

Insights

Mesirow Sale-Leaseback Capital featured in Restaurant Finance Monitor

Mesirow Provides Sale-Leaseback Financing to Restaurants

“The QSR space is going gangbusters,” said Doug Barker, senior managing director with Mesirow Sale-Leaseback Capital, “so I would do as much QSR business as I could.” That being said, “we try not to put everyone in the same box,” he stated. “We look at every acquisition uniquely.”

Mesirow Sale-Leaseback Capital does just what its name implies: provides capital to corporate America via sale-leaseback financing to a variety of industries, including restaurants, nationwide. Although Barker says they are generalists, “We like the restaurant space. I think it is an essential asset. It is an American industry that will never go away.”

Mesirow targets restaurant operators who operate at least 10 restaurants in top-tier brands, and 25 restaurants in second tier and below. “We look for high-quality credit tenants who have the strategic assets they want to commit to long term, but they don’t necessarily want to own,” he said. “It’s very capital intensive to operate and own real estate.”

They do a “deep dive” into the restaurant operation’s historical financials, pro formas and discussions with the C-suite. “We like to say that great real estate will never overcome a weak credit,” said Barker, “but a strong credit will sometimes overcome weaker real estate.”

Once they’ve completed due diligence, Mesirow gets a long-term commitment from the tenant. “We are not looking to do five- or seven-year sale-leasebacks,” he stated. “We’re a very passive landlord and we put our money out there and try not to worry about it. That’s why our transactions are predominantly 15- to 25-year terms.”

Barker said one Mesirow differentiator “is I think we are as competitively priced as anyone in the market, which puts us at a level playing field as the REITs. Also, because we are a smaller firm with a flat organization, we get decisions made very quickly, which means we can close quickly, too,” he said.

Mesirow also has the ability to do larger transactions, as well. (Fun fact: Mesirow purchased Las Vegas Raiders’ headquarters and practice facility this past February.) In the restaurant sector, they completed a more-than-\$200 million sale-leaseback transaction with Bob Evans Restaurants in 2016.

“Bob Evans had an activist investor who was making noise that the board was undervaluing the company by being tied to so much owned real estate,” said Barker.

To date, after 30 years since the group was formed, they have completed in excess of \$8 billion in sale-leaseback transactions.

With a portion of their portfolio invested in the restaurant space, they have been spending a lot of time recently with their tenants on deferral programs, due to the pandemic. “We have set short-term deferrals up, which relieves a little bit of the pressure from some of the companies who have been just shut down,” he reported. “We are doing this on a case-by-case basis. It’s not our interest to bankrupt these companies—we want them to survive. We have done a nice job working with groups that have been affected, and I think tenants have been happy with our cooperation. It bodes well for our relationships.”