

Does a Sale - Leaseback make sense for you?

As a business owner at some point you made the strategic decision to own your space. It is definitely a great plan to gain control, secure an asset and perhaps lay the groundwork to enhance your retirement plan. When does it make sense to sell it?

The investment climate is extremely active right now and a pool of Buyers are seeking quality leased assets especially by Physicians or professional services. In recent years commercial real estate investors continue to pay a premium for Commercial Real Estate investments compared to 10-year ago which means an asset sold today is worth more (with a lower cap rate) even if the income stream is the same.



The “sale-leaseback” is a transaction where the owner of a property enters into an agreement or simultaneous agreements to (1) sell the property to a buyer and (2) lease the property from the buyer for a designated period.

Depending on growth or changes in your business, the timing of your retirement or simply the need for cash there may be a desirable exit today. This arrangement can be a solid idea to get paid and direct funds to other critical business needs or more favorable projects.

ADVANTAGES

Capitalize on Market Conditions:

An Owner can leverage the market and secure a higher sales price today avoiding future potential risk.

Increase Working Capital:

A seller can access cash today instantly, converting a non-liquid asset into additional capital.

Negotiate the Lease Structure:

The transaction allows for an opportunity to spell out specific lease terms.

Eliminate Debt and Financing:

Improve your debt to equity ratio which may support your short-term and long-term goals (i.e. retirement, Merger & Acquisition (M&A)).

DISADVANTAGES

Tax Impact:

A sale may have tax liabilities associated with potential capital gains. Although, you may be able to defer taxes through a 1031 exchange of ‘like kind’ property.

Accounting:

The sale may also lead to the loss of depreciation benefits.

Control of Property:

Selling your property you may be forfeiting control of the real estate or authority over the asset to change or modify the premises.

MANAGING THE PROCESS

Consider help from a professional to ensure maximum exposure to buyers, pricing guidance, and negotiation of the leaseback terms.



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