

Basic Property Data

- ☐ Verify actual rent roll, tax bills, income tax returns or Sched E, insurance records
- ☐ Identify secondary revenue sources (laundry, parking, storage, etc.)
- ☐ Confirm current occupancy, lease terms, capital improvements needed

Income Analysis

- ☐ Use actual current income, not pro forma
- ☐ Review rent comps to validate rent growth potential
- ☐ Check for concessions or recurring vacancy issues

Expense Verification

- ☐ Break down operating expenses (utilities, insurance, taxes, maintenance, etc.)
- ☐ Compare expenses to market benchmarks for reasonableness
- ☐ Identify any unusual or missing expenses (e.g., property management, owner perks)

Net Operating Income (NOI)

- ☐ Subtract operating expenses from effective gross income
- ☐ Use NOI to calculate cap rate at projected purchase price

Financing & Cash Flow

- ☐ Model proposed financing terms (LTV, interest rate, term, balloon structure)
- ☐ Run a 10-year or greater cash flow projection
- ☐ Include reserves for capital expenditures (roof, HVAC, etc.)
- ☐ Evaluate DSCR (Debt Service Coverage Ratio) and LTV (Loan-to-Value)

Returns & Risk Metrics

- ☐ Estimate future cash flow. Is it likely to stay positive if you encounter headwinds?
- ☐ Compare cap rate to market; analyze trend over 3-5 years if possible
- ☐ Consider your total payback over time, i.e., your equity multiple
- ☐ Estimate Internal Rate of Return (IRR). Is this the best use of your cash investment?
- ☐ Run 'what if' scenarios: higher vacancy, lower rents, delayed lease-up

Exit Strategy

- ☐ Estimate resale value using conservative exit cap
- ☐ Factor in selling costs, mortgage payoff, taxes
- ☐ Consider timing of exit for tax and market conditions