

## Considering All of Your Business Real Estate Options

In a recent December 2018 article in [Divestopedia](#) entitled, “Options for Business Real Estate When Selling a Company,” the topic of business real estate was explored at length.

One of the key points of the article was that understanding one’s business real estate options would ultimately help in achieving “the goals desired in a transaction.” The article is correct to point out that many, or even arguably most, business owners simply don’t know what real estate options are available to them when it comes time to sell the company.



In particular, there are two big options:

1. Sell everything including the real estate.
2. Hold onto the real estate for the rental income.

If you, as the business owner, personally own the real estate in a separate entity, then the options are less complicated. However, if your company owns the real estate, then things get a little more complicated. The article also points out that if your business is a C-Corp and your business also owns the real estate, then it’s a good idea to also talk to your accountant as there will be differences in taxation.

There are many possibilities of how to structure the impact of the real estate. It is important to know, however, the values assigned to the real estate, the rent treatment and how the real estate may be handled in your sale can have a major impact on the value of the business and the real estate. An experienced M&A broker and advisor will have the best view of options on the real estate as it relates to a business sale and how to maximize your net value, consistent with your objectives and the realities in the market.

Every situation is different. Many buyers will prefer to acquire the real estate along with the business. On the other hand, many buyers may prefer a lease, as they don’t want everything that comes along with owning real estate. Having your M&A advisor communicating with the buyer to understand his or her preferences early in the negotiations is a savvy move.

Now, as Divestopedia points out, if you do plan to retain the building, then you’ll want to be certain that a strong lease is in place. Ask any M&A Advisor about the importance of having a strong lease, and you’ll get some pretty clear-cut feedback on reasons for this.

Issues such as who repairs what and why should all be spelled out in the lease. This also is a factor in the value of the business in a sale and the impact must be understood. The lease terms should leave nothing to chance. One of the best points made in the Divestopedia article is that you will want a strong lease for another key reason. When the time comes to sell the property, you want to show you have a lease that is generating good income.

Real estate and the sale of your business are not one-dimensional topics. There are many variables that go into selling when real estate is involved. It is important to consider all of the variables and work, from the start, with an M&A Advisor who can help guide you through this potentially complex topic.

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