

How to Vet a Buyer

12 questions to ask before you sign, and how to tell whether the buyer of your building will actually close

A buyer spends weeks investigating the seller's building before committing. Few owners investigate the buyer in return, even though the buyer's ability to close matters just as much as the price.

The 12 questions below take about fifteen minutes to ask. Ask them before signing a letter of intent or contract, and compare each answer against the examples given.

How to use these questions. Ask every buyer the same questions, in writing if possible. A serious buyer will answer each one directly. Two or more red flags is a reason to slow down and involve your broker and attorney.

SHOW ME THE MONEY Can the buyer actually pay?

1 Where is the down payment coming from? ☐

GOOD ANSWER The buyer's own funds, or a fund whose investors have already committed.

RED FLAG The money will be raised from investors after the contract is signed.

2 Can you show proof of funds before we sign? ☐

GOOD ANSWER Yes. A recent bank or brokerage statement, or a written commitment from the fund.

RED FLAG Proof is offered "later," or only after the property is under contract.

THE BANK LOAN Can the buyer get the rest?

3 Who is your lender, and have you closed with them before? ☐

GOOD ANSWER A named lender and recent closings with that lender.

RED FLAG No lender chosen yet, or the buyer plans to "shop the loan."

4 If your loan falls through, do I keep the deposit? ☐

GOOD ANSWER Yes, after a fixed date that comes early in the contract.

RED FLAG A financing contingency that runs until the day of closing.

THE DEPOSIT AND DILIGENCE How long is the building tied up for free?

5 How much is the deposit, and on what date does it become non-refundable? ☐

GOOD ANSWER A specific dollar amount and a specific date, measured in days, not months.

RED FLAG A deposit that stays refundable for 60 days or more.

6

What do you need to investigate, how long will it take, and will you ask for more time?

☐

GOOD ANSWER A specific list, a short timeline, and no planned extensions.

RED FLAG A vague answer, or a long period "to be safe."

TRACK RECORD Has this buyer kept their word before?

7

How many properties have you closed in the last two years?

☐

GOOD ANSWER A clear number with addresses the buyer is willing to share.

RED FLAG Mostly deals that are "in the works."

8

How many of your recent contracts closed at the original contract price?

☐

GOOD ANSWER Most or all of them, stated plainly.

RED FLAG Hesitation, or "it depends on what we find."

9

May I speak with two owners who sold to you?

☐

GOOD ANSWER Names and phone numbers, offered without hesitation.

RED FLAG No references, or only references from brokers.

TENANTS AND THE CONTRACT Will the deal stay private, and stay with this buyer?

10

Will you contact my tenants, and when?☐**GOOD ANSWER** Only after the deposit is non-refundable, and only with the owner's approval.**RED FLAG** Tenant interviews early in diligence, or contact without notice.

11

Can this contract be assigned to someone else?☐**GOOD ANSWER** No, or only to a company the buyer controls.**RED FLAG** Yes. The buyer may plan to resell the contract instead of closing.

12

What would cause you to walk away?☐**GOOD ANSWER** A short, specific list, such as a failed environmental report.**RED FLAG** "Anything we find," with no limits.

BEFORE YOU SIGN

Owner's checklist

Take this page to your broker, attorney, CPA, and financial advisor. Do not rely on a buyer's assurances alone.

#1	PROPERTY	What major capital items may come due in the next five years?	☐
#2	LEASES	When do the largest leases expire, and what is the renewal plan?	☐
#3	BUYER'S CASH	Has the buyer shown proof of funds? Is any money still to be raised?	☐
#4	FINANCING	Who is the lender, and what approvals remain?	☐
#5	TENANTS	Who may contact tenants, when, and what may be discussed?	☐
#6	DEPOSIT	On what date does the deposit become non-refundable?	☐
#7	PRICE CHANGES	How will repair and price-reduction requests be handled?	☐
#8	TAXES	Have tax and reinvestment options been reviewed with a CPA?	☐
#9	FAMILY	Has the plan been reviewed with family and an estate attorney?	☐

Numbers refer to the matching landmine in the companion brief, *Nine Landmines to Avoid When Selling a Commercial Building*.

This guide is general information for commercial property owners. It is not legal, tax, or investment advice, and it does not replace review of the actual purchase and sale agreement. Owners should consult their own broker, attorney, CPA, and financial advisor.

From Good Harbor Commercial Real Estate. Ask us all 12 questions. Call or text 617.398.4324, or visit goodharborcre.com.