

# Sale/Leasebacks

Real Estate Intelligence, Advice and Knowledge in these Unprecedented Times

## What is a Sale/Leaseback?

>> A Sale/Leaseback is when an existing "owner user" sells a facility, and then structures a lease with the new purchasers. Sale/Leasebacks allow owner users to raise capital fast, while not affecting the owner's core business.

## Why would an organization who owns their real estate, consider a Sale/Leaseback?

- >> 1. The sale of real estate generates a substantial amount of cash into the business. If the company has sustained a loss from operations in the same year, then the gain can be off set by operating losses.
2. The cash can be used for operations and corporate growth without having to borrow the money from a bank. Bank financing related to working capital credit lines have tightened and credit is at less attractive terms at greater expense.
3. The expense of ownership is eliminated and replaced with the obligation to pay rent.
4. Depreciation expense which is over a 39 year period is replaced with rent costs.
5. The business is relieved of annual real estate valuation obligations to its shareholders.
6. The per share share value of the corporation is relieved of real estate market volatility. Per share value will be clearer as to the relation to business operations.
7. The tenant (seller) can structure favorable lease pricing due to the current slump in the real estate market. However, this will effect sales valuation. Depending on the existing basis, implementing sale/leasebacks allots for creative lease structuring.

## What are the tax implications?



>> Boston Realty Advisors works hand in hand with certified public accountants Rucci, Bardaro & Barret. Depending on the basis that your organization has, there are varying level of strategies to reduce tax obligations or defer when executing a Sale/Leaseback.

## How do we estimate the net proceeds to your organization?

>> Boston Realty Advisors will prepare a detailed analysis of market comparisons related to similar subject properties on the market for sale and lease. Three main drivers of value relate to 1) Subject Property Quality; 2) Owner/User Credit Ratings; and 3) Long Term Business Fundamentals of Owner/User (Both internal and industry specific).

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