# **Free Multifamily Due Diligence Checklist (PDF, Word Doc)**

| **Category** | **Item** | **Notes** | **Check** |
| --- | --- | --- | --- |
| Financial Review | Conduct a financial due diligence or lease audit to review the property’s income and expenses. | Check all records are accurate and supported by documentation. | ☐ |
|  | Review the property’s rent roll and current rent roll. | Verify that the rental agreements align with stated income. | ☐ |
|  | Analyze bank statements for the past 12 months. | Assess cash flow consistency and unusual expenditures. | ☐ |
|  | Confirm rental rates in the local market. | Compare with similar properties to gauge competitiveness. | ☐ |
|  | Forecast the property’s future profitability based on trends and rent growth. | Incorporate projected operating expenses and rental increases. | ☐ |
|  | Verify replacement reserves for unexpected repairs. | Check the funds are adequate and properly allocated. | ☐ |
|  | Evaluate any existing HUD multifamily loans or other financing arrangements. | Check terms and repayment schedules for alignment with your investment goals. | ☐ |
| Legal and Title Examination | Verify property ownership with title reports. | Check that no disputes or liens are associated with the title. | ☐ |
|  | Review the purchase and sale agreement. | Look for contingencies, deadlines, and conditions that impact the deal. | ☐ |
|  | Confirm lender’s title insurance policy. | Check protection against title-related defects. | ☐ |
|  | Assess the legal status of the property. | Verify compliance with local zoning laws and building codes. | ☐ |
|  | Consult with a title company for additional guidance if necessary. | Confirm no outstanding legal risks or obligations. | ☐ |
| Property Condition Assessment | Conduct a physical inspection and unit walk. | Document the condition of all units, common areas, and amenities. | ☐ |
|  | Complete a property condition assessment (PCA). | Identify structural issues, deferred maintenance, and areas needing repair. | ☐ |
|  | Inspect essential systems such as electrical, HVAC, and plumbing. | Check functionality and compliance with regulatory standards. | ☐ |
|  | Review safety measures, including fire alarms and emergency exits. | Check compliance with local and state regulations. | ☐ |
|  | Identify value-add improvements that could enhance market appeal and profitability. | Evaluate renovation costs versus potential return on investment. | ☐ |
| Environmental and Physical Due Diligence | Obtain a site survey to confirm property boundaries and identify encroachments. | Check all property dimensions are accurate and free of disputes. | ☐ |
|  | Conduct an environmental site assessment for potential hazards or contamination. | Plan for further action if red flags are identified. | ☐ |
|  | Perform a Phase II study if recommended. | Follow up with additional testing to clarify any concerns. | ☐ |
|  | Complete a physical needs assessment (PNA). | Address future repair, renovation, or upgrade requirements. | ☐ |
|  | Conduct a capital needs assessment (CNA). | Estimate the cost of scheduled upgrades over the life of the property. | ☐ |
| Market and Tenant Analysis | Review tenant rental history for trends and risks. | Assess tenant turnover and payment reliability. | ☐ |
|  | Analyze the local market for demand, vacancy rates, and competition. | Gather information to understand the property’s position in the market. | ☐ |
|  | Evaluate third-party reports such as appraisals or market studies. | Validate property value and investment assumptions with external data. | ☐ |
| Documentation and Compliance | Collect all lease agreements and tenant files. | Confirm documentation is generally accurate and current. | ☐ |
|  | Review the sale agreement for contingencies and deadlines. | Check the terms align with the investment strategy. | ☐ |
|  | Verify compliance with local Fannie Mae lending requirements. | Gather all necessary documentation for lender approval. | ☐ |
|  | Understand what most lenders require for compliance and documentation. | Aim for a streamlined approval process and avoid delays. | ☐ |
| Additional Items | Inspect all title insurance policies for completeness. | Check coverage is comprehensive and satisfies lender requirements. | ☐ |
|  | Review diligence items specified in the contract. | Avoid overlooking key responsibilities or conditions. | ☐ |
|  | Conduct further testing for hidden issues in major systems or utility lines. | Mitigate unforeseen maintenance expenses. | ☐ |
|  | Align safety regulations with up-to-date standards. | Build trust with tenants and meet local safety codes. | ☐ |