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## **Buy or lease? It's not an easy decision, but with proper guidance you can make an educated decision**

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Wouldn't you rather own your property than lease it for your business? The question is more complicated than you think. There are many factors that go into the decision-making process. Here are five:

### Tax breaks and mortgage rates

Ownership has numerous perks, including tax benefits such as depreciation and interest deductions, and the 179D "going green" tax credits. Although you'll get more money come tax season, does it outweigh the costs of owning? Or the upfront costs of buying? Today's low mortgage rates are tempting, but for a commercial mortgage, a typical bank will require a down payment of up to 30% of the purchase price.

In today's market, the cost of leasing could be lower. With a lease, upfront costs typically equal two months' rent. There's an abundance of space for lease on the market, and the negotiating power of a good tenant is strong. Property owners don't want to carry an empty building or have only a 50% occupancy level. This means your business could get a prime location for less cost.

### Management and Upkeep

Owning a building that houses your business is similar to owning your home: Repair and maintenance are your responsibility. But even if you have a balanced budget and money in reserve, hidden costs typically arise. For example, Worcester was hit with a record snowfall last year. Plowing and roof shoveling costs busted budgets everywhere.

### Flexibility

Property ownership doesn't provide much flexibility. A new or growing business may have different or unexpected needs. If the business continues to expand, it can outgrow a purchased property. Startups and growing businesses may opt to lease. Leaders should concentrate more on business success than managing property. That way, some of the business's money is not tied to real estate.

### Business Needs

If your business requires specific features and an extensive buildout, it may be more beneficial to own. Typically, build-out costs are deferred to the tenant in a lease, meaning the tenant will pay to make improvements to the space but not see any money in return for the investment.

### The Big Picture

When you lease space, your business may be subject to annual rent increases or higher costs when the lease expires. When a lease is due to expire, it helps to speak to a real estate professional who can work on your behalf. Especially in today's market, tenants have the advantage, and representation does not cost the tenant.

If your business is profitable and you have time to manage the building and its expenses, owning a building with a locked-in commercial mortgage and clear, fixed costs is a good option. Property

ownership also means equity, so a commercial space that gains value over time can fund a retirement.

But if you've outgrown your home office, your current office is too small, or your business has grown and you've hired more people, you need more space. Do you buy or lease? It's not an easy decision, but with proper guidance you can make an educated decision.

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