When it comes to commercial property, is it better to buy or to rent, asks ***Christophe Chambon****, Director of* ***French Touch Properties***

With the existing sky-high prices of London's commercial property stock, deciding to buy outright a new office, restaurant or shop is not an easy decision to make. Should you invest and buy a property for the long term? Or is it a better choice to rent a property, whether through a short or a long-term lease?

While there is no one-size-fits-all answer – as it inevitably depends entirely on your type of business, financial situation, plans and a multitude of other factors – there are some considerations you can think about when making your decision.

1. Does your business need flexibility?

Are you a start-up, unsure about how quickly your business will take off? Or are you concerned about the location of your premises and wish to be able to relocate easily? Or perhaps you are not established yet financially and are not in a situation to commit yourself on the long term?

Buying a property does not offer much flexibility. It requires you to tie-up a large sum of money in the deposit required when you take on a commercial mortgage (25 to 50 per cent of the property price depending on your business profitability history and cash flow) – or even more if you are buying outright, with cash.

Renting allows you to use your cash for other projects or to invest elsewhere. Of course, you remain committed to a five to ten year lease and, very often, the only way you can leave early is by finding another tenant to take on the remainder of your lease which, in many cases, can be difficult to do. Most leases overflow with restrictions on sub-letting and how buildings can be used.

It may be possible to negotiate a shorter lease if the property is not in a prime location, but in all cases, particular attention must be given when negotiating the break clause in advance. The most flexible solution is a fully-managed office. While it involves a slightly higher cost, everything is included and you retain your options for the future.

2. Are you looking for the best return on investment

Do you have solid finances and a stable business? Are you in a situation where you are confident about the long term and can easily project yourself for five years or more?

In this situation, buying is certainly the best option, as you can have access to commercial mortgages with fixed or capped repayments, which offer you good visibility as you do not have to worry about your landlord making big rent increases (although you do need to invest a large amount of cash upfront). Using the services of a good, specialised broker is highly recommended to get the best deal.

Your premises become an asset and you can generate value as the market increases. The market has stabilised after many years of steady growth – of more than 15 per cent in London in 2015 – but it should take off again in 2018, according to Savills (who are known for being conservative).

Should the market go down, you always have the option to sell or let the offices, although all experts agree that the chance of a collapse in the London market is extremely slim.

3. Do you need control?

Some businesses are very well established, with strong brands, and may need more or full control over their premises. In this case, buying is certainly the best option as you will be free to do what you want with the layout or the decoration.

This is not the case if you choose to rent fully-managed offices, where your freedom will be very restricted or even non-existent. But for many businesses, this is not a problem at all.

Of course, there is also a happy middle ground, in taking a long lease on a commercial property. This gives you more control over the layout, furnishing branding and more, but everything must also be negotiated with the landlord, which may or may not end up being difficult. ■ CC

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