

# COMMERCIAL PROPERTY TRANSACTION GUIDE

Your Complete Resource for Commercial Real Estate

Closings in Las Vegas and Nevada

**Platinum Title and Escrow, LLC**

Your Trusted Partner for Seamless Closings

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# 1. INTRODUCTION TO COMMERCIAL REAL ESTATE TRANSACTIONS

Commercial real estate transactions are significantly more complex than residential deals, involving larger sums of money, intricate financing structures, and extensive due diligence requirements. Whether you're purchasing an office building, retail center, industrial warehouse, or multi-family property, understanding the transaction process is crucial to success.

This comprehensive guide from Platinum Title and Escrow provides essential information for buyers, sellers, investors, and real estate professionals navigating commercial property transactions in Las Vegas and throughout Nevada. Our experienced team has facilitated hundreds of commercial closings, and we're committed to ensuring your transaction proceeds smoothly from contract to closing.

## Why Commercial Transactions Differ

Aspect	Residential	Commercial
Transaction Value	\$200K - \$800K typical	\$500K - \$50M+ typical
Due Diligence Period	10-20 days	30-90+ days
Financing	Standardized mortgages	Customized loan structures
Inspections	General home inspection	Phase I/II environmental, structural, roof, HVAC
Contract Length	5-10 pages	30-100+ pages
Closing Timeline	30-45 days	60-180+ days

## 2. TYPES OF COMMERCIAL PROPERTIES

Commercial real estate encompasses various property types, each with unique characteristics, investment considerations, and transaction requirements.

### Office Buildings

Professional workspace ranging from single-tenant buildings to multi-story office towers. Classified as Class A (premium), Class B (mid-range), or Class C (older/budget). Considerations include location, parking ratios, building systems, and tenant mix.

### Retail Properties

Shopping centers, strip malls, standalone retail buildings, and restaurants. Success depends heavily on location, visibility, traffic counts, and anchor tenants. Types include neighborhood centers, community centers, power centers, and regional malls.

### Industrial/Warehouse

Manufacturing facilities, distribution centers, flex space, and cold storage. Key factors include ceiling height, loading docks, power capacity, floor load capacity, and proximity to transportation corridors.

### Multi-Family (5+ units)

Apartment complexes, condominiums, and senior living facilities. Valued based on income approach using cap rates and gross rent multipliers. Important metrics include occupancy rates, rent per square foot, and operating expense ratios.

### Hospitality

Hotels, motels, resorts, and extended-stay properties. Performance measured by RevPAR (revenue per available room), ADR (average daily rate), and occupancy. Often sold with franchise agreements and management contracts.

### Special Purpose

Car washes, gas stations, medical facilities, self-storage, and religious properties. These properties often have limited alternative uses and require specialized knowledge for valuation and transaction management.

## 3. THE COMMERCIAL PROPERTY PURCHASE PROCESS

Commercial real estate transactions follow a structured process that typically takes 60-180 days from initial offer to closing. Understanding each phase helps ensure a successful transaction.

### Step 1: Property Search and Analysis

Identify properties meeting investment criteria. Analyze preliminary financials including rent rolls, operating statements, and pro forma projections. Conduct initial market research and comparable sales analysis.

### Step 2: Letter of Intent (LOI)

Submit a non-binding LOI outlining proposed purchase price, terms, contingencies, and timeline. Negotiate basic deal structure before incurring legal and due diligence costs.

### Step 3: Purchase and Sale Agreement

Execute binding contract with detailed terms including purchase price, deposit structure, contingencies, representations and warranties, closing conditions, and default remedies. Contract is typically 30-100+ pages with extensive schedules and exhibits.

### Step 4: Earnest Money Deposit

Deposit typically 1-10% of purchase price into escrow. May be structured as multiple deposits (initial, after inspections, hard money). Earnest money demonstrates serious intent and compensates seller if buyer defaults without valid contingency.

### Step 5: Due Diligence Period

Comprehensive investigation period (30-90+ days) to verify property condition, financials, legal status, and environmental compliance. Buyer has right to terminate during this period and receive earnest money refund if issues discovered.

### Step 6: Financing Contingency Period

Secure loan commitment from commercial lender. Typical commercial loans require 20-30% down payment, strong borrower financials, and property income verification. Non-recourse vs. recourse financing significantly impacts loan terms.

### Step 7: Contingency Removal

After satisfactory completion of due diligence and financing approval, buyer removes contingencies and commits to purchase. Earnest money typically becomes non-refundable ("hard") at this point except for seller default or title issues.

### Step 8: Title and Escrow

Title company conducts title search, resolves any title defects, and prepares title insurance policy. Escrow holds funds and documents, ensuring all conditions are met before releasing funds and recording deed.

