4 BENEFITS OF OWNING COMMERCIAL REAL ESTATE
INTRODUCTION

You’ve successfully launched a small business, proven a sustainable model, and are generating positive cash flow. With this foundation in place, it may be worth considering if it’s time to stop renting your business space and become your own landlord.

To help, we’ve put together some of the potential benefits. Once you’ve considered the potential benefits, we strongly recommend that you consult with your legal and tax advisors to help determine whether owning commercial real estate is right for you.
1. Build Equity in Your Property

Think for a moment about how much you pay in rent to your landlord each month. By replacing your rent payment with a mortgage payment, you build equity in your property and grow closer to owning it outright. At the end of the loan period, you will have an asset that may have even appreciated in value. And you won’t have to worry about your rent increasing unexpectedly. With a mortgage, you can forecast your monthly payment and better plan your expenses.

Keep in mind that when you purchase real estate, it isn’t just the monthly mortgage you will be paying. There are also property taxes, insurance, maintenance, and other “owner” costs to think about. But in some cases, these may amount to less than what some business owners pay each month in rent. It is a good idea to research what your monthly payments will be owning a commercial building and compare them to what you are paying now.
2. Ability to Control Your Space

If you’ve ever wanted to make an update to your business space but had to first clear it with your landlord, then you understand the constraints of renting.

As a commercial real estate owner, you have more flexibility to make decisions about your own space. If your business or industry experiences any sudden changes, you can adapt your space at your own pace. You will still need to be mindful of zoning laws and other legal requirements, but you may have more flexibility compared to renting.

Another benefit of this freedom is the ability to increase your business’s visibility. If you would like to add signage or other advertisements to the exterior of the building, you may be able to do so without getting permission first.

AS A COMMERCIAL REAL ESTATE OWNER, YOU ARE FREE TO CUSTOMIZE AND RENOVATE AS YOU SEE FIT.

3. Rent Unused Space to Other Businesses

By owning your own property, you have the option to rent unused space to other businesses and generate additional cash flow. This might be something to consider if the property layout is conducive to multiple businesses, such as an office building or certain retail stores. Or if you are buying a property that is large enough to sustain your business’s future growth and want to utilize the extra space in the meantime.

Remember that this will add the responsibility of becoming a landlord and assuming responsibility for issues that may arise with your tenant(s). Additionally, the SBA has certain occupancy requirements, and we recommend that you consult with your business advisors to determine if renting space to other businesses is right for you.
4. Tax benefits

When purchasing commercial real estate, you will incur additional taxes, such as property taxes. But whether the property is titled under your name, under the business name, or under a separate entity – there may be certain tax benefits to owning your own business space as well.

You will want to consider the possibility of depreciation deductions, mortgage interest deductions, and property maintenance deductions for income tax purposes. During the purchasing process, it may be a good idea to consult with an attorney or an accountant to discuss possible tax benefits of owning commercial real estate.
CRF IS HERE TO HELP.

Talk to a CRF small business lending specialist if you have questions – we’ll provide answers and guide you through the process every step of the way.

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