



REAL ESTATE
DYNAMICS



Preparing for Due Diligence

BEST PRACTICE GUIDE AND TIPS

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YOU HAVE JUST LISTED YOUR RENT ROLL FOR SALE – NOW WHAT?

Most buyers will want to conduct a due diligence to verify the condition of the rent roll. Now is the best time to prepare for this prior to receiving any offers. Follow the steps in this guide to help you prepare for a smooth transaction.

1. PREPARE YOUR RENT ROLL MASTER REPORT

You will need to collate a full list of all the properties you are selling. Enter these into the document named Rent Roll Master Report. This report will form the base for your due diligence and will be used throughout your rent roll sale. Once a contract is formed, it can be used to identify each property without providing the property address or owner details to the buyer as each property will have its own property ID. Consistently update the report with any lost or gained properties as they occur.

2. CONDUCT A FILE AUDIT

Go through each landlord, tenant and property file and, using the Complete File Audit checklist, ensure that all items are included in each file. If anything is missing, incorrect, or incomplete, make sure this is rectified before due diligence takes place. Update the Rent Roll Master Report with all relevant information.

3. CHECK TITLE REFERENCES

Ensure a title search is attached to each management authority, and the names on the authority match the title search. If the names, or any other information on the authority is incorrect, it is a good opportunity to have a new authority completed and signed by the landlord. Ensure that the information in your trust account system matches the information on the management authority.

4. CONDUCT A FULL KEY AUDIT

Identify any keys and entry items that are missing. If keys are missing use the document named Keys to be Cut by Tenant or arrange with the tenant to have your locksmith visit them at home or work to cut a copy of the missing key/s. This is the most time effective method and also ensures the tenant is not inconvenienced in the process. Ensure each property has a full set of keys clearly tagged and labelled as your agency set.

5. CONDUCT A FULL BOND AUDIT

Complete an audit of bonds held to ensure that the amount held is correct, the bond number is accurate, and all bonds are accounted for. Identify any missing or insufficient bonds held and if applicable, arrange for tenants to pay the required amount ASAP.

6. TRUST ACCOUNT

Ensure your trust account is in immaculate order and resolve any adjustments, unpresented cheques and balance errors. If you have concerns, please contact your accountant. Continue to check and sign off on your daily trust account reconciliation ensuring that it balances.

7. OPERATIONS

Now is the time to really take control of any outstanding arrears, maintenance, inspections and lease your vacant properties. It is also a good idea to minimise the number of periodic tenancies in your rent roll.

ARREARS

If your records show that arrears have been poorly managed, it suggests to potential buyers that you have a high maintenance rent roll. The other risk factor buyers will consider is the impact high volume rent arrears have on cash-flow (as an agent can only earn management fees on rent paid). An action you can take now to help minimise arrears is to work with tenants who are behind in their rent and align their payments to a day that suits them.

MAINTENANCE

Stay on top of maintenance and manage this task daily by following up on outstanding repairs or quotes. Pending repairs should be followed up every couple of days. Ensure you complete and clear work orders as soon as the work is complete and the invoice is paid.

ROUTINE INSPECTIONS

Confirm all routine inspections are up to date, and are being conducted as per the frequency specified in the management authority. Follow up on and complete any overdue inspections, and ensure that reports are sent to landlords within 24 hours after the inspection.

VACANCIES

A vacant property is not producing any income for the agency, so it is important to lease all vacant properties as this could increase the final sale price of the rent roll. Meet with the leasing team to find out what needs to happen to lease any vacant properties and action.

PERIODIC TENANCIES

Compile a list of all periodic tenancies in your rent roll. Contact the landlord to recommend that the tenants be placed on a new fixed term tenancy agreement. If possible, increase the rent when sending out the new tenancy agreement, which could also increase the final sale price of the rent roll.

Completing all these tasks may seem like a large job initially, however, if these tasks are all completed and managed well by the time a contract is secured, you will sail through due diligence.

