



What is Commercial Real Estate Due Diligence?

A Beginner's Guide for Investors & Owner Occupants



By **Chuck Heller, SIOR** | Executive Vice President

“Due diligence is not a formality – it’s the foundation of every sound real estate decision.

In South Central Pennsylvania, the properties that seem like great deals sometimes carry hidden risks that only surface when you know what to look for.”

– Chuck Heller, SIOR,
Executive Vice President

Purchasing commercial real estate is one of the most significant financial decisions a business owner or investor will ever make. Unlike buying a home, commercial property transactions involve a complex web of physical conditions, financial performance, zoning regulations, and business implications that demand careful, methodical evaluation before you ever sign on the dotted line.

That process of careful evaluation is called due diligence – and done right, it is your single greatest protection against costly surprises.

What Is Commercial Real Estate Due Diligence?

At its core, due diligence is the investigative period between signing a purchase agreement and closing on a commercial property. During this window – typically 30 to 90 days depending on deal complexity – buyers dig deep into every aspect of the property to confirm that what they’re buying matches their expectations and what they’ve been told.

Commercial real estate due diligence breaks into two major categories:

- **Physical Evaluation** – assessing the tangible condition of the property itself
- **Business Evaluation** – assessing how the property performs financially and how it will impact your operations

Both categories matter equally. A structurally sound building is worthless to your business if the zoning doesn’t support your intended use. And a prime location means little if the roof needs immediate replacement or the HVAC system is at end of life

Why Due Diligence Looks Different for Different Buyers

One of the most important things to understand early is that due diligence is not a one-size-fits-all process. Your focus areas will depend heavily on why you’re buying the property.

Owner-Occupants

If you’re buying a building to operate your own business out of – whether it’s an office, industrial facility, or retail space – your due diligence centers on whether this property can support your business now and into the future. That means evaluating.

- Is the space the right size for your current operations and anticipated growth? location serve your employees and customers effectively?
- Are there zoning, permitting, or code compliance issues that could affect your use?
- What renovations are needed, and what will they cost?

Investors

If you’re buying a property as an investment – to lease to tenants and generate income – your due diligence priorities shift toward the financial performance of the asset.

“Owner-occupants often underestimate how much the location decision affects their people. We always recommend mapping where your employees live and where your customers come from before committing to a property – especially in a market like ours where Harrisburg, York, Lancaster, and Hershey each have very different workforce and traffic dynamics.”

– Chuck Heller, SIOR,
Executive Vice President

Key questions include:

- How strong and creditworthy are the existing tenants?
- What does the lease structure look like, and what income can you reliably project?
- What is the upside potential – through rent escalations, re-tenancy, or repositioning?
- What physical risks could reduce income or increase expenses over your hold period?

The Four Asset Classes of Commercial Real Estate

Commercial real estate encompasses several distinct property types, each with unique due diligence considerations. In South Central Pennsylvania, the most common asset classes buyers encounter are:

- Office – from single-tenant professional buildings to multi-story corporate campuses
- Industrial – warehouses, distribution centers, flex space, and manufacturing facilities
- Retail – strip centers, standalone storefronts, and mixed-use properties
- Multifamily – apartments, mixed-use properties, and student-housing

Each of these asset classes comes with its own physical evaluation priorities, its own business analysis framework, and its own set of market factors specific to the Harrisburg, York, Hershey, and Lancaster region.

In the articles that follow in this series, we'll go deep on the physical due diligence process, the business evaluation framework, and the financing considerations that bring every deal together.

What's Coming in This Series

Over the coming weeks, #LCR will be sharing a four-part series on Commercial Real Estate Due Diligence. In the coming weeks we will cover the following topics:

- Physical Due Diligence – Evaluating the Property Itself
- Business Due Diligence for Owner-Occupants
- Investment Due Diligence – Evaluating Income-Producing Properties

Whether you're a first-time commercial real estate buyer or an experienced investor expanding into the South Central Pennsylvania market, this series will give you the knowledge you need to ask the right questions, protect your investment, and make confident decisions.

“The buyers who fare best in this market are the ones who treat due diligence as an opportunity, not an obstacle. It's your chance to truly understand what you're buying – and to negotiate from a position of knowledge.”

– Chuck Heller, SIOR,
Executive Vice President

Ready to Make Your Next CRE Investment in South Central Pennsylvania?

Whether you're acquiring your first commercial property or expanding your portfolio across Harrisburg, York, Hershey, or Lancaster, Chuck Heller brings decades of local market expertise to guide you through every step of the due diligence process.

Contact Chuck today to discuss your acquisition goals.

Chuck Heller, SIOR | Executive Vice President
717.979.5619 | CHeller@LandmarkCR.com

