

SALE-LEASEBACK

Frequently Asked Questions



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WHY SHOULD A BANK CONSIDER A SALE-LEASEBACK?

In surveying bankers and bank consultants, we have determined the top 15 reasons that a bank should consider a sale-leaseback.

1. Ability to raise capital that is non-dilutive to the shareholders
2. Ability to alleviate regulatory pressure by increasing capital reserves
3. Reduce bank expenses
4. Gains can be used to offset COVID loan losses
5. Remove an unearning asset from the balance sheet
6. Branches are currently valuable; now is the opportune time to sell
7. Converting a branch from single-tenant to multi-tenant allows your bank to maintain presence in the marketing while also reducing costs
8. Enables banks to increase investment in compliance and IT
9. Change in FASB accounting rules now allow immediate recognition of capital gain from the sale portion of sale-leaseback
10. Branch is the only major area left in bank administration to reduce expenses
11. During the M&A process, leased versus owned branches are much easier to complete due diligence
12. Third-party property management can reduce expenses
13. Reduce too much real estate on the balance sheet
14. By selling the real estate and outsourcing property management, banks can focus on core business
15. There is a paradigm shift to leasing from ownership

HOW DO SALE-LEASEBACKS HELP BANKS RAISE TIER-1 CAPITAL?

Selling a branch unlocks capital opportunities for your bank and leasing it back maintains your control over the market location.

Branch sale-leasebacks:

- Unlock value and tier-1 capital
- Rightsize oversized branches and reduce expense ratios
- Position branches better in the community

Sale-Leasebacks unlock value and capital from your branches. In the recent past, the IRS required banks to amortize capital gains from sale-leaseback transactions over the course of the lease term.

New standards by the Financial Accounting Standards Board (FASB) allow immediate recognition of gains. With immediate recognition comes the opportunity to move gains through the income statement, into the retained earnings portion of the balance sheet, creating tier-1 capital (CET1) and growth opportunities.

Download the whitepaper to learn more about ASC Topic 842 and see an example of how it applies to bank branch sale-leasebacks.

[Download](#)

FASB: ASC Topic 842

The New Accounting Rules and Their Effect on Your Branch Real Estate



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HOW DO SALE-LEASEBACKS PROVIDE THE OPPORTUNITY TO REDUCE BRANCH EXPENSES?

Through right-sizing oversized branches. Oversized branches rarely fit in today's model of banking. Resizing branches and demising low-use space enables:

- Long-term efficiencies
- Immediate operational expense savings
- Greater space design and location flexibility
- Allows for potential co-tenant lease-ups that drive new foot traffic

Our experienced team is equipped to take on the challenges of transforming over-sized branches into modern formats. **Get in touch with one of our experts** and find out if resizing your branches is the solution you needed all along.

WHAT TYPES OF BANK BRANCH PORTFOLIOS ARE IDEAL FOR BANK SALE-LEASEBACKS?

The following characteristics are indicative of a bank branch portfolio that is suitable for sale- leasebacks:

Branch sale-leasebacks:

- Branches are typically older and depreciated assets on the books - this enables banks to enjoy a larger gain on the sale
- Banks are looking to downsize within the existing branch space - this enables Brookline Branch to lease the empty space and improve foot traffic to the branch

WHAT IS THE BROOKLINE PROCESS?

Brookline Branch has closed on properties in as quickly as 20 days and have taken as long as 6 months. We view working with banks in partnerships – not transactions – and therefore take the care needed to make sure that the agreement works for both parties.

The process for a sale-leaseback transaction is typically as follows:

1. We start with a phone call to understand your objectives - are you interested in a sale-leaseback for capital gain, to get a bad asset off the balance sheet, or to outsource property management?
2. We enter into an LOI process towards an agreement that works to the mutual benefit of both parties.
3. A purchase agreement is made and the properties go under contract.
4. The due diligence period begins. Brookline Branch reviews building systems and, if rightsizing is required, puts in place a demising plan with square footage and layout that aligns with the goals of the bank.
5. Thirty to 90 days later, Brookline Branch becomes owner of the property and can, if needed, begin construction.

MY BANK DOESN'T PLAN TO VACATE OUR BRANCHES FOR A LONG TIME. HOW CAN MY BANK REMAIN IN CONTROL OF OUR EXISTING BRANCH SPACE FOR THE LONG-TERM AFTER COMPLETING A SALE-LEASEBACK?

Brookline Branch works flexibly with banks in order to meet your short-term or long-term branch occupancy needs. Long-term commitments from a bank help improve our purchase offers which improves the capital banks generate through our partnerships.

IF THERE IS A NEED TO RETROFIT OR DOWNSIZE A BRANCH, WHO WILL MANAGE THE DEMISING AND CONSTRUCTION? WHAT ABOUT THE VAULT?

In most cases, Brookline Branch manages the end-to-end process for downsizing and demising bank branches. Brookline specializes in branch real estate, and has experience navigating and addressing the nuances of:

- Branch-specific security needs
- Accommodating separate bank departments within a single branch space
- Demolishing and repurposing vaults and safe deposit boxes
- Branch-specific needs such as secured server rooms, drive-ups, and ATMs

ISN'T IT BETTER TO OWN MY REAL ESTATE?

With the rise of digital banking, branch real estate has drastically changed over the past decade. Large branches with long teller lines have evolved into community-focused hubs within a smaller branch footprint. At the same time, banks are burdened with regulatory requirements for minimum capital requirements.

Savvy banks that want to unlock capital in a low-cost, low-risk way, while remaining operational and keeping control of their branch locations for a term that suits their needs are entering into sale-leasebacks.

WHO WILL MANAGE THE PROPERTY?

Brookline Branch manages the properties, contracting with top service providers in local areas as needed. We are experts in property management. Our bank partners experience reduced expenses and improved service quality when pivoting to our management team.

WHO LEASES UP THE VACANT SPACE?

Brookline Branch typically partners with top leasing service providers in local areas. Brookline Branch prefers working with local leasing brokerages over national leasing brokerages due to local brokerages' relationships within the community. Learn more about how Brookline Branch found the perfect co-tenant for a West Bend BMO Bank branch [here](#).

WHAT IS THE NEXT STEP?

The first step is a simple phone call to learn more about your bank and your branch portfolio needs. Submit the form on our [contact page](#) or call us at (908) 868-2557.

DO YOU WORK WITH OTHER TYPES OF REAL ESTATE OR FINANCIAL INSTITUTIONS?

Yes, Brookline Branch's team has more than 50 years of experience combined in purchasing, managing, and developing all kinds of real estate in multiple states. [Contact us](#) to discuss other real estate needs.

ABOUT BROOKLINE BRANCH

Brookline Branch is a real estate development company that can help banks optimize branch networks and improve performance through a variety of real estate solutions.

These include sale-leaseback transactions, branch downsizings, and multi-tenant buildouts. For more information, visit our website at [BrooklineBranch.com](https://www.BrooklineBranch.com) or contact one of our team members below.

Dave Van Arnam

Dave.Vanarnam@brooklinebranch.com
(315) 447-1317

Kean Clifford

Kean.Clifford@brooklinebranch.com
(908) 868-2557