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Page: 33

AS A BUSINESS OWNER, there are many options open to you when it comes to office space. Depending on the size of your business and whether you just need offices or a manufacturing or storage space, you can choose to rent offices in a co-working space, rent an entire floor or building, or purchase a commercial property that suits your needs. If you haven't considered property ownership before, here's what you should know to get started — and how to determine if property ownership is right for you.

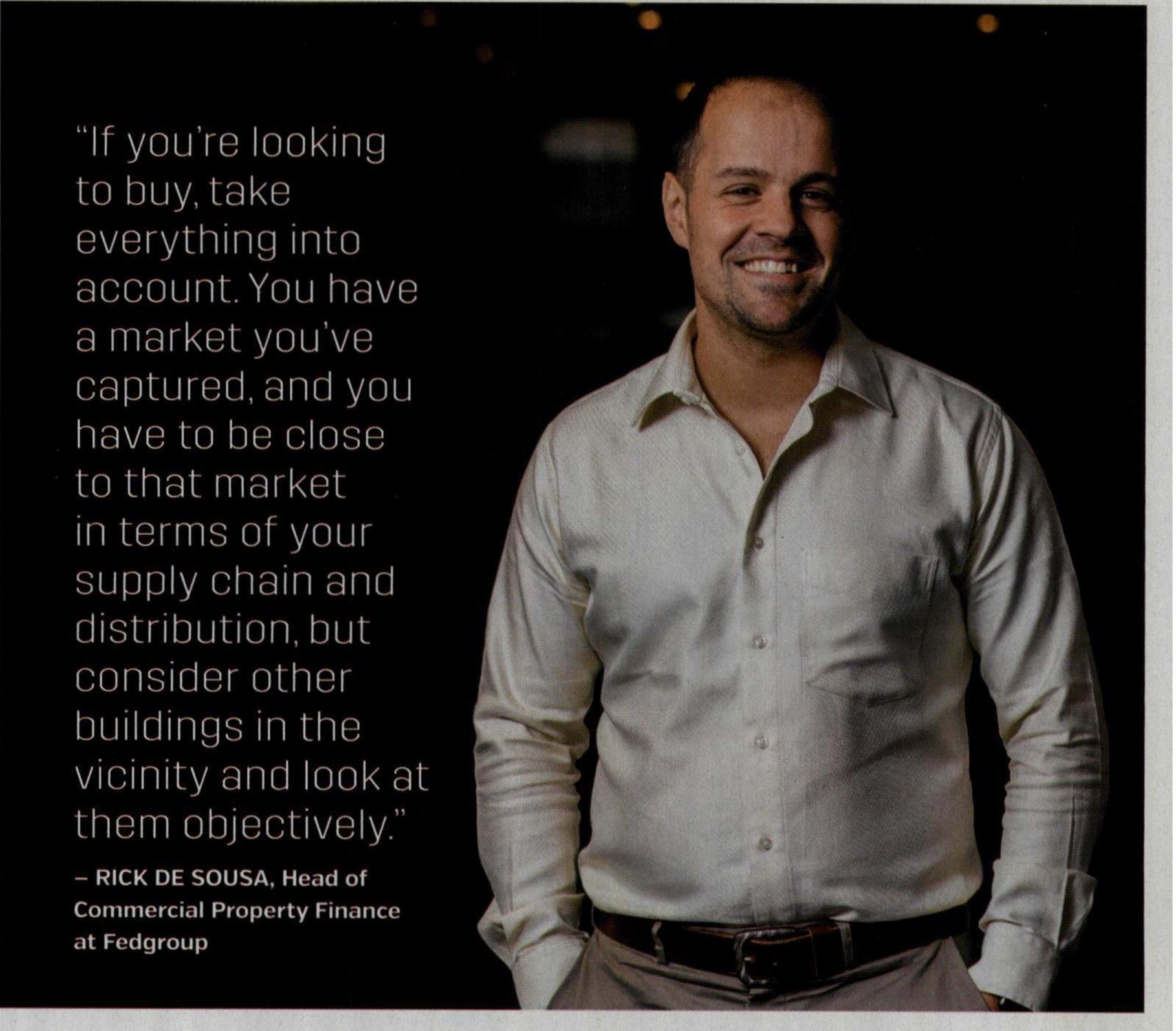

PHOTO: MIKE TURNER

1 KEEP YOUR OPERATIONAL BUSINESS AND PROPERTY PORTFOLIO SEPARATE FROM ONE ANOTHER

"Many business owners who own their premises have two separate companies," explains Suraj Lallchand, director at Fedgroup Ventures, a division of Fedgroup. "The first is the original company that actually runs the operations, and the second is a 'prop co' that owns the property."

The reasons for this are simple: There are tax benefits, it opens a second income stream, and it keeps the two entities separate, allowing the business owner to one day sell the business while maintaining the property portfolio they have built up. In many cases, if the business is sold but remains in the premises, as the property owner they will continue to draw rental fees from the business.

For example, when Gil Oved and Ran Neu-Ner sold their business, The Creative Counsel, to international conglomerate Publicis in 2015, the deal didn't include their building, which they own and from which the business still operates.

"We still own the building separately," explains Gil. "Publicis Group are not in the business of property ownership, and the two businesses are entirely separate. You should always keep your property portfolio separate. If and when you sell your business, the buyer would probably not want a building as well. Furthermore, when you sell the business, you get to keep the building and hopefully get the new buyer to assume the lease agreement. Passive income is what we all aspire to."

"It's a simple process," explains Suraj. "You would put the property into the prop co, take a loan against the property, and charge rent to the operations company. This then becomes a taxable deduction for the operational company, and the interest you pay on the loan for the building is deductible for the prop co. As a result, you bring your taxable income down to a minimal amount. We see many companies that would rather purchase their own properties and take the tax deductions than continue to rent." There's a growth avenue as well. If your business outgrows your current property, you can purchase another property through the prop co and lease the previous building to someone else. In this way, many business owners slowly build up their commercial and industrial property portfolios.

If you haven't outgrown the first property but have paid off the loan, there's an incentive to continue building your portfolio as well. "Once the first property is paid off, you can bond it again, purchase a second property, and continue to benefit from the tax deductions on the interest you pay on that loan," explains Suraj.

The key to owning your own commercial property is whether or not the operations company can afford the rental and has strong prospects for the future. "If you can't occupy the building and you don't find a tenant, the prop co will end up defaulting on its loan and losing the property," he adds. "We always do our due diligence on the borrower and the property in question," agrees Rick de Sousa, Head of Commercial Property Finance at Fedgroup. "The security we are lending against is determined by the value of the property as well as the owner's ability to service the loan. If the owner of the business is purchasing the property, then the business's stability and projected income is an important factor for us to consider."

2 TAKE AN OBJECTIVE VIEW OF THE PROPERTY YOU'RE LOOKING TO PURCHASE

According to Rob Fenner, National Director of Corporate Solutions at JLL, which provides experienced commercial property and investment management services for corporations and investors, many business owners decide to purchase a property because they no longer want to pay rent to someone else. "The irritation that owners feel paying off someone else's asset is emotional.