

## An insight into answering the ever-burning question of buying or renting your property

**T**he two major costs on a company's profit and loss are staffing costs and real estate costs. How can you better manage the latter: real estate costs? Should small and medium enterprises (SMEs) rent or buy their property? Any SME would have readily answered that they should buy in the long run.

Rather than weighing the pros and cons of rental versus purchase, which may appear to be general, we at PropertyBank believe in using a simple questionnaire to address the needs of SMEs to guide them to arrive at a decision.

### Purpose

Is the purpose to curb rent or to invest in the hope of capital appreciation? If there are abundant supply of buildings for rent, rental costs can appear to be much lower.

### Recurring costs

How much do you spend on your monthly rental? If the monthly installment is almost equivalent to a monthly rental that you can currently afford with your business, then the purchase is viable, as you do not need to incur the costs of moving every few years.

### Outflow (Cash)

Cash flow is the key to the success of every business. This is so, especially for SMEs. Though most



# To Buy or Not to Buy

banks appear to be willing to loan up to 80 per cent, the assessment is on a case-to-case basis. Borrowers would need to cater up to 35 per cent cash of the property purchase price for any purchase. This is to cater for such costs as stamp duty, legal fees, survey fee, etc. On top of this, there is a need to put aside extra cash to cater for renovation.

### Fit of the premise

Can this premise contain your mid to long term goal? For some industries, their business and space needs tend to be volatile. These businesses may not be the ones which can commit to buy as they may find themselves growing out of the space or having too much excess space.

### Interest costs

The mortgage costs are now at an all-time low. When mortgage costs are much lower than business loan, it is likely that purchase is a very viable option.

### Timing

Timing is key especially when considering a production space. One has to consider that completion of any property transaction may

### Rent versus Buy Calculator

#### *Rent Cost Considerations*

- > Monthly rent payment
- > Additional monthly fees (e.g. maintenance)

#### *Purchase Considerations*

- > Purchase price
- > Amount of loan
- > Annual interest rate
- > No. of years
- > Annual property tax
- > Annual maintenance cost

take up to six months. Do you have an existing lease that you would end up paying rent for over a year when the property purchase is completed?

The buzzword "PRO-FIT" is not without reason. Very often, SMEs find their time being occupied by daily operation. Hence, the best solution is to find a Professional real estate consultant to analyse your real estate situation and FIT you with an objective solution. **E**

**Edith Tay**  
Director

PropertyBank Pte Ltd  
CPD Trainer of Singapore  
Accredited Estate Agencies