

Making an Offer on a Multi-Residential Investment Property

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So you have finally decided to buy an investment property and now you are ready to take the next step. Before you proceed to present an Offer, you must be assured that an experienced realtor or lawyer, familiar with investment properties represents and assists you with completing the Offer.



Consider that when you are buying a home you are basically buying bricks, mortar and land. However, when buying a multi-residential investment property, you are assuming tenants along with all the tenant rules, regulations and laws that accompany them. There are also other extensive regulations and by-laws you need to know about, such as Fire, Zoning, Health and Safety, Environmental, and so on. Your Offer must have the appropriate clauses and conditions to address all of the above-mentioned laws and regulations.

TENANTS

Your Offer should request Tenant Acknowledgments on closing date, whereby a tenant confirms in writing the following:

- a) Monthly rent,
- b) Rental deposit paid and when,
- c) Move-in date,
- d) Whether any appliance is owned by the tenant,
- e) Which utilities (if any) do the tenants pay?
- f) Any on-going Landlord and Tenant disputes
- g) Date of last rent increase

Should a tenant refuse to sign this form, then a Declaration signed by the Seller would suffice.

EQUIPMENT

Other information that the Offer must request is confirmation of all equipment and chattels that belong to the property are included in the purchase price, e.g. lawn equipment, vacuum cleaners, appliances, snow blowers, cleaning and hardware supplies, ladders etc.

FIRE REGULATIONS

The Offer should require that the Seller provide a “Letter of Compliance” from the Fire Dept. confirming the Fire retrofit was completed and that the building is in compliance. It is highly recommend to request for annual fire inspection certificates from a qualified and certified technician.

ZONING REGULATIONS

The Offer should request the Seller provide a copy of a Zoning Certificate that verifies that all units in the property are legal and meet the zoning bylaws and confirming no outstanding work orders exist.

REQUISITIONS

The Offer should also be conditional upon receiving a copy of the following;

- All existing contracts, warranties and invoices for recent capital expenditures.
- Utility bills for at least 1 or 2 years
- Financial statements for at least 2 years

- Existing survey
- Insurance policy
- Current detailed rent roll
- Provide all reports in Owner's possession eg. Structural, Home Inspection Report, Environmental Phase 1, Appraisal etc.
- Any Rent Review Order available

INSPECTION CLAUSE

Consider including a clause allowing for a full property inspection of the property, including viewing all units, mechanical and electrical rooms, etc. This condition should have an escape clause terminating the offer, if you are not completely satisfied with the said inspection "at your sole and absolute discretion"

INSURANCE CLAUSE

With today's strict rules and regulation some properties may not be insurable due to environmental or electrical issues, or the insurance company may charge a premium for certain properties. Therefore insert a clause conditional allowing the buyer to obtain satisfactory insurance.

FINANCING CLAUSE

Unlike residential purchases, financing investment properties will take much longer to complete. The conditional period for arranging financing should be extended. The norm would be approximately 15 – 30 business days, because commercial lenders will likely request an extensive appraisal report; plus they may request environmental and structural studies before final approval is provided. If you plan to go with a CMHC insured mortgage, be prepared to extend this clause for a much longer period.

Failure to address any of the above issues in your Offer may result in unnecessary grief, incur extra costs and the possibility of paying too much for the property. Not all issues are covered in this article. For more information on Commercial Offers and related Schedules, contact the writer by email at dino@investprorealty.com or visit our website www.investprorealty.com

