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Advantages to sale-leasebacks for sellers and investors

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At NAI Hunneman, we're seeing more sale-leasebacks now than ever before. In this seller's market, deal flow is increasing and companies are re-allocating capital to reinvest into the company. Further, pricing has returned to pre-recession levels, institutional investors are more risk averse, and there has been more leasing to higher-credit-quality tenants with longer-term leases.

What are the advantages of sale-leasebacks that are driving these market trends? Sale-leasebacks are one method corporations use to monetize their real estate, freeing up capital to reinvest in the company's mission. In the current market, with historically low interest rates, this method gives corporations the opportunity to cash in on the highest potential sale price. Buyers and sellers can both take advantage of the market. Here are a few of the advantages:

- * Sellers see financial advantages. They can raise capital to reinvest back into the business, and sale-leasebacks provides an alternative to financing. There are also tax advantages to going through the sale-leaseback process, giving sellers another reason to monetize their real estate holdings..

- * Sellers have real estate advantages. By leasing, sellers can retain control of the asset. They can realize up to 100% of the appraised value of the asset, making this option a more efficient use of the company's resources..

- * Investors have a predictable cash return. Sale-leasebacks provide investors with an asset that comes with a built-in tenant, providing a guarantee of rental stream. Purchasing property with a tenant also presents investors with reduced vacancy risk.

- * Investors acquire an appreciating real estate asset. Investors can be assured that their property will appreciate in value at current market levels.

It's no surprise why sale-leasebacks are so popular. Both sellers and investors are benefitting, making this a win-win proposition. Corporations are securing more money to reinvest in the company than if they were to refinance these properties, while they get to stay in a building they really like. Investors are capitalizing on the strong real estate market which is offering a stable return on their investment, especially compared to bonds or other cash equivalents. The value to both is clear, and we predict this trend will not slow down any time soon. The time is now to capitalize on the highest value of your real estate - it is the best time in recent history.

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