



## SHOULD YOU OWN YOUR OWN BUILDING?

From 2000- 2007 there seemed to be an abundance of owner user buyers; an owner user being a company that would otherwise lease space. With our extended recession, the number of owner user buyers has diminished significantly. Prices peaked in 2006 and have steadily fallen since. **Combine the favorable prices with historically low interest rates and you get an unprecedented time to buy your own facility.**

Here's a simple look at some of the economic factors involved with ownership that clearly illustrate the long term benefits:

**1. Appreciation and Leverage:** If you buy it right, real estate is a great hedge against inflation. You can hold your occupancy costs down with long term low interest rate financing. Assume you buy a \$500,000 building with 20% down (\$100,000). If the building increases value by 10%, in this case \$50,000, you have just realized a 50% return on your original down payment.

**2. Annual Return on Investment:** Your annual occupancy costs (mortgage + building expenses) will be less than what it would cost to lease. To illustrate, assume that the building in the previous example

would lease for \$10,000 a month, and to own the building your cost would be only \$7,500 a month. The difference is \$2,500 a month or \$30,000 a year. Your annual return on the \$100,000 down payment is 30% ( $\$30,000 \div \$100,000 = 30\%$ .) So while it might be a challenge to come up w/ the down payment, it is well worth the return.

**3. Tax Advantages:** Interest on a loan for an owner/ user is fully tax deductible. Depreciation is an additional tax break for commercial property; the owner user can deduct 1/31 of the property's improvement value (you can't depreciate land). For example, if the value of a property is \$500,000 the annual deduction would be \$16,129.

**4. Identity:** An often over looked benefit of ownership is building identity. This identity can be in the form of the company's name on the building.

**5. Control:** As the owner, you are in control. You control your costs, your growth and who your neighbors are. You also control your exit strategy.

*Tom Bacon, CCIM is a 28 year veteran in the commercial real estate industry*

## BACON COMMERCIAL

(916) 761-1202  
www.sacramentobacon.com

1924 N Street, Sacramento, CA 95811  
License #00859571



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