

To own or to rent?

Business expansion needs planning, especially where assets are concerned

If business has been good, you might be thinking of expanding. Whether it's a second outlet, a bigger warehouse or a larger delivery fleet, you will need to budget for growth.

One of the biggest decisions you need to make is whether to buy or rent a property. Buying may be the wiser choice if you expect the value of your property to grow, but there are other factors you need to consider.















For machinery or vehicles, you need to decide whether to get them on a hire-purchase plan, or simply lease. For hire purchases,

you receive the vehicle/equipment, pay regular installment payments and obtain ownership of the asset upon fulfilling the payment of all the installments.


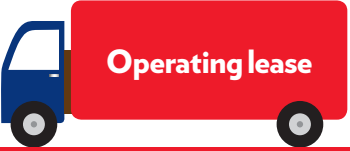













In the case of operating lease, you rent the equipment for a short period of time, then return it to the leasing company.

Whichever option you choose, UOB Business Banking supports your business as you take your next step. Here are some considerations you should keep in mind as you gear up for growth. **PRODUCED BY THE TODAY SPECIAL PROJECTS TEAM**

Property: Buy or rent?

Buy	Rent
	
Ownership and Total Cost	Ownership and Total Cost
A bank can finance up to 80% of the valuation or purchase price 	Lack of stability in rental period and rental cost from landlord 
Ownership of the property lets you get an additional loan for business expansion	Total cost of rental in the long run may be higher than the cost of purchase
Cost	Cost
Predictable monthly installments 	Monthly rental may or may not be lower than monthly installment of property loan 
Interest cost may be lower than rental cost 	Rental cost tends to rise yearly 
20% of capital outlay required 	Upfront rental deposit required 
Improvements and Investment	Improvements and Investment
Greater flexibility when it comes to renovation 	Plans for making improvements are subjected to landlord's approval 
Property value may appreciate 	Does not benefit from the appreciation of property value 

Vehicles/Equipment: Hire purchase or lease?

Hire purchase	Operating lease
	
Ownership and Total Cost	Ownership and Total Cost
Ownership of equipment/asset 	Asset must be returned at the end of the lease period 
Total cost includes purchase, finance and maintenance charges 	Total cost of leasing in the long run may be higher than the cost of purchase 
Cost	Cost
Predictable monthly installments 	Monthly leasing may or may not be lower than hire-purchase installments 
Interest cost may be lower than leasing cost 	Leasing cost tends to fluctuate
Upfront deposit required 	Upfront leasing deposit required 
Convenience and Quality	Convenience and Quality
Convenient for long-term usage 	Short-term usage and subject to availability when the need arises 
Quality assured; free to choose the asset before purchase 	Quality of vehicle/equipment is at the liberty of the lessee 

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