

# Securing Financial Flexibility with Sale-Leasebacks to Adapt to New Norms

By **Gino Sabatini**

In the current environment, many businesses are looking for capital to bolster their finances and support ongoing operations and growth strategies. With traditional sources of debt drying up, companies across multiple sectors are turning toward an alternative capital solution that improves cash flow and provides liquidity without interrupting daily operations—the sale-leaseback.

In a sale-leaseback, a company sells its corporate real estate to an investor for cash and enters into a long-term lease. This enables the company to monetize an otherwise illiquid asset and reinvest that capital into their business, while still maintaining full operational control. In addition, sale-leasebacks aren't limited to a specific sector or property type—any company can do it as long as they own their real estate and find the right investor. Here's how some property sectors are leveraging this type of transaction to provide the liquidity they need to grow and stay ahead of the curve:

## Retail properties

As the COVID-19 pandemic continues to reshape our world, an increasing number of consumers have started shopping online. According to a recent report, the pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years—making e-commerce perhaps the biggest priority for retailers as they look to adapt in the current environment. By pursuing a sale-leaseback of their critical operating assets, retailers can unlock the capital they need to expand their warehouse and distribution footprint and enhance their e-commerce capabilities. In addition, sale-leaseback proceeds can be used to invest in new technologies to improve the omnichannel experience—enabling shoppers to seamlessly browse and order products on any device, from any location.

## Industrial properties

Industrial companies have been one of the biggest beneficiaries of sale-leasebacks as they typically have large portfolios of warehouse and distribution assets they can sell to investors to unlock capital. Many industrial companies, particularly now, are using the capital realized from a sale-leaseback to invest in automation—in fact more than half of U.S. companies are planning to increase automation as a result of COVID-19. Automation enables companies to improve efficiency and accuracy of order



processing in addition to optimizing the fulfillment and delivery processes. In light of continued social distancing requirements, automation can also help continue operations where physical labor is not available. By investing in automation, companies can improve productivity and increase operational capacity, enabling them to grow and keep pace with changing consumer habits.

Sale-leasebacks aren't a new concept, but in today's challenging environment they have proven to be a simple and effective funding solution for companies that need to adapt to new norms. By working with an experienced, diversified investor with access to capital, companies across all sectors can unlock the capital they need to adjust to changing trends, keep employees safe and most importantly, continue to grow. ■

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