



VIEWPOINT

Beyond the Bank:

Why Middle-Market
Business Owners are Turning
to Sale Leasebacks

December 2025

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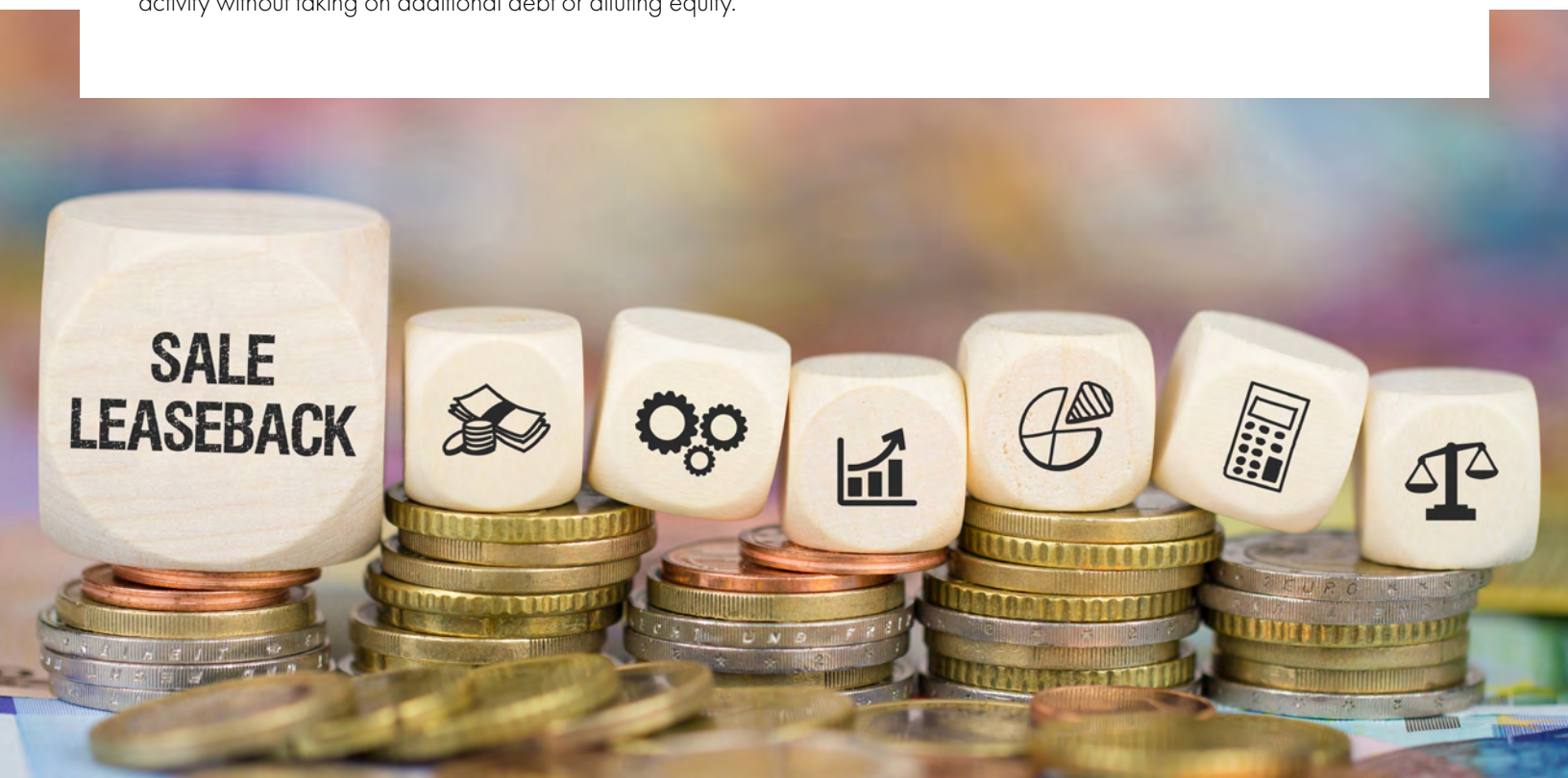
As traditional lenders maintain tighter credit standards, many owner-occupiers are finding it difficult to secure capital for growth, acquisitions or balance sheet optimization. This financing gap has accelerated the adoption of an often-misunderstood tool: the sale leaseback. Far from being a last-resort option, a well-structured sale leaseback is a sophisticated financial strategy that allows companies to unlock 100% of the equity tied up in their real estate and redeploy it into their core business operations.

For example, retailers in expansion mode – particularly in high-growth sectors like convenience stores, quick-service restaurants and auto services – owning real estate is not always the most efficient use of capital. A sale leaseback converts a fixed, illiquid asset into immediate growth funding while allowing the operator to maintain complete operational control of their locations under a long-term lease.

A Tool for Growth, Not Distress

One of the most persistent myths surrounding sale leasebacks is that they are reserved for companies facing financial trouble. In reality, the opposite is often true. The vast majority of sale leaseback transactions we see today are motivated by strategic growth initiatives. Retail, industrial and healthcare operators are choosing to monetize their properties to fund new unit development, enter new markets or finance merger and acquisition activity without taking on additional debt or diluting equity.

Think of it as a strategic choice between two capital allocation models. Owning real estate ties up significant capital that could otherwise be invested in higher-yield business activities like expanding inventory, upgrading technology or acquiring a competitor. By selling the property to a net lease investor and signing a lease, a company can immediately access a large sum of cash. This transaction effectively turns a non-earning asset into a powerful engine for expansion.





