

2026



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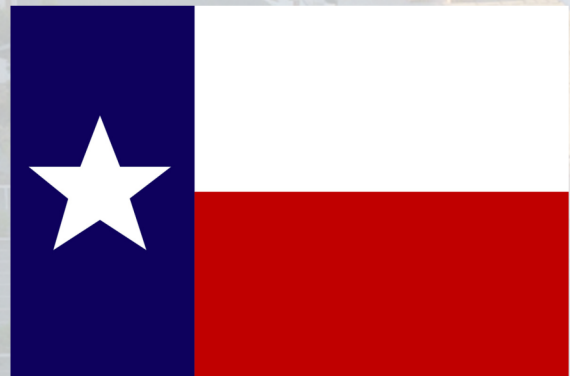
Commercial Real Estate

BUYING VS. LEASING IN TEXAS



Presented by:

Sage Howell
Texas Land Sage
West Pole Partners



A question I hear from small business owners all the time is simple: "Should I buy a building or lease one?" And the truth is—most people aren't really asking about strategy... they're asking about costs. To make this decision clearer, we ran a real-world analysis using an actual commercial property on the market. The result is a straightforward breakdown of the true costs, long-term financial impact, and practical benefits of buying vs. leasing commercial real estate.

**By Texas Land Sage – Sage Howell, Land & Ranch Specialist*

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FOR BUYERS, INVESTORS, AND COMMERCIAL TENANTS IN TEXAS MARKETS

Whether you're buying a building, leasing a storefront, relocating your business, or investing in income-producing property, commercial real estate in Texas demands clarity, strategy, and local expertise. This guide breaks down the essentials — from site selection to lease structures, due diligence, and long-term planning — so you can make confident decisions in a competitive market.

Why Buy vs. Lease?

Advantages of Buying

- Build Long-Term Equity — Replace rent payments with ownership that grows in value.
- Predictable Occupancy Costs — Lock in debt service, avoid rent hikes, and protect margins.
- Tax Benefits — Depreciation, mortgage interest deductions, and potential 1031 exchange benefits.
- Control of the Property — Renovations, branding, signage, parking, and expansion without landlord restrictions.
- Passive Income Potential — Ability to lease extra space or eventually convert to an investment property.

Possible Downsides

- Higher upfront capital
- Responsibility for repairs & maintenance
- Longer commitment
- Market risk depending on submarket & sector



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WHAT TYPE OF PROPERTY DO YOU NEED?

Commercial real estate in Texas covers four main categories. Office buildings support professional, medical, and financial services. Industrial spaces—warehouses, flex, and distribution—fit manufacturing, logistics, and trades. Retail properties like strip centers and pad sites suit restaurants, fitness, and customer-facing businesses. Specialty assets such as self-storage, hospitality, multifamily, or build-to-suit land meet more customized or investment-focused needs.

Office

Class A, B, or medical office buildings
Ideal for professional services, healthcare, financial firms. Low rise, high rise, specialty.

Industrial

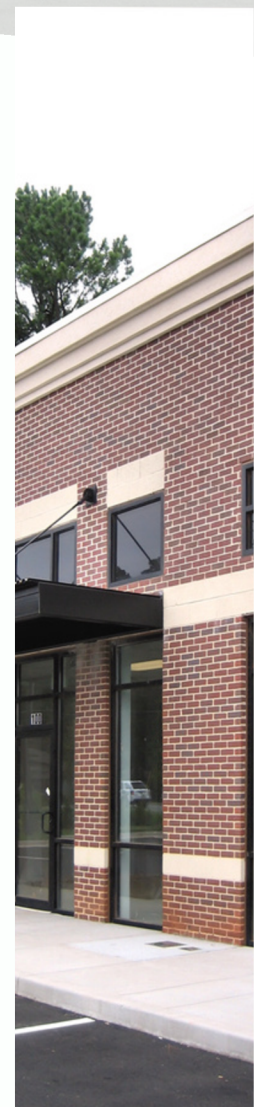
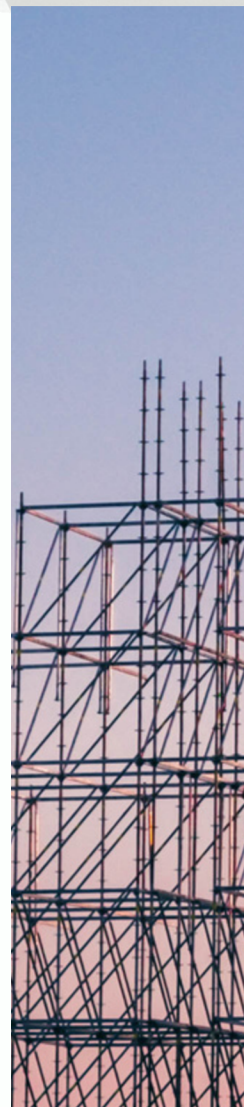
Warehouses, flex spaces, distribution centers
Ideal for manufacturing, logistics, e-commerce, trades.

