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Inspection Tips for Investment Properties

COMMERCIAL REAL ESTATE BROKERAGE

by John Highman

When it comes to listing investment property today, there are many factors to look at and check before the marketing process commences. It is wise to use some form of checklist that is structured for the property type and location. In that way you can cover most if not all of the key issues that apply to the listing and the client.

Some properties are quite special and unique. They can be challenging when it comes to cash flow, tenant profiles, leases, and property performance. As you ask the questions, capture the information into accurate notes for later reference. It is surprising how often you will be referring to those notes as part of promoting the

property or completing the negotiation. If you have any doubts regards a critical element of property performance, detail, or activity, seek written evidence and proof prior to providing any information to third parties.

Here are some tips that can apply to the information gathering process. You can add to this list the elements that apply to the property type and your location.

1. Check out the title information that applies to the property ownership. Understand that you are working with the correct property owner who has the legal right to create



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- a transaction over the property.
2. Understand the elements of property zoning and planning regulations that apply to the property precinct and the particular listing. They will have an impact on the use of the property and any particular sale.
 3. Check out the tenant profiles that apply to the tenancy mix. That will include a complete review of lease documentation, rent review structures, options, lease expiry dates, and arrears. The priority here is to understand that the cash flow from the property and the tenancy mix is accurately outlined in the sale and marketing infor-
 4. In a situation of sale, the expenditure and the outgoings from the property will have an impact on the net income. Importantly, those figures should have some relevance to industry standards in the local area for the property type. Ensure that your property owner of the listing has accurately provided an up to date outgoings budget and an expenditure statement. Those figures will be required as part of the property promotion and expenditure declaration. Those figures may require an audit or checking process prior to being supplied in the prop-



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- erty sale activity.
5. The improvements within the property should be compliant with approved plans and drawings, together with the established notices of property compliance. Building codes will also have some relevance to legal occupancy. Question the property owner to ensure that there are no breaches of the current building codes as they may apply to the property listing. Seek out any information that applies to orders or notices from the local building authority or local council.

The inspection process will help you position the

listing for marketing and negotiation; ultimately that can set the scene for an easy sale and settlement. When in any doubt on property detail, do not proceed further. Get the facts and make sure that they are correct. Take notes to help protect yourself from future legal action or claims.



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- *Are urged to seek independent legal advice with respect to the matters traversed in this material; and*
- *Are urged to undertake further studies into legislation and practices that apply in their location.*

This is another quality resource from the Commercial Real Estate Training Online Series. Contact us below:

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