Media Mention: Joanne Badr Morgan on Preclosing Due Diligence

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It’s that unsettling feeling you get in the pit of your stomach after you regret making a purchase.

Buyer's remorse is real and is often associated with the purchase of expensive items, such as a car or real estate.

Recently, commercial real estate attorney Joanne Badr Morgan wrote an article, which was featured in Capital at Play Magazine, about how property buyers could avoid post-closing remorse by taking advantage of the due diligence period.

From the article:

> Your business has taken off, and you’ve been searching for that perfect 7,500 square foot building on an acre of land close to town, with parking and a view, and you’ve finally found it. Mission accomplished, right? Not so fast—before you become the proud new owner of that real estate, you are going to want to know many details about its past ownership, past uses, and any available information in the public records. What you learn during your “due diligence period,” sometimes called the “inspection period,” will either solidify the fact that you’ve found your perfect piece of property, or that you should terminate your contract before your due diligence period comes to an end.
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> **Make Sure Your Contract Includes a Satisfactory Due Diligence Period**
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> Any well-written contract for the purchase of commercial real estate will contain a provision allowing a due diligence period, during which time you, as the prospective buyer, have the opportunity to uncover key information about the real estate prior to purchasing it.
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> The due diligence period in your contract should be long enough to allow you to conduct the inspections mentioned below, plus any additional ones that may be necessary to investigate whether requirements unique to your business, industry, or intended use of the property can be satisfied. To make sure you have time to get the help you need, you should consult with prospective inspectors, such as title attorneys, surveyors, and engineers, to determine what their schedules will allow before you set a time period.
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> While the due diligence process can be somewhat costly, a thoroughly conducted one can help you avoid countless amounts of stress, costs, and legal liability if after you have become the new owner of the property it turns out the property has serious problems or is useless for your intended use of it.

Most often, you will place an earnest money deposit in escrow (i.e. in a trust account held by your attorney, the seller's attorney, or any real estate broker involved in your purchase). The deposit is typically:

- Held until the closing date, at which time it is applied towards your purchase price;
- Returned to you if you or the seller terminates your contract prior to the end of your due diligence period or,
- Released to the seller if you fail to terminate the contract by the end of the due diligence period and don’t close on the purchase of the real estate.

Here is a list of key due diligence tools you and (and hopefully your attorney) should include in any purchase contract and use during this critical pre-closing period. Read More.