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Publications

Selling Your Business and Retaining Real Estate

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In an article in the *Spokane Journal of Business*' September 24 issue, Thain Simon discusses what business owners should weigh when they sell their company but keep the property it operates on. Some owners choose not to sell both assets together and instead hold on to the real estate and lease it back to the business after the sale.

This approach has several advantages. Rent provides steady passive income, the owner keeps any gain in the property's value, and both capital gains and Washington's real estate excise tax are put off until later. A lower purchase price can also bring in more buyers, and an ongoing lease keeps both sides invested in a smooth handoff. There are trade-offs, including smaller sale proceeds, the chance of a vacancy if the business moves or closes, and the everyday risks of being a landlord.

Careful planning can manage many of those risks. That can include holding the property in a single-purpose LLC, negotiating a triple-net lease with strong indemnification and insurance requirements, and setting up any purchase option so the IRS doesn't treat it as a disguised sale. Taken together, Thain makes the case that any owner getting ready to sell should look closely at this structure.

"Retaining the real estate isn't suitable for every transaction. However, it's a structure that every business owner should understand. When structured properly, it offers a variety of benefits to the selling business owner and gives the buyer operational and financial flexibility," Thain writes.

Read the full article on the *Spokane Journal of Business website*.

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