



SELLING COMMERCIAL BUILDINGS/OWNER SERVICES

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Elkins Lane specializes in the sale and leasing of small to medium sized commercial buildings. We work with individuals, companies, partnerships, limited liability companies, and families to sell or lease their commercial buildings. Our clients do not typically include institutional investors such as large real estate investment trusts, life insurance companies, and pension funds. In the past two years, these transactions have ranged from the sale of 1,500 square foot office condominiums to 40,000 square foot mixed use office, retail, and warehouse buildings.

A successful sale should include the following:

1. Review the existing building for repair and deferred maintenance issues. The importance is twofold: first to increase the marketability of the property and second to determine the cost and benefits to actually completing the repairs or selling it as is.
2. Review comparables and the marketplace for competition and set the price. Pricing should also take into account the timing needs of the seller. For example, is the seller using the building for its business and needs more space as soon as possible in order to expand its business, or is the building subject to a long term lease with a tenant that is paying on time? Is the seller trying to execute a Section 1031 tax deferred exchange and subject to its stringent time lines? (See next section).
3. Develop a marketing plan. Who are the most likely buyers and who is in the marketplace? We reach out to both commercial brokers and to actual buyers including tenants who are now ready to purchase a building. What listing services should be used? Costar and MRIS are givens but internet listing services have exploded and must be included. We use email, direct mail and telephone calls to bring a buyer to the table.
4. Coordinate the drafting of the sales contract or lease document. We will work with your legal representative to ensure the best possible legal document that protects your interests.
5. Complete any due diligence requirements including lease review, review of tenant or buyer financial capability, maintenance requirements, expense review, and environmental requirements.

See the Testimonial tab for some actual transactions.

Sales and Leasebacks

What Can a Sale and Leaseback Accomplish for You?

- Free-up working capital
- Create new assets
- Capital for new ventures
- Business expansion
- Personal financial uses
- Retirement/Estate Planning
- Financial Liquidity
- Potential for tax Deferred Exchange

Compelling Existing Market Conditions

In today's market, it has become very difficult for investors to find good commercial real estate investment property. With low interest rates and stock market volatility, investors are always looking for commercial real estate as an alternative placement for their investment dollars. If you are an owner/user of a commercial building, you owe it to yourself to take a close look at a sale and leaseback of your property. In short, we feel that there is an unusually fertile environment in which to maximize existing positions in commercial real estate.

The Mechanics of the Sale and Leaseback

Quite simply, a sale and leaseback is the simultaneous sale of a property with a leaseback by the seller at settlement. Capitalization rates (net operating income divided by the sales price) have sunk to seven to nine percent on decent leased commercial properties. Even at these rates of return, investors hunger for these types of deals particularly if the seller/tenant is stable and has good credit (association executive directors take note). This simple vehicle allows the owner to take advantage of the market, retain the use and possession of the property, raise capital and/or reduce debt, particularly if the property is fully or largely depreciated, improve the seller's tax picture by making the rental payment fully deductible rather than just the interest on a mortgage and depreciation.

Avoid Capital Gains

You do not even have to pay capital gain taxes on the sale if you roll the proceeds into another commercial property held for investment or for use in your trade or business (a Section 1031 or tax deferred exchange—click on Section 1031 tab). This is particularly useful for the building owner who completes a sale and leaseback and wants to turn the proceeds into a long-term income stream.

Elkins Lane Realty Advisors can guide you through the process to maximize the return to your organization of this underutilized commercial real estate tool.

[Elkins Lane Realty Advisors Expertise](#)

We are unique to the traditional commercial real estate brokerage business as we fashion ourselves as consultants first and see the brokerage as incidental to the transaction. With

our additional backgrounds in financing, accounting and real estate law, the senior principals are experts at handling the myriad of details peculiar to complex transactions.

We invite you to sit down with us. We are certain that you will come away with a feeling of confidence in letting us maximize the financial benefits from your real estate.