

Small Business Owner's Guide to Buying vs. Leasing

A straight look at the real estate decision most local entrepreneurs face eventually

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At some point most small business owners start wondering whether they should own their space instead of renting it. The question sounds simple. The answer depends on more variables than most people realize, and the conventional wisdom on both sides is frequently wrong. This guide lays out the actual considerations so you can make the call that fits your business - not someone else's.

THE QUESTION MOST BUSINESS OWNERS ASK WRONG

The typical framing is: "Am I throwing money away by leasing?" The answer is no - leasing is not throwing money away any more than renting a home is. You are paying for the use of a space. What you are not doing is building equity or locking in your occupancy costs over time.

The better question is: at this stage of my business, with this much capital available, in this specific local market, does owning my space create more value than deploying that capital somewhere else?

For some businesses the answer is clearly yes. For others it is clearly no. A lot of businesses are somewhere in the middle, and the decision has more to do with timing and capital than with any general principle about renting versus owning.

WHEN LEASING MAKES MORE SENSE

Strong reasons to lease

- **Your business is early stage.** In the first two to three years, your space needs will likely change. What works for 15 clients a week may not work for 50. Locking into a building purchase before you know what you actually need is a real risk.
- **You need your capital for the business.** Buying commercial property typically requires 10 to 25 percent down, plus closing costs. That capital deployed into hiring, inventory, or marketing often generates more return for a growing business than equity in a building.
- **Location matters and you are not sure yet.** If you are still learning which part of Grants Pass works best for your customer base, leasing lets you move without a sale.
- **Your business model could change.** Pivots happen. A space you own is an anchor in a way that a lease is not.
- **The right property to buy simply is not available.** In a small market like Grants Pass, good commercial property for purchase does not always come up when you need it. Leasing in the right location while waiting for the right purchase opportunity is a legitimate strategy.

WHEN BUYING MAKES MORE SENSE

Strong reasons to buy

- **Your business is stable and location-dependent.** If you have been in the same location for years, know it is the right place, and expect to stay, buying converts a fixed cost into an asset-building activity.
- **You can rent out part of the building.** Many owner-occupied commercial purchases in Grants Pass involve buying a small building, using part of it, and renting the rest. The rental income offsets the mortgage. This is a particularly strong model in a market like this one.
- **You have the capital and it is not needed elsewhere.** If the down payment would otherwise sit in a low-yield account and your business does not need it for growth, buying can be a smart move.
- **You want to lock in your occupancy cost.** A fixed-rate commercial mortgage means your occupancy cost does not change year over year. A lease renews at market rates, which move.
- **You are planning for retirement or exit.** Owning the building your business operates in creates a real estate asset you can sell separately from the business, lease back to a buyer, or hold as a retirement income property.

QUICK COMPARISON

Factor	Leasing	Buying
Upfront cost	First/last month + deposit	10-25% down + closing costs
Monthly cash out	Rent (variable on NNN)	Mortgage (stable if fixed-rate)
Flexibility	High - move when lease ends	Low - selling takes time and cost
Equity	None	Builds over time
Cost predictability	Resets at renewal - can jump	Stable with a fixed-rate loan
Capital required	Lower	Higher - ties up capital
Best fit	Early-stage, growing, or location-testing businesses	Established businesses with stable space needs and available capital

WHAT THE GRANTS PASS COMMERCIAL MARKET ACTUALLY LOOKS LIKE

Grants Pass is a small market. The commercial inventory is limited compared to larger cities, and the off-market space is significant - meaning properties are often not listed anywhere publicly. Some of the best spaces for small businesses here circulate by word of mouth or are found through relationships with local landlords and commercial brokers.

What tends to be available:

- Small retail and office space in and around the downtown core, varying considerably in condition
- Light industrial and flex space on the outskirts, particularly toward the Redwood area and north of town
- Space in older strip centers that can work well for service businesses
- Occasional converted residential or creative-use spaces in areas outside of traditional commercial zones

What is harder to find: turn-key professional space at a reasonable price. Quality small office or retail space in Grants Pass tends to lease quickly when it comes available. The gap between what is listed online and what is actually useful for an independent business is real.

