

# Pros and Cons of Office Space Leasing or Buying

All growing small businesses may someday be faced with the question of leasing versus buying office space. This question has many pros and cons. With ever-changing U.S. office vacancy rates and stock markets, it is uncertain what the future may bring. A small business owner needs to carefully weigh the pros and cons of leasing or buying office space.

## Pros of Office Space Buying

- **Fixed Costs:** Locking in your commercial mortgage long-term can give your business clear, fixed costs.
- **Tax Deductions:** The associated costs of owning and running a commercial space can provide expense deductions in the form of mortgage interest, property taxes and other items.
- **Additional Income:** Owning your office can offer the advantage of renting out extra office space adding another source of income.
- **Retirement Fund:** The prospect of owning commercial space and having the property appreciate over time, allows the owner to sell out and fund their retirement.

## Cons of Office Space Buying

- **Lack of Flexibility:** A new or growing business may experience unexpected needs in the future. If your business continues growing, your owned office space may become inadequate forcing a sale of the property.
- **Upfront Costs:** Buying commercial space will initially cost far more upfront. There are property, appraisal, and maintenance costs along with a large down payment and possible property improvement costs.

## Pros of Office Space Leasing

- **Prime Property:** A leasing office space option provides a business with the chance to rent in an area with a good location and high image. If your small business is dependent on location and image, the leasing option is much more affordable.
- **Free-up Working Capital:** With your money not tied up in real estate your business can respond to opportunities in the market. In addition, your ability to borrow funds will not be as limited as with buying office space.
- **More Time:** Any type of ownership comes with headaches. A leasing option affords the time to focus solely on running your business.

## Cons of Office Space Leasing

- **Variable Costs:** With a leasing option you may be subject to annual rent increases and higher costs at the time when your lease expires.
- **No Equity:** While leasing you will be funding someone else's retirement with your lease payments. However, owning requires you to get involved in the property management business.

The answer to lease or buy office space is not clear-cut. Your decision will hinge on financial, tax, and personal issues. Do not make this decision sparingly. Bring in your accountant and financial planner to guide you with the best advice.