



Owner-Occupied Real Estate

When to Lease, When to Buy and How to Refinance Wisely



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What Is Owner-Occupied Commercial Real Estate?

A Simple Definition for Small Business Owners

Owner-occupied real estate (OORE) refers to any commercial property that is primarily used by the business that owns it. In most cases, this means that the business occupies at least 51% of the usable square footage, while any remaining portion of the property may be leased to other tenants.

This distinction is more than technical. It helps lenders determine how the property is classified and which types of financing may apply, including commercial loan options structured with owner-operators in mind. Likewise, it may create more flexibility in how the space supports your business.

You may tailor OORE property to fit your operations, whether that means modifying the layout, investing in equipment or planning for expansion, all without landlord approval. If your needs change over time, any additional space could potentially serve as a source of rental income too.

Not to mention, OORE properties are versatile. They may take many forms, from retail storefronts and restaurants to healthcare clinics, service-based facilities and warehouses. Yet while the uses vary, costs may be more consistent. Fixed-rate mortgages help keep monthly payments predictable.



Leasing vs. Owning: The Core Financial Trade-Offs

What Leasing and Owning Mean for Your Bottom Line

As your small business grows, so do the decisions that shape your balance sheet. Expanding into a larger space, upgrading equipment or entering a new market often comes with trade-offs between flexibility and long-term investment. The decision to lease or own follows a similar dynamic.

Before exploring ownership, it may help to understand how leasing compares.

Leasing: More Flexibility with Fewer Upfront Costs

Leasing is often viewed as a more accessible option, particularly for small businesses that want to preserve capital or prefer the option to relocate as needed. It may be well-suited for operations that don't require extensive customization or long-term commitments, but it may offer less predictability, especially around costs and control.

Leasing Advantages

- **Lower upfront capital requirements.** Leasing typically requires less initial investment, which may allow businesses to allocate [working capital](#) toward growth initiatives.
- **Flexibility to relocate.** Shorter lease terms may make it easier to move locations as business needs change or as other areas gain consumer foot traffic.
- **Limited responsibility for maintenance.** Landlords handle major repairs or structural upkeep in most cases, helping reduce overhead costs.
- **Possible tax benefits.** Rent payments may be deductible as a business expense, depending on individual circumstances.

Leasing Limitations

- **Less control over the space.** Property modifications or improvements may be limited by landlord approval and lease terms, and those investments don't carry over if you relocate.
- **Potential for rent increases.** Lease rates may rise year over year, sometimes outpacing inflation or creating unexpected pressure on [cash flow](#).
- **No equity accumulation.** Monthly payments do not contribute to ownership or long-term asset value.



Owning: Greater Control with Long-Term Potential

Owning property may be a better fit for businesses with specific operational needs or long-term location plans, such as medical offices or automotive shops. Ownership tends to offer more control over how the space is used; however, it often involves higher upfront costs and ongoing responsibilities, which may place greater demands on cash flow.

Ownership Advantages

- **Equity accumulation over time.**

Mortgage payments contribute to building ownership interest in the property, which may become a strategic asset.

- **Greater control over the space.**

Owners may continuously modify, expand or configure the property without landlord restrictions.

- **Likelihood of property appreciation.**

Commercial real estate may have the potential to increase in value through the years.

- **Tax-related perks.** Interest on commercial real estate loans and other property-related costs may be tax-deductible.

Ownership Considerations

- **Upfront capital requirements.**

Down payments and closing costs may be higher than traditional leasing costs, often requiring a heftier initial investment.

- **Long-term commitment.** Selling a commercial property or relocating to a new space may take more time and planning compared to ending a lease.

- **Responsibility for maintenance.**

Owners are typically responsible for ongoing upkeep and unexpected repairs, which may add to operating costs.



5 Signs Your Business May Be Ready to Buy Property

Key Indicators to Watch Before Making the Move

Once you understand what ownership may offer, the next step is recognizing when it may make sense for your situation. As your small business grows and becomes more established, certain patterns may begin to stand out. These may serve as signs that [now is the time to expand](#) and venture into owner-occupied commercial real estate.

1. Consistent financial performance.

[Key performance indicators \(KPIs\)](#), such as steady revenue growth and solid customer retention, may signal that your business has reached a level of stability that could support a long-term investment like property ownership.

