Buying a Franchise Resale: Pros, Cons, and What to Watch For

By BVC Research Team | March 2026 | 10 min read

Buying an existing franchise location combines the brand recognition and proven systems of franchising with the immediate cash flow of an established business. It eliminates the startup risk of a new franchise while giving you a track record to evaluate. But franchise resales come with unique constraints that every buyer must understand.

Why Buy a Franchise Resale vs. a New Franchise

- **Proven performance:** You can see actual revenue, profit, and customer data rather than relying on franchisor projections
- **Immediate cash flow:** No 6-18 month ramp-up period — the business is generating revenue from Day 1
- **Established customer base:** Existing customers, online reviews, and local reputation are already in place
- **Trained workforce:** Staff already know the systems and processes
- **Known lease and location:** The location's viability is proven, not speculative

The Franchise Resale Constraints

Franchisor Approval Required

Every franchise resale requires the franchisor's approval of the new buyer. This means meeting their financial requirements, completing their training program, and sometimes even passing a cultural fit assessment. Some franchisors have first right of refusal, meaning they can buy the unit back at the agreed price before allowing a third-party sale.

Transfer Fees

Most franchise agreements include a transfer fee of $5K-$50K that must be paid upon sale. This comes out of the transaction economics and should be factored into your valuation.

Lease Complications

The franchise agreement and the lease are separate contracts. The landlord must agree to assign the lease to you, and the franchisor may need to consent as well. This double-approval process can complicate and delay closings.

> **KEY INSIGHT:** Read the Franchise Disclosure Document (FDD) cover to cover before making an offer. Item 19 (Financial Performance Representations) and Item 20 (Outlets and Franchisee Information) are the most critical sections for evaluating whether this franchise system is healthy.

Franchise Resale Valuation

Franchise resales typically sell for 2.5x-4.0x SDE, with multiples influenced by brand strength, unit-level economics, territory exclusivity, remaining lease term, and the overall health of the franchise system. A McDonald's franchise commands very different economics than a newer, less-established brand.

Questions to Ask the Franchisor

- What is the average unit-level profitability across the system?
- How many units have closed in the last 3 years and why?
- What marketing and operational support do you provide?
- Are there any planned changes to royalty rates, advertising fund contributions, or required technology investments?
- What is the franchisor's financial health? (Request their audited financial statements)

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