

## GRA Basic Property Due Diligence

The following are the sorts of questions you will need to answer before you commit to a purchase. A due diligence checklist is also attached as a generalised guide.

### Checklist questions

- **Financial analysis** – Do the numbers stack up? Is this a cash flow or capital growth property?
  - What is the market value? What is the property actually worth?
  - What is the projected net yield? What is the rental appraisal for the current or potential use and what are the operating expenses?
  - Is it possible to add value? What instant equity can be achieved by adding value?
  - What subdivision potential exists? Is there demand for land in the area?
  - Is the property discounted off the market value?
  - Prepare a comparative market analysis (CMA).
- **Immediate neighbourhood** – What does it offer to prospective tenants or buyers? What would put them off? Stay out of difficult areas.
- **Building(s)** – Are they sound?
  - How much work will be needed to make them suitable for tenants? What is cost to completion?
  - What is the cladding? Are there weather tightness issues? Don't buy plaster houses.
  - Does the house have code compliance? Are all extensions permitted?
  - Consider a test for methamphetamine contamination.
- **Land** – Are there any risks inherent in the land? Avoid leasehold land, land prone to flooding or subsidence issues. Look at the title and see what covenants or rights of way or flood plains are registered on the title.
- **Legal and council information specific to the actual property** – Does council have information about this property that you need to know? Consider getting the property file from council and reading it.
- **Seller** – Why are they selling? Look for angles – are they motivated?
- **Tenants** – Are there any existing tenants? Do you want them? Are they in arrears?

## DUE DILIGENCE CHECKLIST

<b>Base Due Diligence</b>	
Check title provision in S and P agreement	
Physically inspect property	
Contract review by lawyer	
Lease/tenancy agreement review with lawyer	
Check council website for services and issues	
Check Unitary Plan website for potential use	
Obtain registered valuation	
Obtain independent rental appraisal	
Obtain indicative quote for renovation completion or requirement	
Check finance structure and obtain finance before going unconditional	
Check entity formation for ownership	
<b>Optional Due Diligence</b>	
Check property file at council – obtain copy	
Obtain builder's report	
Obtain surveyor/draughtsman report (construction potential)	
Obtain LIM	
Obtain PIM	
Review scope of works and costs to achieve code compliance if required	