

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.	<input type="checkbox"/>
	Review the property's rent roll and current rent roll.	Verify that the rental agreements align with stated income.	<input type="checkbox"/>
	Analyze bank statements for the past 12 months.	Assess cash flow consistency and unusual expenditures.	<input type="checkbox"/>
	Confirm rental rates in the local market.	Compare with similar properties to gauge competitiveness.	<input type="checkbox"/>
	Forecast the property's future profitability based on trends and rent growth.	Incorporate projected operating expenses and rental increases.	<input type="checkbox"/>
	Verify replacement reserves for unexpected repairs.	Check the funds are adequate and properly allocated.	<input type="checkbox"/>
	Evaluate any existing HUD multifamily loans or other financing arrangements.	Check terms and repayment schedules for alignment with your investment goals.	<input type="checkbox"/>
Legal and Title Examination	Verify property ownership with title reports.	Check that no disputes or liens are associated with the title.	<input type="checkbox"/>
	Review the purchase and sale agreement.	Look for contingencies, deadlines, and conditions that impact the deal.	<input type="checkbox"/>
	Confirm lender's title insurance policy.	Check protection against title-related defects.	<input type="checkbox"/>

	Assess the legal status of the property.	Verify compliance with local zoning laws and building codes.	<input type="checkbox"/>
	Consult with a title company for additional guidance if necessary.	Confirm no outstanding legal risks or obligations.	<input type="checkbox"/>
Property Condition Assessment	Conduct a physical inspection and unit walk.	Document the condition of all units, common areas, and amenities.	<input type="checkbox"/>
	Complete a property condition assessment (PCA).	Identify structural issues, deferred maintenance, and areas needing repair.	<input type="checkbox"/>
	Inspect essential systems such as electrical, HVAC, and plumbing.	Check functionality and compliance with regulatory standards.	<input type="checkbox"/>
	Review safety measures, including fire alarms and emergency exits.	Check compliance with local and state regulations.	<input type="checkbox"/>
	Identify value-add improvements that could enhance market appeal and profitability.	Evaluate renovation costs versus potential return on investment.	<input type="checkbox"/>
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.	<input type="checkbox"/>
	Conduct an environmental site assessment for potential hazards or contamination.	Plan for further action if red flags are identified.	<input type="checkbox"/>
	Perform a Phase II study if recommended.	Follow up with additional testing to clarify any concerns.	<input type="checkbox"/>
	Complete a physical needs assessment (PNA).	Address future repair, renovation, or upgrade requirements.	<input type="checkbox"/>
	Conduct a capital needs assessment (CNA).	Estimate the cost of scheduled upgrades over the life of the property.	<input type="checkbox"/>

Market and Tenant Analysis	Review tenant rental history for trends and risks.	Assess tenant turnover and payment reliability.	<input type="checkbox"/>
	Analyze the local market for demand, vacancy rates, and competition.	Gather information to understand the property's position in the market.	<input type="checkbox"/>
	Evaluate third-party reports such as appraisals or market studies.	Validate property value and investment assumptions with external data.	<input type="checkbox"/>
Documentation and Compliance	Collect all lease agreements and tenant files.	Confirm documentation is generally accurate and current.	<input type="checkbox"/>
	Review the sale agreement for contingencies and deadlines.	Check the terms align with the investment strategy.	<input type="checkbox"/>
	Verify compliance with local Fannie Mae lending requirements.	Gather all necessary documentation for lender approval.	<input type="checkbox"/>
	Understand what most lenders require for compliance and documentation.	Aim for a streamlined approval process and avoid delays.	<input type="checkbox"/>
Additional Items	Inspect all title insurance policies for completeness.	Check coverage is comprehensive and satisfies lender requirements.	<input type="checkbox"/>
	Review diligence items specified in the contract.	Avoid overlooking key responsibilities or conditions.	<input type="checkbox"/>
	Conduct further testing for hidden issues in major systems or utility lines.	Mitigate unforeseen maintenance expenses.	<input type="checkbox"/>
	Align safety regulations with up-to-date standards.	Build trust with tenants and meet local safety codes.	<input type="checkbox"/>