

# The Due Diligence Process

## What is due diligence?

In commercial real estate, due diligence is the critical review process conducted before finalizing a deal, designed to uncover risks, ensure compliance with zoning laws, building codes, environmental regulations, and contractual obligations, and prevent costly mistakes. It provides a clear understanding of a property's strengths, challenges, and overall investment potential.

This process assesses the property from all angles:



### Market Analysis

Examines the property's surrounding environment. Key factors include population growth, employment trends, income levels, access to infrastructure, and zoning that supports long-term value.



### Physical Inspection

For existing buildings, it includes evaluating structural systems like the roof, HVAC, and plumbing, while undeveloped land is assessed for buildability through analysis of topography, soil, and utilities.



### Financial Diligence

Examine income and expenses, such as cash flow, rent rolls, and tax records, and compare them against projections to validate the investment case.



### Legal and Environmental Reviews

Confirm clear ownership, proper zoning, and identify any obstructions. Environmental assessments, such as a Phase I report, help identify any contamination risks that could impact use or value.

With all data in hand, you can make an informed decision, whether that means moving forward, renegotiating, or walking away.

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