Retail

Strip centers, pad sites, second-generation restaurant space
Ideal for food, retail, fitness, medical retail, service businesses.

Specialty

Self-storage, hospitality, multifamily, land for build-to-suit



BUYER DUE DILIGENCE CHECKLIST

Before buying commercial property, buyers should assess three things: financials, physical condition, and location. Financial due diligence verifies income, expenses, and tax impacts. Physical inspections uncover potential repair or compliance issues. Location analysis—traffic, access, demographics, and nearby competition—confirms the site can support the business or investment. Evaluating these areas upfront helps avoid surprises and clarifies the property's true value.

Buyer Due Diligence Checklist

Financial

- ☐ Profit & loss history
- ☐ Operating expenses (NNN reconciliation)
- ☐ Property tax projections
- ☐ Debt service coverage analysis
- ☐ Rent roll (for investment properties)

Physical

- ☐ Roof, HVAC, electrical, plumbing
- ☐ ADA compliance
- ☐ Environmental Phase 1 (Phase 2 if required)
- ☐ Parking ratios
- ☐ Zoning compatibility
- ☐ Survey, title, easements

Location Factors

- ☐ Traffic counts
- ☐ Ingress/egress patterns
- ☐ Competition
- ☐ Demographic growth
- ☐ Proximity to highways

FINANCING OPTIONS

Commercial buyers have multiple financing options depending on their goals and timing. Traditional commercial loans offer stable, predictable terms, while SBA 504 and 7(a) programs provide low down payments and flexible funding for owner-users or business acquisitions. Bridge loans and hard money help with fast closings or short-term needs. Investors can also use 1031 exchanges or DSTs to defer taxes and shift equity into passive income, and Opportunity Zone investments offer additional long-term tax advantages. These options allow buyers to align financing with their overall strategy.

Financing Potential

- Traditional Commercial Loans
- SBA 504 (great for owner-users buying a building with 10% down)
- SBA 7(a) (flexible, good for business acquisitions with real estate)
- Bridge Loans
- Hard Money
- 1031 Exchange Roll-In / DST Options
- Opportunity Zone Investments

PRO TIP!

Get pre-qualified early — not just pre-approved. In commercial real estate, lenders underwrite the business, the borrower, and the property. Knowing your true lending capacity upfront gives you negotiation leverage, speeds up contract timelines, and helps you target properties that fit your financing strategy from day one.





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LEASING COMMERCIAL REAL ESTATE

Choosing between leasing and buying depends on your business's stage and long-term plans. Leasing offers lower upfront costs, flexibility to move or expand, reduced maintenance responsibilities, and faster occupancy—ideal for growing or location-sensitive businesses. However, the tradeoffs include rising rents, limited control over the space, no equity buildup, and restrictions on improvements or long-term customization. Understanding these pros and cons helps you decide which option best supports your operational and financial goals.

Advantages & Downsides

Advantages of Leasing

- Lower upfront cost
- Flexibility to move or expand
- No maintenance burden in many leases
- Faster occupancy

Possible Downsides

- Rent increases
- Limited control
- No equity built
- Restrictions on improvements



We have trusted allied resources who can assist with key land improvements — from cedar and mesquite clearing to land shaping, fencing, road work, water systems, and pasture restoration. Our partners provide reliable estimates and services so buyers can clearly understand improvement costs and bring their farmland plans to reality.



LEASING DILIGENCE CHECKLIST

A smooth leasing process starts by confirming the space fits your operational needs. Make sure your use is permitted, the parking and power meet requirements, and any restaurant needs like venting or grease traps are in place. Check the roof/HVAC condition, review CAM estimates and past reconciliations, and understand the term, renewals, and rent escalations. Protect your business with exclusive uses, solid signage rights, and clear sublease or assignment options. This checklist helps prevent surprises and strengthens your negotiation position.

Buyer Due Diligence Checklist

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UNDERSTANDING LEASE STRUCTURES

Evaluating property taxes is especially important in Texas, where ag and wildlife valuations can significantly lower annual costs. Verify the current exemption, the type of qualifying use, acreage requirements, and the County Appraisal District's history to ensure it will transfer. These valuations can save buyers thousands each year, but losing them can trigger five years of rollback taxes plus interest, making it essential to confirm eligibility before purchasing.

Triple Net (NNN)

Tenant pays:

- ✓ Base rent
- ✓ Property taxes
- ✓ Insurance
- ✓ CAM (Common Area Maintenance)

Most common for retail, industrial, and standalone buildings.

Modified Gross

Tenant pays base rent + some expenses (typically utilities and janitorial).

Full Service / Gross Lease

- Landlord covers taxes, insurance, utilities, and CAM.
- Common in office buildings.



Before signing a lease, know exactly how expenses are allocated. NNN leases pass taxes, insurance, and maintenance to the tenant, while Gross or Full-Service leases bundle most costs into one rate. Always request historical CAM, tax, and utility estimates so you can compare properties accurately. The lease rate only matters when you know what's included—and what isn't.

