

Learning Objectives

- Know exactly what to inspect and look for in a coliving property
- Identify deal-killer red flags vs. negotiation opportunities
- Navigate the closing process from contract to keys
- Set up your entity structure for asset protection

The Due Diligence Period

Your offer was accepted—congratulations! But the deal isn't done. The due diligence period (typically 10-14 days) is your chance to **verify everything** before you're committed.

CRITICAL RULE

Never skip due diligence. Even if you plan to renovate extensively, you need to know what you're buying. Undiscovered foundation issues, mold, or structural problems can turn a great deal into a money pit.

The Coliving Inspection Checklist

A coliving property inspection goes beyond a typical home inspection. You're also evaluating the property's potential for room rentals.

Structural & Systems

ITEM	WHAT TO CHECK	DEAL KILLER?
Foundation	Cracks, settling, moisture intrusion	● Yes
Roof	Age, condition, leaks, remaining life	● Negotiate
HVAC	Age, condition, capacity for full house	● Negotiate
Plumbing	Pipe material, water pressure, drain flow	● Depends
Electrical	Panel size (200A preferred), wiring type	● Negotiate
Water Heater	Size (50+ gal or tankless for coliving)	● Budget it

Coliving-Specific Checks

ITEM	WHAT TO CHECK	WHY IT MATTERS
Room Sizes	Each bedroom \geq 70 sq ft (check local code)	Must meet minimum habitable room size
Bathroom Ratio	Ideal: 1 bath per 2 - 3 rooms	More bathrooms = higher rents
Parking	Spaces available vs. rooms to rent	Tenants need parking
Kitchen Size	Counter space, storage for multiple tenants	Shared kitchen must be functional
Egress Windows	Every bedroom needs code-compliant window	Required for legal bedrooms
Lockable Doors	Can each room have a keyed lock?	Essential for tenant privacy/security
Common Areas	Living room, laundry space	Shared spaces improve experience

▶ Red Flags & Deal Killers

● Walk Away

- Major foundation issues (\$20K+ to fix)
- Active mold throughout the house
- Zoning prohibits room rentals
- HOA bans rentals or coliving
- Environmental contamination
- Title issues that can't be resolved
- Structural damage requiring engineering

● Negotiate

- Roof needs replacement (ask for credit)
- HVAC is old but functional
- Electrical panel needs upgrade
- Cosmetic issues (great for investors!)
- Minor plumbing issues
- Outdated kitchen/ bathrooms
- Needs new water heater

NEGOTIATION AFTER INSPECTION

Inspection findings give you leverage to renegotiate. Ask for price reductions or seller credits equal to the cost of needed repairs. Get contractor estimates to support your requests.

Additional Due Diligence

Legal & Regulatory

- **Zoning verification:** Confirm room rentals are permitted
- **Business license:** Check if required for room rentals
- **Building permits:** Verify any past renovations were permitted
- **Code compliance:** Smoke detectors, carbon monoxide, fire extinguishers
- **Insurance:** Get landlord policy quotes (mention room-by-room rental)

Financial Verification

- **Property taxes:** Verify current amount and any pending reassessment
- **Utility costs:** Request seller's utility bills (12 months)
- **Insurance quotes:** Get 3 quotes for landlord/rental dwelling policy
- **Renovation bids:** Get 2-3 contractor estimates

Title Review

- **Clean title:** No liens, judgments, or encumbrances
- **Survey:** Property boundaries match description
- **Easements:** Check for utility or access easements
- **Title insurance:** Owner's policy recommended

Entity Structure

Most coliving investors hold properties in an LLC for liability protection and tax flexibility.

Single-Member LLC

- Simple to set up (\$50-500)
- Pass-through taxation
- Asset protection
- Can get DSCR loans in LLC name

Series LLC (Where Available)

- Multiple "series" under one LLC
- Each property isolated
- Lower ongoing costs
- Available in some states

CONSULT A PROFESSIONAL

Entity structure has legal and tax implications. Work with a real estate attorney and CPA who specialize in investment properties to choose the right structure for your situation.

The Closing Process

Timeline: Contract to Keys

1

Days 1-3: Contract Execution

Sign purchase agreement, deliver earnest money, notify lender.

2

Days 3-10: Due Diligence

Home inspection, contractor walk-throughs, zoning verification, insurance quotes.

3

Days 10-14: Negotiate Repairs

Submit repair requests or negotiate credits based on inspection findings.

4

Days 14-25: Loan Processing

Appraisal ordered, underwriting review, title search completed.

5

Days 25-28: Clear to Close

Final loan approval, review closing disclosure, wire funds.

✓

Day 30: Closing Day!

Sign documents, transfer funds, receive keys. You're a coliving owner!

Action Steps

1. **Bookmark the Due Diligence Checklist** for your next deal
2. **Find a home inspector** experienced with investment properties
3. **Get contractor contacts** for renovation estimates
4. **Consult an attorney** about LLC formation
5. **Review your insurance** needs for coliving

Key Takeaways

- **Never skip due diligence**—it's your protection against bad deals
- **Coliving inspections** check standard items PLUS room-rental-specific factors
- **Use inspection findings** to negotiate better terms or walk away
- **Verify zoning and legality** before committing
- **Hold properties in an LLC** for liability protection



Your Deliverable

The comprehensive checklist to protect yourself during due diligence.



Module 4 Complete!

You now know how to fund deals, make winning offers, and close safely. Next: turning your property into a coliving money machine.