A Dozen Advantages of Leasing

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1. Leasing frees up corporate capital which allows the company to invest in its business rather than a non-core business activity like real estate. Owning real estate and borrowing requires a substantial down payment. Leasing essentially provides 100 percent financing.

2. Leasing provides the lessee a great deal of flexibility. Leases can include options to expand, contract, and extend the lease term.

3. Leasing eliminates many of the responsibilities associated with real estate ownership. Owners of real estate must concern themselves with not only the on-going responsibilities of day-to-day property operations but also long-term capital replacement and repair (e.g. building systems, roof, structure, etc.). Most leases eliminate or limit these responsibilities for the lessee.

4. Leasing can provide the lessee the opportunity to realize the benefits of concessions available in the market (i.e., free rent, moving expenses, turnkey buildouts, etc.).

5. Leasing allows a tenant to avoid some of the risks of functional obsolescence associated with ownership.

6. Consummating a lease transaction generally requires a shorter time frame than buying or developing a property and obtaining financing.

7. Lease payments, with the exception of generally small operating expense escalations, are very predictable amounts. Therefore, leasing tends to smooth out expenses for the tenant and avoids the often unforeseen large capital outlays associated with owning real estate.

8. Loan agreements are usually very restrictive. Leasing, however, provides financing that is more flexible and easier to obtain. Leasing also allows piecemeal financing. Firms that grow over time may find it easier to lease space than to negotiate loan terms and sell assets to obtain the capital needed to secure a loan.

9. For smaller or only marginally profitable firms, leasing is frequently the only available source of financing.

10. For venture funded or small cap public companies, leasing is typically the least expensive form of available financing. For example, raising capital through a public or private equity raise or convertible debt offering is almost always more expensive than lease financing.

11. Leasing provides greatly simplified bookkeeping. Generally, the entire lease payment is expensed.

12. Leasing minimizes the financial exposure to the tenant from the risk of market downturn and property devaluation.