Executing a Successful Sale Leaseback

A successful sale leaseback hinges on a clear and strategic plan for the proceeds. Before entering the market, leadership should define exactly how the capital will be used. Will it pay down expensive debt? Fuel the acquisition of another business? Or fund the construction of ten new locations? A defined purpose not only ensures the capital is used effectively but also strengthens the story for potential buyers, often leading to more favorable pricing and terms.

The structure of the lease itself is also critical. Initial lease terms typically range from 15 to 25 years, providing long-term operational stability. The terms, including rent escalations and renewal options, are negotiated to align with the operator's business model and financial projections. This process allows a company to create a predictable, long-term occupancy cost structure while gaining immediate liquidity.

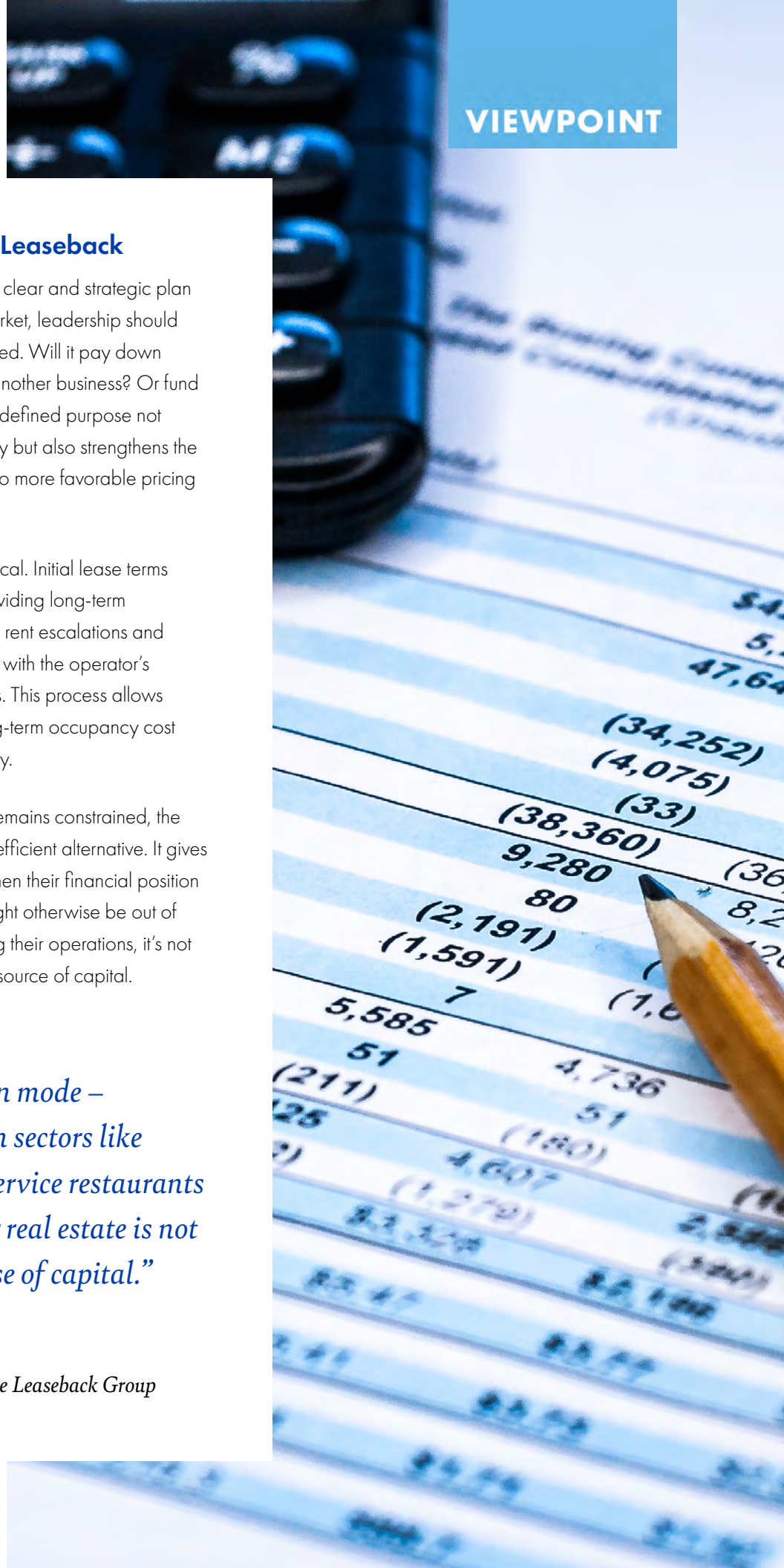
In a market where traditional financing remains constrained, the sale leaseback provides a reliable and efficient alternative. It gives owner-occupiers the flexibility to strengthen their financial position and pursue growth opportunities that might otherwise be out of reach. For companies focused on scaling their operations, it's not just an alternative to debt. It's a superior source of capital.

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Anthony Cohen

Senior Vice President

Co-Leader - National Net Lease & Sale Leaseback Group





Steps for Evaluating a Sale Leaseback

1	Assess Your Capital Needs	Identify how much capital you need and the purpose for the funds (e.g., growth, acquisitions, debt reduction).
2	Evaluate Your Real Estate Portfolio	Determine which properties may be suitable for a sale leaseback based on operational importance or other factors key to the business.
3	Define Your Long-Term Goals	Align the leaseback structure with your business model, financial projections and operational needs.
4	Engage Expert Advisors	Partner with Northmarq's National Net Lease & Sale Leaseback Group to structure the deal, negotiate terms and maximize value.

Ready to get started? Contact our team of experts or learn more about our advisory services.



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