TENANT IMPROVEMENT (TI) ALLOWANCES

Tenant improvement (TI) allowances are funds a landlord provides to build out your space, negotiated per square foot. TI can cover HVAC, walls, flooring, plumbing, and electrical work. Typical ranges vary by use—office: \$15–\$50/sf, retail: \$20–\$70/sf, and restaurant: \$70–\$200/sf due to more complex infrastructure. Knowing these ranges helps you budget and negotiate effectively.



Search Restrictions, Easements, and Restrictions

What the landlord will spend to build out your space

- Negotiated per SF
- Can include HVAC, walls, flooring, plumbing, electrical, etc.

Typical TI ranges:

- **Office:** \$15–\$50/sf
- **Retail:** \$20–\$70/sf
- **Restaurant:** \$70–\$200/sf (high due to plumbing/gas/venting)

PRO TIP!

Always get multiple contractor bids before negotiating TI. Knowing the true cost of your build-out gives you leverage and often results in a higher allowance or additional landlord-funded upgrades. Landlords respond to well-documented numbers—come prepared.





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SHOULD YOU LEASE OR BUY?

Deciding whether to lease or buy comes down to your growth stage and long-term strategy. Leasing is ideal if your business is growing quickly, needs flexibility, is testing a new market, or requires capital to stay in operations rather than tied up in real estate. Buying makes more sense when you plan to stay in the same location for 5+ years, want greater control and stability, are seeking tax advantages, and view real estate as part of your long-term wealth plan.

Understanding where your business is headed helps determine which path creates the most value.

Lease or Buy?

Lease if:

- You're growing rapidly
- You need flexibility
- You're testing a new market
- Your business is capital-intensive

Buy if:

- You plan to occupy 5+ years
- You want control & stability
- You want tax advantages
- You want to build long-term wealth

PRO TIP!

Always compare leasing and buying with real numbers—not assumptions. A simple 5–10 year cost projection that includes rent escalations, loan payments, tax benefits, and potential equity growth will often reveal the smarter financial path. Your gut may say “lease,” but the math might say “own.”





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WHEN IS LAND A BETTER PLAY?

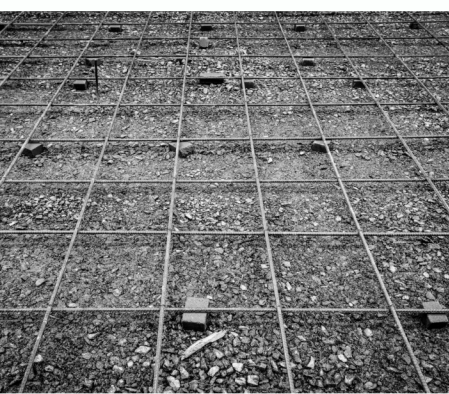
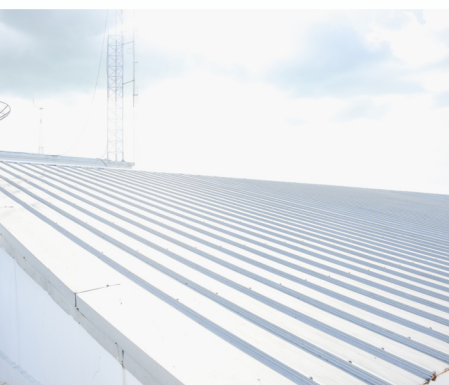
Land is often the best choice when you need a custom facility, industrial or fleet yard, or want to invest in future development corridors in fast-growing Texas markets. Before buying, confirm the essentials—zoning, utilities, access, drainage, environmental factors, comps, and entitlement timelines. When these check out, land offers unmatched flexibility and long-term upside.



- Build-to-suit facilities
- Industrial yards
- Storage, fleet yards, distribution
- Future development corridors (Texas growth markets)

Consideration Checklist:

- ☐ Zoning
- ☐ Utilities availability
- ☐ Ingress/egress
- ☐ Drainage
- ☐ Environmental
- ☐ Market comps
- ☐ Entitlements timeline



PRO TIP!

Before buying land, schedule a quick pre-development meeting with the city or county. In 20–30 minutes, you'll confirm zoning limits, utility availability, and any hidden constraints that could cost you later. This simple step can save months—and thousands—in surprises.

Working With Sage Howell

Helping Texans Find Land That Produces. Partnering with Texas Land Sage means you get more than a broker—you get a strategic advisor who understands Texas markets, zoning, land use, and the numbers behind each decision. From site selection and lease negotiation to investment analysis, 1031/DST guidance, and build-to-suit coordination, we manage the entire process so you can move confidently and efficiently. Whether you're buying, leasing, or developing, our goal is to help you make the right move at the right time.

Ready to take the next step?

Reach out to Texas Land Sage today and let's find the property, site, or strategy that positions your business for long-term success.



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