

Working Space

Perhaps your business has employees that need a place to work or perhaps you are ready to meet clients without having to worry about them seeing your dirty dishes in the sink at your home office. Either way, any fledgling business needs to consider where to house the business and whether to buy or lease commercial space.

Owning versus Renting

The terms of any lease agreement are subject to negotiations between the tenant and the landlord. However, the landlord often has more negotiating power and it is not uncommon for commercial leases, in contrast to residential leases, to require a tenant to pay real estate taxes, property insurance, and other expenses associated with maintenance of the property. Such leases are known as triple net leases and by their terms they minimize some of the qualitative differences of renting and owning commercial space.

One of the main benefits of a lease in contrast to owning property is flexibility. A lease can provide a business with more flexibility than buying because the term of the lease can be substantially shorter than a thirty-year mortgage. This flexibility is crucial if you are unsure how much space your business will need in a few years' time or whether the location is ideal for your customers.

Owning property provides the business with an asset that can be leveraged, for example, to secure a loan for your business. The ability to get a loan and startup capital may be crucial for your business and leveraging such property may provide necessary security to potential investors. Such asset can also be the target of unhappy customers, suppliers, creditors or other third parties. For that reason, businesses and their founders should strongly consider owning title to property via another related entity, such as another LLC or corporation formed by the business or its founders. Owning property in another entity provides an extra layer of protection from the business's creditors, so long as corporate formalities are observed.

Of course, options may be limited by what is available on the real estate market and there may be times when the real estate itself—for example, price or location—is the deciding factor after weighing all the pros, cons, and business needs. Discussing these options and your business needs with your attorney and realtor can help you make the right decision.

Shared Workspace

If you are ready to have business meetings outside your home but are not ready to commit to either a lease or purchase of property, there is a third option: shared co-working space. This option has become much more popular over the past decade and there are now several companies that provide co-working space. Such options provide more formality, privacy, and amenities than conducting meetings at your home or a coffee shop. Pricing varies at these co-work spaces based on what you need and this ability to tailor the cost to your needs helps ensure that your business is not spending much needed funds on unused space.



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