Perspectives

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Sale-Leaseback of Commercial Property

A transaction structure whereby the owner/occupier of a property enters into a long-term lease and sells the property to an investor.

Sale-Leasebacks may be used as a financial tool for your business.

If an occupier/tenant owns their building, a Sale-Leaseback is an excellent way to create flexibility and unlock cash. Here's how it works: A company or the owner of a company owns the facility being occupied and sells to an investor with a long-term lease in place. Alternatively, an owner/user will develop a new facility and sell upon completion with a long-term lease in place. In either case, the lease and consequential cashflows are what carry so much value and drive up the price of the facility.

- In today's capital environment, investors are looking for assets with long-term leases and are willing to pay record high prices with low yields.
- Lease structures are usually "Triple Net" allowing the tenant to control some of the ongoing operating costs of the facility.
- Ideal for users that currently own their building or would like to occupy a custom-built facility without maintaining responsibility for the management of the asset or tying up capital that could be used to grow the business.
- Provides ability to raise capital without diluting ownership of the company or adding debt to the balance sheet.
- Worth considering for owners with upcoming retirement plans or any owner/user that desires liquidity.
- Sellers have ability to negotiate favorable lease terms in alignment with the business goals of the tenant.

Associated Risks:

- Possibility of limited options for relocation at lease expiration.
- Change in business needs in which remaining in place past end of lease term would be preferable.

Next Steps:

- Allow Citadel Partners to better understand the long-term objectives of your company to negotiate beneficial lease and sale terms.
- Discuss the attributes of a Sale-Leaseback specific to your business with your accountant.

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