

Management Article May 2008- Hidden Wealth In Owning the Dirt

There's hidden wealth in the dirt beneath your business. We're not talking about mining minerals, nor are we looking into the skeletons in your closet. The hidden wealth lies in the answer to the question, "Who owns the dirt?"

If you intend to stay in business, you should attempt to buy the ground and the building your business occupies. Renting does not build equity. The value of the land will likely grow over time. The return on that growing value will show up when you want to sell the business. You'll probably sell the ground beneath it. If not, you'll lease the ground to the company that buys your business. Then you're coming out even further ahead.

If you are able to pass your business on to your children or grandchildren, the land will be that much more valuable for those who inherit it or earn the position of ownership. So, if you can't buy the land you're on, consider moving your operations to a location you can buy.

If you lease or rent for a number of years in the same location, you are paying for someone else's retirement!

There's greater wisdom in ownership, even though the payment may be a little more than it would be to rent, because ten years down the road the property is going to increase in value. Also, although the monthly payment may be more than rent, your out-of-pocket cash may be less, due to tax advantages you can enjoy as an owner. Why not position yourself so the land equity is yours and not someone else's?

I had several friends who advised me that I was paying too much for the land my salvage operations occupied. But I reasoned that since the landlord gave me an owner-financed mortgage with a low down payment, I couldn't pass up the opportunity. I paid it off only 15 years later, and buying the land remains one of the best business decisions I ever made.

Look at it this way: If you rent over a ten-year period, there's a high probability that when the property value goes up, so does your rent. Your landlord rightly wants to maximize his return on his investment. Why give him a comfortable retirement when that money could be used for your own retirement?

My advice to you is to do everything possible to own the land that your business occupies. Sacrifice today for tomorrow's gain.

It pays to have a plan that builds your business over a long period. Don't go for the quick buck up front. Plant your feet firmly and grow a real business, one that will have high value for sale in ten, twenty or more years.

Remember, only you can make BUSINESS GREAT!

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