### Step 9: Final Walk-Through

Inspect property immediately before closing to verify condition unchanged, seller completed required repairs, and property matches contract terms. Review updated rent roll and verify tenant estoppel certificates received.

## **Step 10: Closing**

Sign closing documents, transfer funds, and record deed with county recorder. Receive keys, tenant files, warranties, service contracts, and property management information. Title insurance policy issued protecting buyer's ownership rights.

## 4. TITLE AND ESCROW IN COMMERCIAL TRANSACTIONS

Title and escrow services are critical components of commercial real estate transactions, providing protection and facilitating the complex closing process.

### Title Insurance in Commercial Deals

Commercial title insurance policies are more comprehensive than residential policies and often include extended coverage endorsements tailored to the specific transaction.

- **Preliminary Title Report:** Detailed report showing current ownership, legal description, easements, covenants, conditions, restrictions (CC&Rs;), and any liens or encumbrances affecting the property.
- **Title Search:** Examination of public records going back to the property's origin or statutory period (typically 40+ years in Nevada) to verify chain of title and identify potential defects.
- **Owner's Policy:** Protects buyer against title defects, forgery, fraud, undisclosed heirs, and other covered risks. Coverage amount equals purchase price and lasts indefinitely for the insured owner.
- **Lender's Policy:** Required by commercial lenders to protect their mortgage interest. Coverage decreases as loan is paid down. Borrower typically pays premium at closing.
- **Title Endorsements:** Additional coverage for specific risks including access, survey issues, zoning, contiguity, environmental protection, and usury. Common commercial endorsements include ALTA 3.1 (zoning), ALTA 4 (condominium), ALTA 9 (restrictions), and ALTA 22 (location).

### The Escrow Process

Escrow serves as a neutral third party that holds funds, documents, and instructions, ensuring all conditions are satisfied before completing the transaction. The commercial escrow process involves numerous steps and participants.

- Opening escrow and establishing file with all transaction documents
- Ordering title search and preliminary title report
- Receiving and holding earnest money deposits in trust account
- Coordinating with lenders for loan documentation and funding
- Requesting payoff statements for existing liens and encumbrances
- Calculating prorations for property taxes, rents, HOA fees, and operating expenses
- Preparing settlement statement (Closing Disclosure) showing all debits and credits
- Obtaining necessary signatures on closing documents
- Recording deed and other documents with county recorder
- Disbursing funds to seller, lender payoffs, and service providers
- Issuing title insurance policies to buyer and lender
- Providing final closing package to all parties

## 5. DUE DILIGENCE ESSENTIALS

Due diligence is the buyer's opportunity to thoroughly investigate the property and verify all representations made by the seller. This critical period typically lasts 30-90 days and covers multiple areas of inquiry.

### Physical Inspections

- **Property Inspection:** Comprehensive evaluation of building structure, roof, foundation, exterior, and common areas by qualified inspector.
- **Environmental Phase I:** Assessment of potential environmental contamination including underground storage tanks, hazardous materials, asbestos, lead paint, and mold. Required by most lenders.
- **Environmental Phase II:** Soil and groundwater testing if Phase I identifies potential concerns. May include additional sampling and laboratory analysis.
- **Specialized Inspections:** May include roof consultant, structural engineer, geotechnical engineer, elevator inspector, or seismic evaluation depending on property type and location.
- **Mechanical Systems:** Detailed inspection of HVAC, electrical, plumbing, and fire protection systems. Often includes infrared imaging and load testing.
- **ADA Compliance:** Review for Americans with Disabilities Act compliance. Non-compliance can result in costly retrofits or litigation.
- **Survey:** ALTA/NSPS Land Title Survey showing property boundaries, improvements, easements, encroachments, and access. Essential for title insurance endorsements.

### Financial Due Diligence

- **Rent Roll Analysis:** Verify tenant names, suite numbers, square footage, lease rates, lease terms, security deposits, and occupancy status.
- **Operating Statements:** Review 3+ years of income and expense statements. Verify against tax returns and reconcile any discrepancies.
- **Lease Review:** Examine all lease agreements for terms, renewal options, rent escalations, tenant improvement allowances, assignment rights, and termination provisions.
- **Tenant Estoppel Certificates:** Obtain signed certificates from tenants confirming lease terms, rental amounts, security deposits, and stating no defaults exist.
- **Service Contracts:** Review all ongoing contracts including property management, maintenance, landscaping, security, waste removal, and utilities.
- **Capital Improvements:** Evaluate deferred maintenance and required capital expenditures. Budget for necessary repairs and system replacements.
- **Property Tax Assessment:** Verify current assessment and research any pending appeals or reassessments that could affect future tax liability.



