



There is a good case for either buying or leasing. Here are some benefits and disadvantages to help you decide which way to go.

Benefits of Buying:

- Own for less than leasing
- Equity appreciation with each mortgage payment
- No rent increases
- Interest on the mortgage loan is tax deductible
- Changes can be made to the building to accommodate your business and you own them
- You can take annual depreciation deductions on taxes and engineering cost segregation can accelerate these
- If you end up with excess space, you can lease out the extra
- Creative design can allow for expansion
- You can stay at that location as long as you wish
- Provides an exit strategy with alternatives
- All marketing dollars promote your location; you are promoting what you own
- The build-out is amortized over the life of the loan; normally 20-30 years

Disadvantages of Buying

- Usually requires more initial capital to secure financing
- Property values may decline
- Requires owners to invest time and energy in matters that are not its business, unless property is part of an owner's association

Benefits of Leasing

- You can move at the end of your lease
- Your monthly rent is a tax deduction as a business expense
- You may have the freedom to sublet
- No loss if owning in a bad market

Disadvantages of Leasing

- Your lease hold improvements become landlord property
- No equity buildup
- Annual escalations are common in rental rates
- Tenant may HAVE to move at the end of the lease or (see below)
- With a "kick-out" clause, you may have to move during the lease, interrupting your work flow in the business
- Unless you read and understand the lease, the provisions and fine print may hurt you in the end
- The build-out is normally amortized over the term of the lease, normally 3-5years