the

New Investor Due Diligence Checklist

50+ Items to Verify Before Buying an Investment Property

Financials | Legal | Property | Market | Tenants | Insurance | Zoning | Exit Strategy

TRUST BUT VERIFY

The difference between a profitable investment and a money pit is due diligence. This checklist covers every item a smart investor verifies BEFORE making an offer -- and BEFORE closing. Never skip due diligence because you're 'excited about the deal.' Excitement buys bad properties. Data buys good ones.

FINANCIAL ANALYSIS

▯ Run a full deal analysis (use the STR Property Analysis Calculator)
▯ Verify comparable sales (3-5 sold comps within 6 months, 1 mile)
▯ Verify rental comps (Zillow, Rentometer, AirDNA for STR)
▯ Calculate cap rate, cash-on-cash return, DSCR, and cash flow
▯ Verify property taxes (check county tax assessor -- sellers may understate)
▯ Get insurance quotes (landlord, STR, or commercial depending on use)
▯ Estimate all operating expenses: taxes, insurance, utilities, maintenance, management, vacancy, CapEx
▯ Confirm the deal cash flows AFTER all expenses and reserves
▯ Calculate your total cash needed: down payment + closing costs + rehab + furnishing + reserves

LEGAL & TITLE

▯ Order a title search (check for liens, judgments, encumbrances)
▯ Verify clear title (no outstanding claims or disputes)
▯ Check for HOA and any recorded restrictions / covenants
▯ Review HOA financials and meeting minutes (if applicable)
▯ Verify zoning allows your intended use (LTR, STR, MTR)
▯ Check for any code enforcement violations or open permits
▯ Verify property boundaries match the survey
▯ Review the seller's disclosure form carefully
▯ Confirm the property is not in a flood zone (or factor flood insurance cost)
▯ Check for environmental issues (phase 1 environmental if commercial)
▯ Verify no pending or threatened litigation involving the property

PROPERTY CONDITION

▯ Schedule a professional home inspection (never skip this)
▯ Inspect the roof: age, condition, remaining life
▯ Inspect HVAC: age, condition, service history
▯ Inspect plumbing: material (polybutylene? galvanized?), water pressure, leaks
▯ Inspect electrical: panel capacity (100A minimum, 200A preferred), wiring type, GFCI outlets
▯ Check foundation: cracks, settling, moisture, structural integrity
▯ Inspect windows: condition, seal integrity, single vs double pane
▯ Check for water damage: stains on ceilings, walls, around windows
▯ Check for mold or mildew (especially in bathrooms, basements, attics)
▯ Check for termite / WDO damage (get a WDO inspection in FL)
▯ Test all appliances
▯ Verify septic system condition (if applicable) -- get a septic inspection
▯ Verify well water quality (if applicable) -- get a well water test

MARKET & LOCATION

- Research the neighborhood: crime rates, school ratings, walkability
- Drive the neighborhood at different times of day (morning, evening, weekend)
- Check for nearby nuisances: busy roads, train tracks, industrial, airports
- Research planned development (new construction, commercial, infrastructure)
- Verify the market trend: is the area appreciating, flat, or declining?
- Check STR regulations: permits required? Caps on licenses? Restrictions on non-owner-occupied?
- Research HOA rules regarding rentals (LTR and STR)
- Verify utility costs (call utility companies for average bills)
- Assess the competition: how many similar properties are listed? What are they earning?

TENANTS & LEASES (if property is occupied)

- Request copies of all current leases
- Verify actual collected rent vs stated rent (request rent rolls for 12 months)
- Request security deposit records (amounts held and where)
- Request tenant estoppel letters (tenants confirm lease terms in writing)
- Review tenant payment history (any delinquencies or evictions?)
- Verify lease expiration dates and renewal terms
- Understand tenant rights in your state (especially regarding sale of property)
- Confirm any verbal agreements or side deals with tenants

INSURANCE VERIFICATION

- Get quotes for landlord / STR insurance before closing
- Verify if the property requires flood insurance (check FEMA flood maps)
- Verify if the property requires wind / hurricane insurance (coastal FL)
- Check insurance claims history on the property (CLUE report)
- Confirm coverage amounts are adequate for replacement cost
- Factor annual insurance cost into your deal analysis

EXIT STRATEGY

- Could you sell this property for what you paid (or more) in 2-3 years?
- Could you convert this property from STR to LTR if regulations change?
- Could you refinance this property to pull out your initial investment?
- Is there a 1031 exchange opportunity from a current property into this one?
- What's your plan if the property doesn't perform as projected?
- Do you have a timeline for holding this property (short-term flip vs long-term hold)?