

BUYER'S GUIDE

Commercial Property Due Diligence Checklist

Every document, inspection, and analysis you need before closing on a West Michigan income-producing property

Financial Due Diligence

- Trailing 3-year operating statements (T-3)
- Current rent roll (tenant, unit, rent, term, options)
- All executed leases and amendments
- CAM reconciliations (last 2 years)
- Utility bills (last 12 months)
- Property tax bills (last 3 years)
- Insurance policies and claims history
- Outstanding invoices or deferred costs

Physical Inspection

- Full property condition assessment (PCA)
- Roof inspection and warranty review
- HVAC condition and service history
- Electrical panel and plumbing systems
- Parking lot, curbing, and drainage
- ADA compliance assessment
- Fire suppression / sprinkler systems
- Structural or engineering report (if indicated)

Environmental

- Phase I Environmental Site Assessment
- Phase II ESA (if Phase I flags concerns)
- Underground storage tank (UST) records
- Asbestos / lead paint survey (pre-1980 buildings)

"Never waive environmental due diligence on commercial property."

Legal & Title

- Preliminary title report — review all exceptions
- ALTA survey (confirm boundaries and encroachments)
- Zoning verification and permitted use confirmation
- Recorded easements, restrictions, and CC&Rs
- Pending litigation, liens, or code violations
- Certificate of occupancy for all buildings

Tenant Estoppels & SNDAs

- Estoppel certificates from all major tenants
- SNDA agreements (if assuming existing financing)
- Confirm lease terms match the rent roll exactly
- Verify no undisclosed side agreements

Underwriting Validation

- Normalize NOI to actual in-place income
- Stress-test at 10% higher vacancy
- Confirm CapEx reserves are adequate
- Verify exit cap rate assumptions are supportable
- Review debt terms for prepayment penalties

Critical Metrics to Confirm

- Cash-on-cash return $\geq 6\%$ (Year 1)
- DSCR $\geq 1.25x$ at current debt terms
- Break-even occupancy $\leq 75\%$

Our Role: We represent buyers with the same rigor we bring to listings — ensuring you pay the right price and inherit zero hidden surprises.