SALE-LEASEBACK TRANSACTIONS

In a sale-leaseback transaction, an owner/user elects to monetize its corporate real estate facility and structure a new, long-term lease on the property to an outside investor. In exchange, the company, through the sale of the facility, receives capital to grow and revitalize its business. The transaction has many benefits to the company, now tenant, as detailed below.

BENEFITS

100 Percent Financing—Sale-leaseback proceeds are equal to 100 percent of property value, in contrast to a loan, which only funds 65 percent to 75 percent of value.

Access to Capital—The sale-leaseback transaction attracts a broader range of financing sources, well beyond a company's existing credit line or bank relationships.

Equity Yield —The real estate sale results in equity deployment into higher yielding investment alternatives than what is offered via appreciation of the building.

Capital Utilization—By selling the real estate, the company is converting a long-term, non-liquid asset into working capital.

Debt Reduction—The proceeds also can be used to pay down existing debt and reduce future refinancing risk.

Maintain Control—The structure of the lease agreement provides increased operating flexibility while preserving the same control of the facility as provided by an ownership structure.

Value Creation – The real estate sale, in combination with a long-term lease, results in monetization at a higher value than a building's value when vacant.

A CASE STUDY

Our client, a major defense contractor, faced increased pressure on operating margins due to consolidation trends within its industry. Their objective was to reduce outstanding debt and to raise alternative equity capital for future acquisitions. By leveraging our unparalleled access to a broad range of qualified investors, we produced a competitive bidding environment with 11 separate offers from both private and institutional buyers. Due to the extremely competitive environment, we were able to execute an all cash close just 30 days after opening escrow. Our client was able to use the sale proceeds to pay down debt and acquire competitors, creating an environment where they will be able to raise additional capital for future acquisitions. As a result, the client maintained and advanced their competitive edge by providing their current clients with a wider range of services and offerings at a lower cost.