



# THE ULTIMATE GUIDE TO BUYING A COMMERCIAL PROPERTY

Next Phase Commercial, brokered  
by Epique Realty



[www.NextPhaseCommercial.com](http://www.NextPhaseCommercial.com)



# WELCOME!

Buying a commercial property is a strategic investment and an exciting business decision. Whether you're purchasing an office, retail, industrial, multifamily, or land asset, the process is very different from buying a home and requires careful research, expert advice, and strong due diligence.

**This step-by-step guide will help you:**

- ▶ Prepare for the commercial buying process
- ▶ Understand market conditions, valuation, and financing
- ▶ Navigate property search, due diligence, and negotiations
- ▶ Succeed in closing and post-closing transition

Keep this guide handy—and remember your Next Phase Commercial advisor is here to guide you every step of the way.

# WHY WORK WITH ANDY AND HIS TEAM?

**Clear Advice. Smart Deals. Strong Results.**

When you work with Andy and his team, you get more than just a real estate agent—you get a dedicated partner focused on your success. Here's what sets us apart:



**Proven Results:** Years of experience closing deals for buyers, sellers, landlords, and tenants across the Twin Cities and beyond.



**Full-Service Support:** A team approach means you get expert help at every step, from property research and acquisition to negotiation, closing, and post-sale support.



**Market Intelligence:** We leverage cutting-edge technology and data to identify top properties and give you an edge in the buying process.



**Personalized Strategy:** No cookie-cutter process. We adapt our approach to fit your unique goals and needs.



**Clear Communication:** Honest, straightforward advice with consistent updates—so you're never left in the dark.



**Accountability:** Every lead, showing, and opportunity is tracked. We follow up, nurture relationships, and ensure no detail is overlooked.



**Our goal is simple:** To make your real estate journey smooth, successful, and stress-free.

Let us put our expertise, systems, and care to work for you.



# TABLE OF CONTENTS

---

## Phase 1: Buyer Preparation 06

---

- Understanding the CRE Market ..... 06
- Setting Your Investment Criteria ..... 07
- Assembling Your Team ..... 07
- Determining Your Budget and Getting Pre-Qualified ..... 07
- Understanding Financing (SBA, Conventional, etc.) ..... 08
- Working With a Commercial Broker ..... 08
- Key Questions to Ask Your Broker ..... 09

## Phase 2: The Property Search 10

---

- Identifying Properties (On & Off-Market) ..... 10
- Researching Locations & Property Types ..... 10
- Touring Properties and Evaluating Fit ..... 11
- Analyzing Financials and Property Value ..... 11
- Making an Offer & Submitting an LOI ..... 12
- Earnest Money and Escrow ..... 12
- Common Offer Terms & Negotiation Tactics ..... 12



**Phase 3: Due Diligence and Escrow** **13**

---

- The Due Diligence Checklist ..... 13
- Physical Inspections & Building Condition ..... 14
- Environmental Due Diligence (Phase I/II/III) ..... 14
- Zoning & Permitted Uses ..... 14
- Reviewing Leases and Tenant Info ..... 15
- Title, Survey, and Legal Review ..... 15
- Financing Approval & Appraisal ..... 15
- Contingencies and Renegotiation ..... 15

**Phase 4: Closing & Beyond** **16**

---

- Final Walk-Through ..... 16
- Closing Process & Settlement Statement ..... 16
- Transferring Utilities, Contracts, and Management ..... 17
- Post-Closing: First 30/60/90 Days ..... 17
- Key Contacts for New Owners ..... 17

**Checklists, Shortcuts, and Glossary** **18**

---

- Buyer Checklists ..... 18
- Buyer Shortcuts & Pro Tips ..... 19
- Glossary of CRE Terms ..... 19

**About Next Phase Commercial** **20**

---



# PHASE 1:

## BUYER PREPARATION

---

### Understanding the CRE Market

- ▶ What's the market cycle for your desired asset type? (Buyer's, Seller's, or Balanced?)
- ▶ Is your target area experiencing growth, redevelopment, or new construction?
- ▶ What are local vacancy and cap rates?
- ▶ Are there any economic, zoning, or infrastructure changes that could impact your investment?