## Legal Due Diligence

- Title Review: Examine preliminary title report for liens, easements, encumbrances, and restrictions that could affect property use or value.
- Zoning Compliance: Verify current use complies with zoning regulations. Research allowable uses and development restrictions.
- Permits and Licenses: Confirm all necessary permits obtained for current use and any improvements. Verify transferability of licenses.
- Litigation Search: Investigate pending or threatened litigation involving the property or seller.
- CC&Rs; and HOA Documents: Review covenants, conditions, restrictions, and homeowners association bylaws if applicable.
- Insurance Claims History: Obtain CLUE (Comprehensive Loss Underwriting Exchange) report showing past insurance claims.

## 6. FINANCING COMMERCIAL REAL ESTATE

Commercial real estate financing differs significantly from residential mortgages. Lenders focus on the property's income-generating ability and require substantial documentation.

### Common Financing Structures

#### Traditional Commercial Mortgage

Most common structure with 20-30% down payment, 5-25 year amortization, and 3-10 year term with balloon payment. Interest rates typically 1-3% above prime rate. Requires strong borrower financials and property cash flow.

#### SBA 504 Loan

Small Business Administration program offering up to 90% financing for owner-occupied properties. Lower down payment and favorable rates but strict eligibility requirements and longer approval process.

#### Bridge Loan

Short-term financing (6-36 months) for properties needing repositioning or stabilization. Higher interest rates (8-12%+) but provides time to improve occupancy or complete renovations before permanent financing.

#### CMBS Loan

Commercial Mortgage-Backed Securities loans for larger properties (\$2M+). Non-recourse financing with competitive rates but strict prepayment penalties and limited flexibility for property changes.

#### Hard Money/Private Lending

Asset-based financing from private lenders. Fast closing (2-4 weeks) but expensive (10-15%+ interest, 2-5 points). Used when traditional financing unavailable or speed essential.

### Key Financing Terms

- **Loan-to-Value (LTV):** Percentage of property value financed. Commercial loans typically 65-80% LTV.
- **Debt Service Coverage Ratio (DSCR):** Property's net operating income divided by debt service. Lenders require minimum 1.20-1.35 DSCR.
- **Recourse vs. Non-Recourse:** Recourse loans allow lender to pursue borrower's other assets if property insufficient. Non-recourse limits lender to property collateral.
- **Interest-Only Period:** Option to pay only interest for initial years, reducing cash flow requirements but increasing balloon payment.
- **Prepayment Penalty:** Fees for early loan payoff, often structured as defeasance, yield maintenance, or declining percentage.

## 7. TAX CONSIDERATIONS AND 1031 EXCHANGES

Commercial real estate offers significant tax benefits through depreciation, interest deductions, and tax-deferred exchanges. Understanding these benefits is crucial for maximizing investment returns.

### 1031 Tax-Deferred Exchange

Section 1031 of the Internal Revenue Code allows investors to defer capital gains taxes by exchanging investment property for like-kind property. This powerful wealth-building tool requires strict adherence to IRS regulations.

- **Like-Kind Requirement:** Exchange must involve investment or business property. Residential and commercial real estate are like-kind to each other.
- **45-Day Identification Period:** Must identify potential replacement properties within 45 days of selling relinquished property. Written identification required.
- **180-Day Exchange Period:** Must close on replacement property within 180 days of selling relinquished property or tax return due date, whichever is earlier.
- **Qualified Intermediary:** Must use independent intermediary to hold sale proceeds. Direct receipt of funds disqualifies exchange.
- **Equal or Greater Value:** Replacement property must be equal or greater value than relinquished property to defer all capital gains. Any cash received ("boot") is taxable.
- **Debt Replacement:** Must maintain or increase debt on replacement property to avoid taxable boot. Cannot reduce debt without tax consequences.

### Other Tax Considerations

- **Depreciation:** Commercial buildings depreciated over 39 years (27.5 years for residential rental). Significant annual deduction reducing taxable income.
- **Cost Segregation:** Engineering study identifying property components that can be depreciated faster than building (5, 7, or 15 years vs. 39 years). Accelerates tax benefits.
- **Passive Activity Losses:** Commercial rental losses generally passive and can only offset passive income unless investor qualifies as real estate professional.
- **Opportunity Zones:** Investing capital gains in designated Opportunity Zones provides tax deferral and potential exclusion of appreciation if held 10+ years.

## 8. COMMON COMMERCIAL TRANSACTION CHALLENGES

Commercial transactions present unique challenges that can delay or derail closings. Anticipating these issues and working with experienced professionals helps ensure success.

### Environmental Issues

Contamination discovered during Phase I or Phase II assessment can significantly delay closing or kill deals. Options include seller remediation, purchase price reduction, environmental insurance, or transaction termination.

### Title Defects

Unresolved liens, easement disputes, boundary encroachments, or chain of title gaps require resolution before closing. May involve quiet title actions, boundary agreements, or negotiating lien releases.

### Tenant Issues

Tenant defaults, lease disputes, or failure to provide estoppel certificates can impact property value and financing. May require lease modifications or tenant negotiations.

