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**Multifamily Due Diligence**

**First Cover the Basics:**

· Name of property and address

· Parcel ID #

· Asking price

· Number of units

· Unit mix (Studios, 1/1s, 2/1s, 2/2s, etc.)

· Occupancy percentage

**Consider the Financial Data:**

· Gross income

· Expenses & expense ratio

· Net Operating Income

· CAP Rate

**Do Your Market Research:**

· Population growth/decline

· Median household income

· Percentage below the poverty line

· Employment growth/decline

· Income growth/decline

· Major employers & ensuring it’s not a “one horse” town

· Vacant housing percentage

· Average home price

· Crime/safety

· If the area is desirable/has things to do

**Analyze the Competition:**

· Condition of those properties

· Their rent amounts

· Occupancy percentage

· Amenities they offer

· Any utilities they cover

· Unit sizes compare to your subject property

**Request Needed Documents:**

· All current leases

· All rental applications and credit reports on the current tenants

· Rent roll over the past 12 months (including documentation on Government subsidies)

· Security deposit ledger (Including pet deposits)

· Profit and loss statements for the last 2 years

· Year-to-Date profit and loss statement

· Scheduled and completed capital improvements over the past 5 years.

· All service contracts (such as trash pickup, HVAC services, lawn care, snow removal etc.)

· All current warranties (manufacturer and/or service)

· Installation date and/or ages of all equipment and mechanical systems

· A copy of any surveys or building plans

· List of all seller-owned inventory

· A list of any city assessments and/or association dues

**Inspections, Inspections, Inspections:**

· Condition of each and every unit

· Identify if each rental unit is separately metered

· Identify the main water shut-off valve

· Identify and inspect the main electrical panel

· Inspect the mechanical systems and identify the last service date

· Inspect the roof looking for evidence of leaks

· Inspect the foundation looking for evidence of cracks, infestation or settling

· Inspect all windows identifying cracks, broken seals or evidence of leaks

· Identify any owner-maintained services such as laundry rooms, playgrounds, gardens or other common areas

· Inspect the parking area

· Prepare a list of repairs and maintenance items

· Take pictures and video as a memory aid

This list is by no means a complete checklist, however, it will give you a great foundation.

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