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*White Paper*

## Sale-Leaseback Financing

A white paper for entrepreneurs who want to own or expand in the assisted living industry

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- *Using sale-leaseback financing to your advantage*

## An open door to opportunity: sale-leaseback financing

Sale-leaseback financing, also known as “lease financing,” is an excellent way for entrepreneurs to cross the threshold into the assisted living business. At Senior Care Realty, we use lease financing extensively because it allows people to begin owning and operating an assisted living facility with little or no money of their own.

Lease financing is not a new concept. It has been used effectively by businesses for more than 50 years. It’s estimated that more than 50 percent of corporate America uses lease financing to obtain capital. Typically, lease financing can be used in at least four specific instances that relate to the assisted living industry.

- A new company can use lease financing to cover 100% of a facility’s purchase price. Lease financing helps the company avoid the obstacle of needing to raise a substantial down payment. Furthermore, health care professionals who may want to get into assisted living want to focus on the business and may not want to contend with real estate issues. Thus, a sale-leaseback allows them to focus their efforts and expertise on what they know best — providing quality care.
- An existing assisted living provider can use lease financing to grow the business through acquisition or development. Again, the business can expand without the need for a down payment.
- In some cases, an assisted living provider may already own the property and want to grow the business further. Lease financing can be used to sell the real estate and lease it back from an investor while continuing to operate the facility. Such an arrangement allows the proceeds of the sale to be invested in new facilities or additional development.
- Some assisted living owners have used lease financing as a step toward retirement without fully retiring. In this case, the owner sells the real estate and leases it back from the new investor/owner. Or, the alternative route can be to trade into some other type of real estate that requires less work and allows diversification of the real estate holdings. *See our white paper on Real Estate Exchanges for further information.*

The biggest benefit of sale-leaseback financing is to help people get into assisted living without requiring a significant down payment.



**Sale-leaseback financing in the real world**

The health care industry is populated with people who care. Many of them are business minded and want to own and operate their own assisted living facilities. At Senior Care Realty we have helped nurses, social workers and others get into the business with little money of their own. They are uniformly surprised at how easy it was for them to own and operate a business through lease financing.

As an example, acquiring a \$600,000 facility through typical financing requires a sizeable down payment. It's a financial obstacle that keeps some people from realizing their business dreams. But it doesn't have to be. Through lease financing, you

Nurses, social workers and other health professionals have used lease-financing to begin operating their own facilities.

team with an investor and can begin operating a facility in a relatively short period of time, with little money required out-of-pocket.

**How the lease is structured**

A typical lease is long-term, usually 5–25 years with options for renewal. Even though lease financing is often secured for long-term commitments, a properly structured lease can provide flexibility through options to purchase or sale of the business.

A sale-leaseback can work effectively for any business owner — small or large. Part of the services at Senior Care Realty is to bring people together — people with expertise in assisted living and people with the financial power to launch or expand a business.

**For more information**

If you are interested in the prospects of lease financing, contact Senior Care Realty to discuss your objectives and specific situation. Visit [www.seniorcarerealty.com](http://www.seniorcarerealty.com), or call toll free (877) 834-4175.