### Financing Delays

Lender appraisals below purchase price, documentation requests, or underwriting issues commonly delay closings. Allow extra time and maintain open communication with lender.

### Zoning and Permitting

Non-conforming uses, unpermitted improvements, or zoning changes can affect property value and buyer's intended use. Thorough upfront investigation critical.

### Partnership Disputes

When multiple buyers involved, disagreements over operating agreements, decision-making authority, or capital contributions can derail transactions. Clear documentation of partnership terms essential.

### Market Fluctuations

Changes in cap rates, interest rates, or market conditions during extended due diligence period can affect buyer's willingness to proceed at original price. Consider market-out clauses in volatile markets.

## 9. NEVADA-SPECIFIC CONSIDERATIONS

Nevada's business-friendly environment and robust commercial real estate market present unique opportunities and considerations for commercial property investors.

### Nevada Business Advantages

- **No State Income Tax:** Nevada has no personal or corporate income tax, making it attractive for businesses and investors.
- **Favorable Business Climate:** Streamlined business formation, minimal regulations, and pro-business policies attract companies relocating or expanding.
- **Strong Tourism Economy:** Las Vegas and Reno drive significant hospitality, retail, and entertainment commercial real estate demand.
- **Strategic Location:** Nevada's proximity to California provides access to major markets while offering lower operating costs.
- **Growing Population:** Continued population growth, particularly in Las Vegas and Henderson, supports demand across property types.

### Nevada Transaction Specifics

- **Deed of Trust State:** Nevada uses deeds of trust rather than mortgages, with trustees holding title and power to foreclose.
- **Non-Judicial Foreclosure:** Foreclosures proceed without court involvement, making process faster but requiring strict procedural compliance.
- **Community Property State:** Married couples' property interests require special consideration in transactions and title vesting.
- **Transfer Tax:** Nevada imposes real property transfer tax calculated on property value. Rate varies by county (Clark County currently \$2.55 per \$500 of value).
- **Business License Requirement:** All businesses operating in Nevada must obtain state and local business licenses, renewed annually.

### Las Vegas Market Insights

Las Vegas presents unique commercial real estate opportunities driven by tourism, entertainment, technology sector growth, and population expansion. Key submarkets include:

- **Las Vegas Strip:** Premium hospitality, retail, and entertainment properties with international tenant base and highest rental rates.
- **Downtown Las Vegas:** Revitalization creating opportunities in mixed-use, office, and residential properties. Arts district and Fremont Street attracting new businesses.
- **Southwest Las Vegas:** Master-planned communities with retail, medical office, and service commercial supporting residential growth.
- **Henderson:** Upscale market with strong office, retail, and industrial sectors. Green Valley area commands premium rents.
- **North Las Vegas:** Emerging industrial and logistics hub with large warehouse and distribution developments. Lower land costs attract manufacturers.
- **Summerlin:** Affluent master-planned community supporting high-end retail, medical office, and professional services.

## 10. WORKING WITH PLATINUM TITLE AND ESCROW

Platinum Title and Escrow brings extensive experience in commercial real estate transactions throughout Las Vegas and Nevada. Our commitment to integrity, accuracy, and clear communication ensures your commercial closing proceeds smoothly from contract to completion.

### Our Commercial Services

- **Commercial Title Insurance:** Comprehensive title searches and insurance policies with customized endorsements for your specific transaction.
- **Commercial Escrow:** Full-service escrow management handling complex commercial closings including multi-party transactions, 1031 exchanges, and bulk sales.
- **1031 Exchange Services:** Qualified intermediary services ensuring compliance with IRC Section 1031 requirements for tax-deferred exchanges.
- **Construction Escrow:** Specialized escrow services for new construction and development projects with draw management and lien release coordination.
- **Bulk Sales:** Escrow services for business asset sales requiring compliance with Nevada's Bulk Sales Law and creditor notification procedures.

### Why Choose Platinum Title and Escrow

- **Experienced Team:** Our professionals have facilitated hundreds of commercial transactions ranging from small retail properties to multi-million dollar portfolio sales.
- **Local Expertise:** Deep knowledge of Las Vegas and Nevada commercial real estate market, regulations, and customary practices.
- **Responsive Communication:** Dedicated account management with clear, timely updates throughout your transaction.
- **Advanced Security:** Robust fraud prevention measures and secure wire transfer protocols protecting your funds and personal information.
- **Competitive Pricing:** Transparent fee structures with no hidden costs. We provide detailed cost estimates upfront.
- **Flexible Closings:** Accommodating your schedule with evening and weekend closings when needed. Mobile notary services available.

## Contact Us

Ready to begin your commercial real estate transaction? Contact Platinum Title and Escrow today to discuss your needs and receive a customized quote.

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