



Lease v. Purchase

With the lowest interest rates in recent history and the uncertainty in the stock markets, many physicians are choosing real estate to diversify their investments. One of the more stable and easy investment opportunities may be the office space used by your practice. From office condominiums to free-standing buildings there are more choices in the metro Atlanta medical markets than ever before. There are pros and cons to consider based on your own practice and your personal investment strategies. Consider all the factors before you buy or sign your next lease or lease renewal. You might start by making a list of the pros and cons and then do a side by side lease vs purchase financial analysis for your particular best choices.

First weigh the positive aspects:

<u>Purchase</u>	<u>Lease</u>
Building equity	Low cash requirement
Controlling occupancy cost	No long term commitment
Tax savings	Easier to re-locate
Can't be forced to move	



Then weigh the negative aspects:



<u>Purchase</u>	<u>Lease</u>
Usually cash investment required	No equity or wealth building
Some management responsibilities	Possible increasing rents
Sell or lease space to move practice	Could be forced to re-locate

For a financial comparison, consider the effect on your practice. Will the large medical building lease bring more referrals? Will the free parking and signage possible with ownership attract more patients? How might each location increase or decrease the number of patients? Then do the math. Decide what time frame to consider. First compare any moving costs and all the occupancy costs of each choice over a ten year period. Then you are ready for a side by side financial comparison.

On the purchase options, compute the negatives like the lost benefits of the cash outlay and any management cost or time. Then compute the positives aspects of appreciation, loan principal reduction and tax benefits. Your lease vs purchase decision is much easier when you can see the bottom line of each choice.

An experienced real estate broker who understands the medical business can help you negotiate as many choices as possible and help you “do-the-math” so you are the ultimate winner of the lease vs purchase battle.