## Setting Your Investment Criteria

- ▶ What property type fits your goals? (Office, Retail, Industrial, Multifamily, Land, Special Use)
- ▶ Are you an investor or owner-user?
- ▶ Target purchase price, cash flow, or yield
- ▶ Size, location, building age/condition, tenant mix
- ▶ Hold period and exit strategy

## Assembling Your Team

- ▶ Commercial broker/agent
- ▶ CRE attorney
- ▶ Lender/mortgage broker (SBA/Conventional)
- ▶ CPA/tax advisor
- ▶ Property inspector, environmental consultant, surveyor, and insurance agent

## Determining Your Budget & Getting Pre-Qualified

- ▶ Assess your cash available for down payment, closing costs, and reserves
- ▶ Pre-qualify with lenders: Conventional CRE loan vs. SBA loan
- ▶ Consider long-term ownership costs: property taxes, insurance, utilities, maintenance, management fees, and capital expenditures



## Understanding Financing (SBA Loans, Conventional, 1031, etc.)

- ▶ **SBA Loans:** Ideal for owner-users, lower down payment, but stricter property and business requirements, more paperwork, longer timeline
- ▶ **Conventional CRE Loans:** More flexibility, faster closing, may require higher down payment, available to investors and owner-users
- ▶ **1031 Exchange:** If you're selling another property, discuss like-kind exchange for tax deferral with your broker and CPA upfront
- ▶ Ask each lender about qualification, timeline, and documentation required



### Buyer Shortcut:

Start the loan approval process early—lenders may uncover documentation or credit issues that need time to resolve.