2. Reliable cash flow. When cash flow becomes more predictable, it may be easier to plan for ongoing costs like mortgage payments and property-related expenses without disrupting daily operations — plus, it may provide peace of mind when any unexpected maintenance costs arise.

3. Rising occupancy costs. If rent continues to increase or lease terms become less favorable, it may be worth weighing ownership as an alternative. In areas with active residential or commercial development, growing demand may continue to push rents higher, strengthening the case for OORE.

4. Long-term plans for your location.

If you expect to stay in the same space for several years, ownership may help standardize your occupancy costs and allow you to plan ahead with greater confidence. It may also reduce the disruption and expenses associated with moving between leased spaces.

5. A need for a more tailored space.

Businesses that rely on specific layouts or equipment may benefit from having more control over their environment. Ownership may also allow you to invest in those improvements once, rather than repeating them with each move.



Where Owner-Occupied Real Estate Makes an Impact

Examples of Ownership Across Key Industries

If signs suggest you may be ready to make a move, you might be wondering what ownership could look like in practice. Every small business has its own way of operating, and space plays a different role in each one. Even so, owner-occupied commercial real estate may support many of the same advantages for a range of business models.

Discover how ownership adapts to day-to-day operations across industries.

Healthcare Practices

Location plays a meaningful role in patient decision-making for [medical and dental practices](#). In fact, proximity ranks among the top factors when seeking care, second only to insurance.¹ A consistent, easy-to-find location may help build familiarity and trust within your community over time.

Ownership may align well with a longer lifespan of many practices, allowing providers to establish a lasting presence in a given area. Separate treatment rooms or suites may also be rented to other providers, creating opportunities for referrals and building a network of local specialists.

Automotive Repair Shops

Automotive repair shops often rely on highly specific setups, from service bays with hydraulic lifts to ventilation systems and tool storage built around technician workflows. Recreating that environment within multiple leased spaces may be equal parts costly and time-consuming.

Ownership may help address those challenges by making it easier to invest in a layout that supports how your team works, optimizing bay placement and equipment access from the start. Likewise, a well-designed shop may support faster turnaround times and more consistent service.

HVAC Contractors

Like auto repair shops, [HVAC businesses](#) often operate across multiple moving parts. Fleet vehicles, equipment inventory and technicians all need to stay in sync. Having a permanent location for parking trucks, storing parts and coordinating crews may simplify day-to-day operations.

A consistent home base may bring those workflows under one roof, giving your team a reliable hub for daily operations. Instead of working around the limitations of a leased space, you may shape how the business runs from the ground up to better support how your crews operate in the field.

Retail Storefronts

For [retail businesses](#), location may influence everything from foot traffic to revenue. However, lease rates vary widely in competitive markets. In Los Angeles, for example, high-traffic commercial areas command rents more than triple those in suburban locations, making long-term cost planning more difficult.²

A fixed location may help provide greater stability for your costs and customer experience. Property ownership may help lock in occupancy expenses while allowing the property to progressively build value. It also gives you a consistent address to promote, making it easier for customers to find you and revisit.

Financing Options for Owner-Occupied Real Estate

What to Know Before You Buy Commercial Property

For many small businesses, purchasing commercial property is less about paying in full and more about finding the right way to finance. Whether you're running a healthcare practice, managing a service operation or operating a retail storefront, owner-occupied financing may make ownership more accessible.

The [demand for business loans](#) continues to grow, too. In 2025, 38% of small businesses applied for some type of financing, as more owners explored ways to fund expansion and long-term investments.³ Financing may play a key role in turning property ownership from a long-term goal into a practical next step.

Several loan options are used to finance owner-occupied commercial real estate, each with its own structure and considerations. Understanding [how these options differ](#) may help you identify which path may align best with your business needs. Take a look at the most common types of financing options for OORE.

SBA 7(a) Loans

Geared toward both growing and well-established businesses, [SBA 7\(a\) loans](#) tend to offer more flexibility for borrowers who want to finance real estate alongside other needs, such as renovations, equipment or working capital. This structure may be especially useful for businesses balancing property investment with broader operational priorities.

- **Flexible loan size.** Typically ranges from \$125,000 up to \$5 million, making it accessible for a wide range of projects.
- **Versatile use of funds.** May support property purchases, improvements and other business expenses within a single loan.
- **Variable rate structure.** Most loans have variable interest rates, though some fixed-rate options may be available.
- **Extended repayment terms.** Up to 25 years for real estate and 5 to 7 years for working capital, depending on use.

