

Exploring the Advantage of Selling and Leasing Back Biotech Facilities



Earlier this year, Neurochem Inc. sold its laboratory and office campus in Laval (Québec) to Alexandria Real Estate Equities Inc. for \$32 million (CDN), with net proceeds of approximately \$22 million (CDN) after repayment of the related debt, as well as transaction expenses. Not that Neurochem was going anywhere. In fact, it is still happily operating out of the same premises and will be for the next ten years at least. The only thing that has changed is the balance sheet. As many smart Life Science companies know, you don't have to move to take advantage of the real estate market. For those content to stay where they are, you can add a fourth option to the question of

whether to lease, buy or build: sell.

A sale-leaseback, as the name implies, allows an owner of a Biotech or Pharmaceutical property to sell its property to an investor and continue to retain control of the premises through a long-term lease, typically with terms of 15 to 25 years. For companies who do not want to find themselves in the real estate business as a sideline, the advantages are readily apparent. By selling their property, they convert a fixed asset into cash, which can be used for more profitable ventures and in some cases (for example, where there is a large mortgage) they can even reduce operating costs. They also transfer all the risks of property ownership and, in many cases, the expense of maintenance and up-keep.

There are, of course, some disadvantages, most notably the argument for buying rather than leasing a property in the first place: real estate is traditionally a good solid investment.

And the economic analysis can be somewhat complex. Much of the advantages of a sale-leaseback are predicated on the tax advantages and in most cases it is going to take professional advice to

untangle that web.

While the sale-leaseback represents a relatively small proportion of the Biotech property market, it is nevertheless an option more and more R & D, Life Science and Biotech property owners are considering, in order to free up capital to sustain operations. Not surprisingly, demand is increasing. With the current low financing rates and a general shortage of good property on the market, investors are looking for opportunities. Sale-leaseback is certainly not for all property owners but an economic evaluation of how it could affect a company's balance sheet and income statement should be a part of any real estate strategy.

Cushman & Wakefield LePage Inc. is the world's largest privately held real estate services firm. Founded in 1917, the firm has 189 offices in 57 countries, and 11,000+ talented professionals. Cushman & Wakefield delivers integrated solutions by actively advising, implementing and managing on behalf of landlords, tenants, and investors through every stage of the real estate process. These solutions include helping clients to buy, sell, finance, lease, and manage assets. C&W also provides valuation advice, strategic planning and research, portfolio analysis, and site selection and space location assistance, among many other advisory services.

Cushman & Wakefield LePage Inc.
www.cushmanwakefield.com
 Lloyd P. Cooper, Vice-President & Director
 Tel.: (514) 841-3821
 E-mail: lloyd.cooper@ca.cushwake.com
 Guy Massé, Vice-President
 Tel.: (514) 841-3830
 E-mail: guy.masse@ca.cushwake.com

TELECOMMUNICATIONS // AEROSPACE // LIFE SCIENCES

TECHNOPARC SAINT-LAURENT

Metropolitan Montréal

AN ADDRESS OF PRESTIGE
 WHERE KNOW-HOW THRIVES

Agilent Technologies AstraZeneca BIOXALIS CAPRION

BOMBARDIER CELMED Ecopia EMERSON EMS Technologies

EXFO ECAC-ROME mindready MethylGene noranda NORTEL

Shire TARGANTHERAPEUTICALS THALES Theratech

WWW.TECHNOPARC.COM // INFO@TECHNOPARC.COM