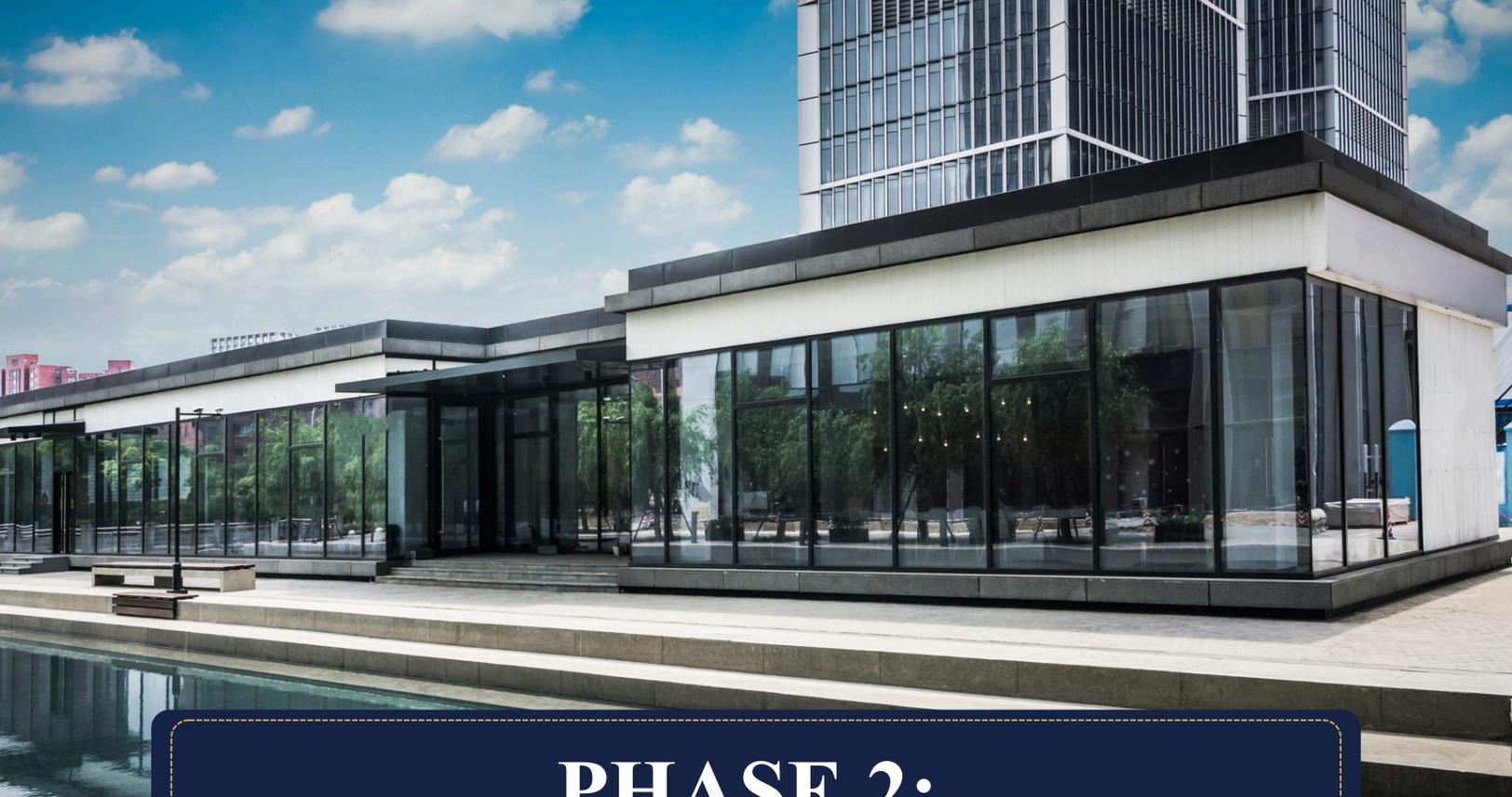
## Working With a Commercial Broker

- ▶ Choose a broker who specializes in your asset type and market
- ▶ Ask about off-market opportunities and broker's local network
- ▶ Discuss your goals, communication style, and expectations
- ▶ Sign a buyer representation agreement if required
- ▶ Your broker should advise on value, search, negotiation, and due diligence

## Key Questions to Ask Your Broker

- ▶ What is your experience with properties like the one I want?
- ▶ What's your process for uncovering off-market opportunities?
- ▶ How do you help with underwriting and deal analysis?
- ▶ Can you help me estimate improvement/repair costs?
- ▶ What due diligence support do you provide?





## PHASE 2:

### THE PROPERTY SEARCH

---

#### Identifying Properties

- ▶ Use LoopNet, Crexi, CoStar, broker networks, direct outreach, and public records
- ▶ Consider on-market and off-market deals
- ▶ Don't ignore properties needing repositioning or with value-add potential

#### Researching Locations & Property Types

- ▶ Drive neighborhoods/areas of interest
- ▶ Research local demographics, traffic counts, competition, and upcoming development
- ▶ Visit at different times/days to assess parking, access, tenant mix, and activity

## Touring Properties and Evaluating Fit

- ▶ Schedule tours with your broker
- ▶ Bring a property checklist (see end of this guide)
- ▶ Note property condition, accessibility, major systems (roof, HVAC, electrical, plumbing)
- ▶ Ask for recent capital improvements, maintenance records, and age of key systems

## Analyzing Financials and Property Value

- ▶ Request and review rent roll, income & expense statements, current leases, CAM reconciliations, and tax/insurance bills
- ▶ Calculate Net Operating Income (NOI) and estimate cap rate
- ▶ Compare with similar sales and market cap rates
- ▶ Assess current and projected cash flow
- ▶ For owner-users: Analyze how occupancy will affect your business operations



## Making an Offer & Submitting an LOI

- ▶ Discuss offer strategy and terms with your broker
- ▶ Prepare a Letter of Intent (LOI) or purchase agreement
- ▶ Key offer terms: price, earnest money, due diligence period, contingencies, closing date, financing
- ▶ Include financing/approval status if applicable

## Earnest Money and Escrow

- ▶ Standard is 1-5% of purchase price, varies by market and property type
- ▶ Held by escrow or title company
- ▶ Often refundable if contingencies aren't satisfied

## Common Offer Terms & Negotiation Tactics

- ▶ Contingencies: financing, due diligence, appraisal, environmental, lease review
- ▶ Closing/funding timeline
- ▶ Requests for seller concessions or credits for repairs
- ▶ Flexibility on possession or closing date





# PHASE 3:

## DUE DILIGENCE & ESCROW

### Due Diligence Checklist

- ✓ Review and verify all leases, financials, service contracts, and warranties
- ✓ Inspect building systems: roof, HVAC, structure, electrical, plumbing
- ✓ Conduct Phase I Environmental Site Assessment (ESA), and Phase II/III if required
- ✓ Obtain zoning verification letter and confirm permitted use
- ✓ Survey and title review: check for easements, encroachments, or liens
- ✓ Order property appraisal and confirm with lender
- ✓ Review insurance needs and claims history
- ✓ Review tenant estoppel certificates (if applicable)

## Physical Inspections & Building Condition

- ▶ Hire qualified inspector(s) for property type
- ▶ Inspect all major systems and deferred maintenance
- ▶ Estimate cost of immediate and future repairs

## Environmental Due Diligence

- ▶ **Phase I ESA:** Review property and area history, site inspection, regulatory database checks
- ▶ **Phase II ESA:** If Phase I identifies Recognized Environmental Conditions (RECs), physical testing of soil, water, or materials may be required
- ▶ **Phase III ESA:** If contamination is found, a formal remediation plan and cost estimate is necessary



### Buyer Shortcut:

Don't waive environmental—clean reports are often required for financing and protect you from expensive surprises.

