

BUY or LEASE?

Many business owners struggle with the dilemma of deciding whether to buy or lease office space. Business consultants or real estate brokers may give you conflicting opinions. The key to remember is this: Each business brings its own unique situation and concerns to the table, which means the answer may be different for each business owner.

Your business location should be tailor-made to fit with your company budget, spacing requirements and ease of operation. For some business owners, leasing affords a sense of freedom and relieves the financial burden of a down payment, yet may be too restrictive for some kinds of operations. The decision to buy a piece of commercial property offers its own set of risks and rewards, and should be considered carefully before entering into a mortgage contract.

Leasing Commercial Space

1. Cost Effective

Leasing a commercial space will usually require a one to two month move-in deposit, making the rental space a cost efficient way to do business. New business owners may be strapped for cash, and by leasing, rather than purchasing, your storefront or office is cost effective to set up shop with minimal funding.

2. Flexibility

Leasing a commercial space gives the entrepreneur plenty of room to grow, downsize or change locations. Although once you sign a lease, you are locked into a fixed amount of time to make the lease payments, the terms may be only a matter of months to be released and start over in another location.

3. Freedom

Setting up shop without the burden of a mortgage to pay allows a sense of financial freedom. Albeit, a purchased piece of commercial property could be leased or sold to another, there could be months before the owner receives any income from the property. A hefty mortgage may also interfere with business profits and may demand downsizing of personnel.

4. Maintenance

A leased office or shop has a landlord to lean on, taking away tedious responsibilities with the plumbing, electricity and security. In a leasing situation, any repairs or legal liabilities are left in the hands of the building management team.

5. Subletting

In some situations, you may sublet your leased office space to another. However, this must be cleared in writing from the management office, and careful attention given to their rules and regulations for renting out the space.

Buying Commercial Space

1. Secured Location

Buying a piece of commercial property adds assurance that the space is secured and cannot be given to someone else. In a leasing situation, when the lease expires, the renewal process may not have the same initial terms, thus proving unfavorable to renew. However, when you purchase, your prime location is secured.

2. Equity

As with a residential piece of property, a commercial owner may take out cash against the mortgage. In an emergency financial crisis, having a mortgage to borrow from lends a sense of security and provision of funds. Most commercial purchases will require 20 to 25 percent down on the purchase price, giving instant equity to the business owner.

3. Remodeling

When you have bought a property, it is your to do with as you wish. Remodeling, expansion and reconfiguration are yours for the taking. The ownership allows the business structure to be molded around the enterprise for a perfect fit and usage of space.

4. Tax Deductions

The interest on a commercial loan is tax deductible, with allowances for deducting any depreciation.

5. Lease Your Excess Space

If you own the property, you may lease your excess space without any restrictions from a third party over your head.