This is one of the places where the agent relationship matters more than the search tool. Off-market commercial space in Grants Pass does not appear on LoopNet or any listing platform. It circulates through local conversations - between owners, agents, and people who know the inventory. Working with an agent who is actively plugged into the local commercial community is a practical advantage in a small-inventory market, not just a nice-to-have.

READING A COMMERCIAL LEASE - WHAT TO WATCH FOR

Commercial leases are not standardized the way residential leases are. They vary significantly and the details matter. Before you sign, understand each of the following.

Gross Lease vs. NNN (Triple Net)

In a gross lease, you pay one rent figure and the landlord covers taxes, insurance, and maintenance. In a triple net lease, you pay a base rent plus your share of the property taxes, building insurance, and common area maintenance. NNN leases are common in commercial real estate. The base rent looks lower, but the total cost is higher and can vary year to year.

Personal Guarantee

Many commercial landlords require a personal guarantee - meaning you are personally on the hook for the lease even if the business fails. This is a significant commitment. Understand what you are signing and whether there is any limit on the guarantee period or amount.

Renewal Options

Does your lease include an option to renew at a defined rate? If not, the landlord can set a new rent when your term ends - which could be significantly higher than what you have been paying. In a market where good spaces are scarce, not having a renewal option is a real vulnerability.

Assignment and Subletting

If you need to exit the lease early - due to business growth, contraction, or sale - can you assign it to another tenant or sublease the space? Many commercial leases restrict this or require landlord approval. Know your options before you need them.

Tenant Improvements

Who pays for improvements to make the space work for your use? Sometimes landlords offer a tenant improvement allowance. Sometimes they do not and you are responsible for everything. What happens to those improvements at the end of the lease - do they stay with the building or do you have to restore the space to its original condition?

Get a lease reviewed before you sign it. Commercial leases are negotiable. Most landlords expect some negotiation. An hour with a real estate attorney reviewing a lease before you sign is much less expensive than discovering a problem after you are in a five-year commitment.

QUESTIONS TO ASK BEFORE YOU COMMIT TO ANY SPACE:

- What is the total monthly cost including NNN charges if applicable?
- What utilities are included and what is my responsibility?
- Is there a personal guarantee required and if so, for how long?
- What are the renewal terms and how far in advance do I need to exercise the option?
- Who is responsible for HVAC maintenance and replacement?
- What is the permitted use clause - am I allowed to do what I plan to do here?
- Are there any restrictions on signage?
- What is the parking situation and is it guaranteed?

A NOTE ON SBA FINANCING

For small business owners buying commercial property, two SBA loan programs are worth knowing about before you start the search.

The **SBA 7(a) loan** can be used for commercial real estate purchase as part of a broader business financing package. It typically requires a lower down payment than a conventional commercial loan - often around 10 percent - and offers longer repayment terms that keep monthly payments more manageable.

The **SBA 504 loan** is specifically designed for owner-occupied commercial real estate. A participating lender covers 50 percent of the project cost, a certified development company covers 40 percent through an SBA-backed loan, and you contribute 10 percent. The 504 offers a fixed rate on the SBA portion and is one of the better financing tools available to a small business owner buying their first commercial property.

Not all lenders are active SBA lenders. If SBA financing is relevant to your situation, ask specifically about SBA lending experience before committing to a lender. The right lender on an SBA deal is not always the bank you already use.

THE BOTTOM LINE

Buying is not inherently better than leasing and leasing is not inherently safer than buying. Both are tools and the right one depends on where your business is, what your capital picture looks like, and what the local market has available. The mistake most business owners make is deciding based on a general principle rather than their specific situation.

Grants Pass is a small market with limited commercial inventory and a real gap between what is listed publicly and what is actually available. Navigating it well is mostly about knowing where to look and who to ask.

Want to talk through your specific situation?

The Local Entrepreneur's Session is a 45-minute conversation about your space situation in Grants Pass - what your options are, what the local market looks like, and what to watch for. Flat fee, no agenda, follow-up email with next steps. Available through the commercial section at jamie-the-realtor.com/services/

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