## Zoning & Permitted Uses

- ▶ Confirm property's zoning and whether your intended use is allowed
- ▶ Obtain a zoning verification letter from the municipality
- ▶ Review any existing variances, conditional use permits, or special approvals
- ▶ Check for active or prior zoning/code violations

## Reviewing Leases and Tenant Info (If Applicable)

- ▶ Review all leases, amendments, and estoppels
- ▶ Confirm rent roll and payment history
- ▶ Check for tenant rights of first refusal, termination, or expansion options
- ▶ Review service/vendor contracts

## Title, Survey, and Legal Review

- ▶ Order ALTA/NSPS survey to confirm boundaries, easements, and encroachments
- ▶ Review title commitment/policy for exceptions or liens
- ▶ Confirm seller's ability to convey good title

## Financing Approval & Appraisal

- ▶ Complete loan underwriting and provide lender requested documentation
- ▶ Appraisal must meet or exceed purchase price for financing to be approved
- ▶ Address any lender or underwriter requests promptly

## Contingencies and Renegotiation

- ▶ If due diligence uncovers issues (environmental, physical, legal, lease-related), renegotiate price or terms, or request seller repairs/credits
- ▶ Be prepared to walk away if major issues cannot be resolved





# PHASE 4:

## CLOSING & BEYOND

---

### Final Walk-Through

- ▶ Inspect property just prior to closing
- ▶ Confirm all agreed repairs are complete
- ▶ Verify vacant/tenant spaces are delivered as agreed

### Closing Process & Settlement Statement

- ▶ Review closing disclosure or settlement statement (ALTA) for all costs
- ▶ Provide funds for down payment, closing costs, and fees
- ▶ Sign final loan and purchase documents
- ▶ Title is recorded, and keys/access transferred

## Transferring Utilities, Contracts, and Management

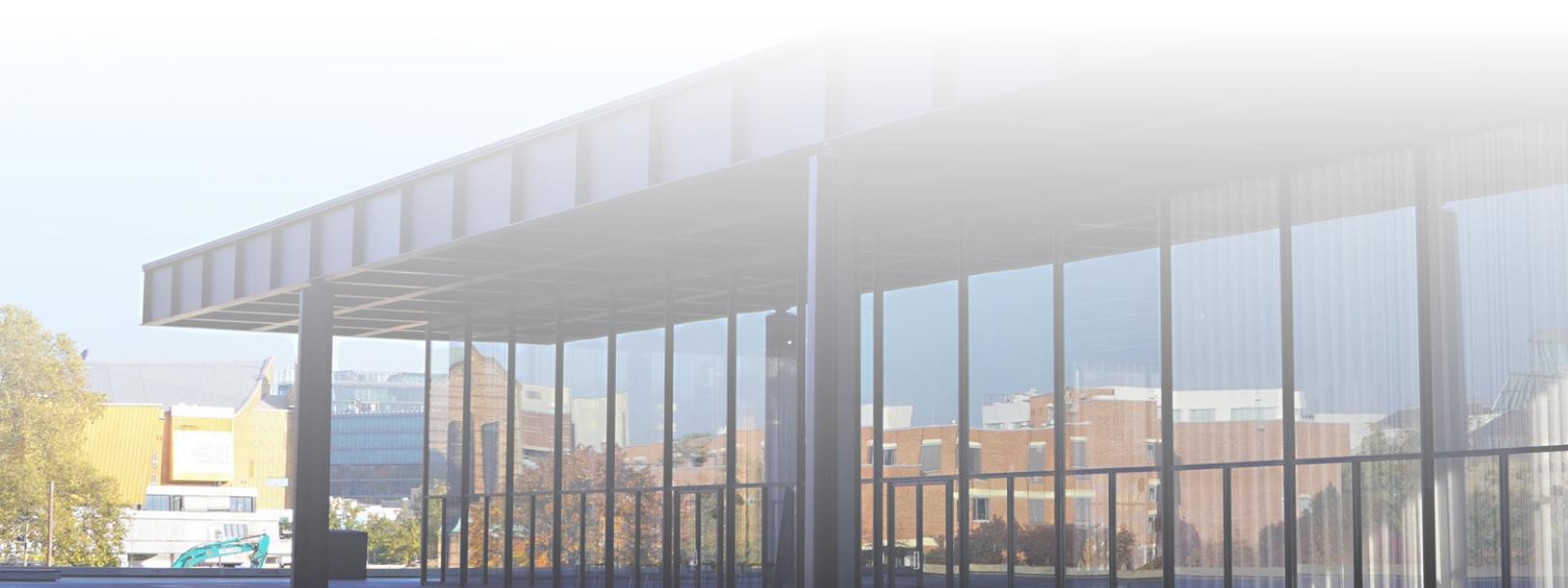
- ▶ Set up/transfer utilities, property management, and service contracts
- ▶ Notify tenants and vendors of new ownership
- ▶ Collect property manuals, access codes, keys, and warranties

