Buy or lease: should a contractor own a garage or warehouse building?

Most contractors who ask me about buying are really asking two things. Can I afford the down payment, and can I carry the monthly payment? This guide walks through those questions and the ones behind them, so you can decide whether owning makes sense now or later.

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The short answer. Buying usually makes sense when your business is stable, you expect to stay in the same area for at least five years, the building fits where your business will be in a few years, and you can cover the down payment while keeping enough cash to run the company. Leasing usually makes sense when you're growing fast, cash is tight, or you're not sure yet how much space you'll need or where.

There's no rule that settles it. It comes down to your numbers, your plans and the building in front of you. If you're already leaning toward buying, the financing guide covers how the loans work, including SBA 504 loans that can go as low as 10% down.

What usually decides it for contractors?

When the space works, the question is almost always money. Can the business come up with the down payment, and can it carry the monthly payment without squeezing payroll, trucks and materials?

That's the right place to start, and the full comparison covers more than rent and a loan payment. On the lease side, count the rent, the yearly increases, any taxes, insurance and maintenance the lease passes through to you, and the cost of moving if the lease isn't renewed. On the ownership side, count the loan payment, property taxes, insurance, the roof, the parking lot, the overhead doors and everything else that used to be the landlord's problem. Then put several years of each side next to each other.

How much cash does buying take?

More than the down payment. Before closing you'll pay for an appraisal, an environmental report, inspections, a title search and insurance, a survey in many cases, and your attorney. Lenders want to see that you'll still have working capital after closing, because a contractor with a new building and an empty bank account is a riskier borrower than one with a smaller building and cash in the bank.

The financing guide goes through down payments by loan type. The short version is that an SBA 504 loan often needs the least cash, a conventional bank loan more.

Why does owning appeal to contractors?

Control is the big one. An owner can pave or fence the yard, add a wash bay or a bigger overhead door, put in a mezzanine for storage, or upgrade the electrical service without asking a landlord. Contractors have an edge here that most business owners don't. Your own crews and supplier pricing can make those improvements cost less than they would for anyone else.

The payment is the other one. A fixed-rate loan keeps your occupancy cost steady while rents around you go up. Cincinnati's industrial market has been tight. Colliers put metro industrial vacancy at 4.1% in the third quarter of 2026, down from 5.5% a year earlier, with average asking rents rising. That's across all industrial building sizes, but small contractor space has felt the same pressure. A tenant also lives with the chance that the landlord sells the building and the next owner has different plans.

What are the two ways it goes wrong?

I see two opposite problems.

The first is getting priced out. As industrial buildings in the area have gone up in price, some contractors who planned to buy "in a few years" find that the buildings they wanted now cost more than they can finance. Waiting has a cost too, even if it doesn't show up on a financial statement.

The second is buying too small. A contractor who is growing buys a building that fits today, then outgrows it in a few years and has to move again, this time with a building to sell or lease. If you're growing, look at buildings with more space than you need now. Leasing out the extra bays can help carry the payment until you need them, and SBA 504 rules allow it as long as your business occupies at least 51% of an existing building. The financing guide has the details.

Who should own the building?

Most contractors and business owners who own their building don't hold it in the operating company. They hold it in a separate legal entity, often an LLC, that leases the building to the business. There are good reasons for that, from liability to what happens when you sell the company, but the right setup depends on your situation. Talk with your attorney and your accountant before you buy, not after.

What happens to the building when you sell the business?

Plan for this on the day you buy. Someday the company may be sold, and the building usually goes one of three ways. It's sold to the buyer along with the business, sold to someone else, or kept and leased to the new owner.

Any of those works best if your company has been paying the building entity a written, market-rate rent all along. A buyer and the buyer's lender will want to see that lease. My business brokerage, Main Street Exit Partners, has a guide on selling a business that owns its building that covers the choices in more detail.

How do I run the comparison?

1. Pin down the space you need now and in five years, including yard, doors, ceiling height and power.
2. Price what that space costs to lease today. The contractor garages page has the rent ranges I've seen in this market.
3. Price what a building with that space costs to buy, and what the loan payment, taxes, insurance and upkeep would run each month. The guide to finding commercial property for sale covers where buildings show up, listed and unlisted.
4. Add up the cash you'd need at closing, and what you'd have left for the business.
5. Compare five years of each, then ten, and decide which risks you'd rather carry.

If you'd like help pricing either side, or want to see what's available, tell me what you're looking for. Or browse the other guides.

Common questions

Is it cheaper to lease or buy commercial property?

Over a short stay, leasing is usually cheaper, because buying carries closing costs, a down payment and upkeep that take years to earn back. Over five to ten years, owning often costs less, especially with a fixed-rate loan while rents rise. The answer depends on how long you'll stay, the building and your financing, so compare several years of each side.

Should a contractor own the building in a separate LLC?

Many do. Contractors and other business owners commonly hold their building in a separate legal entity, often an LLC, that leases it to the operating company. That can help with liability and with selling the business later, but the right structure depends on your situation. Your attorney and accountant should work with you to set it up before you buy.

Can I buy a bigger building and lease out the bays I don't use?

Yes. Many owner-users buy more space than they need and lease the rest, which helps carry the payment and leaves room to grow. With an SBA 504 loan, your business must occupy at least 51% of an existing building. Ask your lender early how it will count the rent from your tenants.

Sources

Colliers, *Cincinnati Industrial Market Report*, Q3 2026 (metro vacancy and asking rents).

U.S. Small Business Administration, "504 loans," sba.gov, updated October 28, 2026; 13 CFR 120.131 (occupancy).

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