

Sales and lease-back deals - quick liquid capital for commercial property owners

By [Gregg Huntingford](#)

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Many businesses are struggling financially due to the extended lockdown and freeing up capital has become a necessity to keep businesses operational. One way of doing exactly this is through a sale and leaseback deal. We have noticed an increase in such deals in recent weeks and expect it to be an ongoing trend in the coming months.



Image source: www.pexels.com

In a typical sale-leaseback transaction, a property owner sells its owner-occupied building to an investor and at the same time secures a long-term lease commitment from the new owner. This allows the owner company to access liquid capital that would have otherwise been tied up in its real estate and redeploy this immediate cash flow to ensure business survival.

In many cases, a far greater return than the capital invested in a property can be achieved when employed in an operating business.

Reduction in interest-bearing debt

Businesses who go this route also enjoy a substantial reduction in interest-bearing debt, an improved balance sheet, improved profitability and reduced risk due to fixed future occupational costs. Sale and leasebacks offer a good alternative to traditional bank financing, and often it is a much faster process than banking approvals allow. Bridging finance can also be arranged to further speed up access to capital.

While sellers are looking to free up capital to reinvest in their business, deals such as these have appeal for investors who are not only drawn to the inevitable appreciating value of the property, but also the stable and predictable returns offered through long-term leased real estate with annual rent increases which can provide a hedge against inflation.

The sale lease-back trend has been apparent abroad for some time and going forward we suspect the number of companies interested in pursuing this will undoubtedly increase.

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