## Post-Closing: First 30/60/90 Days

- ▶ Review property operations and financials
- ▶ Conduct a post-closing property condition inspection
- ▶ Implement any business or management plans
- ▶ Establish ongoing communication with tenants/service providers

## Key Contacts for New Owners

- ▶ Property manager
- ▶ Key vendors (HVAC, landscaping, security, janitorial, etc.)
- ▶ Insurance agent
- ▶ Local municipality contacts (zoning, permits, etc.)





# CHECKLISTS, SHORTCUTS, & GLOSSARY

## Buyer Checklists

---

### Pre-Contract

- ✓ Define search criteria, budget, team
- ✓ Get pre-qualified or approved for financing
- ✓ Engage a broker

## Due Diligence

- ✓ Review leases/financials
- ✓ Inspect all building systems
- ✓ Order Phase I ESA
- ✓ Obtain zoning letter
- ✓ Order appraisal and survey
- ✓ Secure insurance quote

## Pre-Closing

- ✓ Complete final walk-through
- ✓ Review closing statement
- ✓ Transfer utilities and management



### Buyer Shortcuts & Pro Tips

- ▶ Always request and review environmental and zoning reports
- ▶ Never skip a physical inspection—bring an expert if you aren't one
- ▶ Ask for seller warranties on major systems when possible
- ▶ Start loan application and due diligence immediately after contract execution
- ▶ Plan for reserves for unexpected repairs or tenant vacancies

# GLOSSARY OF CRE TERMS

---

- ▶ **ALTA Survey:** Detailed survey showing property boundaries and easements
- ▶ **Appraisal:** Third-party valuation for lender/underwriting
- ▶ **Cap Rate:** Net Operating Income ÷ Purchase Price
- ▶ **Contingency:** Contract clause allowing cancellation if a condition isn't met
- ▶ **Due Diligence:** Period to investigate property, legal, and financial matters
- ▶ **Environmental Site Assessment (ESA):** Phase I/II/III investigation for contamination
- ▶ **Estoppel Certificate:** Document confirming tenant's lease terms and status
- ▶ **LOI (Letter of Intent):** Preliminary, non-binding offer
- ▶ **NOI (Net Operating Income):** Income minus operating expenses
- ▶ **Phase I/II/III ESA:** Environmental site assessments, with increasing depth of testing
- ▶ **PSA (Purchase & Sale Agreement):** Final binding sale contract
- ▶ **Qualified Intermediary (QI):** Required for 1031 exchange
- ▶ **Rent Roll:** List of tenants, rents, and terms
- ▶ **SBA Loan:** Government-backed loan for owner-users, stricter timeline/requirements
- ▶ **Title Commitment:** Preliminary title insurance outlining exceptions/liens
- ▶ **Zoning Verification Letter:** Official city/county letter confirming permitted uses

# ABOUT NEXT PHASE COMMERCIAL

---

Next Phase Commercial, brokered by Epique Realty, is your local expert and trusted guide for commercial property purchases throughout Minnesota and Wisconsin. Our data-driven, client-first approach, deep network, and commitment to your success means we are your partner from search to closing—and beyond.

## Contact:

 612.386.7249

 [Andy@NextPhaseCommercial.com](mailto:Andy@NextPhaseCommercial.com)

 [www.NextPhaseCommercial.com](http://www.NextPhaseCommercial.com)

# EPIQUE REALTY

