rate, and entitled benefits
- Business license
- Physical inventory of furniture, fixtures, and equipment, and supplies.
- Utility bills: Water, Sewer, Gas, Electric (at least two years of monthly statements) (or recap report from provider showing usage and cost)
- Bank statements showing deposits for last twelve months (optional)
- Phone system documents (y2k compliance letters)
- Computer systems (y2k compliance letters)

*The use of any information on this sheet should be strictly as a reference. If you have never purchased a commercial property, seek professional advice before purchasing.



- Fire System inspection reports and y2k compliance
- Property Tax tickets for the past three years (real estate and personal)
- Litigation History: details of any past or pending litigation (if none, then affidavit from owner)

Comprehensive due diligence: pre-closing

- Engineering Inspection and Survey
- Environmental Inspection and Survey: Key Issues: Asbestos, Lead Paint, underground tanks, wetlands
- Environmental Phase One: An Environmental Phase One (1) Assessment is an inquiry conducted to determine the environmental status of a property or facility in connection with a real estate property transaction. It follows standards which includes those published by ASTM.
- Environmental Phase Two: Assessments/Subsurface Investigations: These projects include but are not limited to subsurface drilling and sampling, monitoring well installation and sampling, ground penetrating radar, and asbestos and lead sampling.
- LUST survey- leaking underground storage tanks
- Financial Audit
- Title Search and policy
- Property tax verification
- Tenant Estoppel Letters
- Mortgagee Estoppel letters
- Legal Verifications: licenses, permits, zoning

*The use of any information on this sheet should be strictly as a reference. If you have never purchased a commercial property, seek professional advice before purchasing.