

# Due Diligence



# Real Estate Investing

## **Borrower**

- Credit worthiness
- Financial stability
- Criminal report
- Capacity for project
- Reputation
- Experience
- Entity
- Insurance

# Real Estate Investing

## Lender

- Reputable
- Predatory tactics
- Rates, fees, terms
- Ability to fund
- Speed of funding

# Real Estate Investing

## Property Value

- Appraisal (desktop, drive-by, full)
- Broker's Price Opinion (BPO) (Licensed real estate broker)
- Comparative Market Analysis (CMA) (Licensed real estate broker/agent)
- Automated Valuation Model (AVM) (Zillow, Redfin, Trulia...)
- Days on Market
- Title inspection
- Delinquent taxes
- Income/rent comps
- Seller's books and Schedule Es for rental property

# Real Estate Investing

## Property Condition

- Foundation
- Basement moisture
- Roof/gutters/downspouts
- Decks, patios, porches
- Demo
- Framing
- Walls Insulation
- Windows
- Doors
- Trim
- Flooring
- Paint
- Steps/stairs
- Handrails
- Cabinets
- Counter/vanity tops
- Sinks
- Tubs/showers
- Faucets/spigots
- Accessories
- Appliances
- Siding/Stucco

# Real Estate Investing

## **Property Condition** (other than the house)

- Outbuildings
- Pool
- Hard surfaces
- Ground absorption (standing water)
- Soils
- Trees
- Adjacent property
- Neighborhood/area

# Real Estate Investing

## Inspections, Reports, and Information

- Mold
- Asbestos
- Radon
- Lead paint
- Buried tank
- Environmental
- Home inspection
- Structural
- Wood destroying insect
- Appraisal (simple > complex commercial)
- Survey
- Engineer
- Fire suppression
- Viability study
- Tenant information
- Property class/permit for type of use
- City/County (complaints, violations, required permits, code compliance)
- Previous non-permitted work
- DNREC (septic violations, septic tests, permits, or requirements for tie-ins to public water and sewer)
- Flood zone
- HOA/Condo association
- Crime
- School report
- \*PLUS\* The Property Disclosure is a great due diligence list.

# Real Estate Investing

## Utilities

- Natural gas
- Propane
- Oil
- HVAC
- Electric panel and wiring (including aluminum, ungrounded, amps, service wire, etc.)
- Electric devices and lighting
- Plumbing (including polybutylene, galvanized, cast iron, etc.)
- Public water
- Well water
- Septic
- Sewer line



# Real Estate Investing

## Renovation

- Scope of work
  - Appropriate for target resale
  - Thorough
- Contractor
  - Reputable and dependable
  - Licensed and insured
- Estimates
  - Complete scope included
  - Detailed expectations
  - Cost is reasonable and customary for investor

# Real Estate Investing

## Summary

- Borrower
- Lender
- Property Value
- Property Condition
- Inspections
- Renovation Costs