SBA 504 Loans

Compared to SBA 7(a) loans, [SBA 504 loans](#) are often used by established businesses for larger, long-term investments such as purchasing commercial property or financing major improvements. They are designed to support growth while keeping financing costs more predictable month over month; however, they may not be used to fund working capital.

- **Shared financing model.** Pairs funding from a lender and a local Certified Development Corporation (CDC), helping support larger projects.
- **Long-term fixed rates.** Repayment terms may extend up to 25 years, helping stabilize monthly payments.
- **Lower down payment requirements.** May require as little as 10% down, depending on qualifications.
- **Focused use.** Generally used for real estate or equipment, rather than broader business expenses.

When One SBA Loan Isn't the Only Option

Financing needs don't always fit neatly into a single loan program. Recognizing that reality, the SBA recently expanded its lending framework to allow eligible borrowers to combine SBA 7(a) and SBA 504 financing, potentially accessing up to \$10 million in total funding across both programs.

For businesses pursuing larger owner-occupied real estate projects, this added flexibility may create more opportunities to align financing with both property needs and broader business goals. Rather than viewing SBA 7(a) and SBA 504 loans as either-or solutions, some borrowers may now be able to leverage the strengths of both programs as part of a larger financing strategy.

As with any SBA financing solution, eligibility requirements and program guidelines still apply. Working with an experienced lender can help you determine whether this approach aligns with your financing needs and long-term goals. If not, conventional financing may offer another path forward.

Conventional Commercial Real Estate Loans

[Conventional commercial real estate loans](#) may be a more suitable option for established businesses looking to finance owner-occupied property through traditional lending structures, rather than SBA programs. These loans may offer more versatility in how financing is structured, depending on the lender and the borrower's financial profile.

- **Variable loan sizing.** Loan amounts may vary widely based on the property, borrower qualifications and lender guidelines.
- **Customizable terms.** Options may include fixed or variable rates, with terms typically ranging from 5 to 20 years and amortization up to 25 years.
- **Higher equity requirements.** May require a higher down payment compared to SBA-backed loans.
- **Broader use of funds.** May be used for a range of property types and business needs.

How Commercial Real Estate Interest Works

Interest rates may vary depending on your business profile and broader market conditions. Understanding what plays into those rates may help you better anticipate costs and compare financing options. Knowing what lenders evaluate may also make it easier to [prepare and position your business](#) for more favorable terms:

- **Credit profile.** Stronger [business credit](#) may lead to more favorable rates as lenders assess overall risk.
- **Loan structure.** Shorter terms may offer lower rates but higher monthly payments, while longer terms spread costs over time.
- **Loan-to-value ratio.** Borrowing a smaller percentage of the property's value may reduce lender risk and improve rates.
- **Market conditions.** Factors like inflation and benchmark interest rates tend to influence borrowing costs.
- **Property characteristics.** Location and property type may determine how a lender evaluates risk and pricing.

How Ownership May Support Business Value

Building Equity and Capturing Long-Term Gains

Once financing is in place and your business settles into a new space, property ownership tends to take on a different role. Through the years, it may shift from a fixed cost to something that actively contributes to your balance sheet.

With each mortgage payment, a portion of that cost may go toward building equity rather than paying rent. As loan balances decrease, your ownership stake in the property increases, turning your space into a potential long-term asset.

Property values may also change in the long run. While appreciation varies by market and property type, owning commercial real estate may create an opportunity to benefit from increases in value that leasing typically does not offer.

Using Your Space to Power Revenue and Expansion

One of the largest upsides of OORE is that if your business doesn't need the full property, unused space may be leased to other tenants while you maintain majority occupancy. That additional income often helps offset mortgage costs and introduces a secondary revenue stream, which may support more stable cash flow versus a single source of income.

Over time, the ability to rent your commercial property to other small businesses may provide flexibility as your business needs shift. Speaking of which, ownership may also make it easier to [adapt your space as your business grows](#). Instead of navigating landlord approvals, you may modify or expand the property to better align with your operations.

Taking Advantage of Potential Tax Benefits

Ownership tends to change how certain costs are treated from a tax perspective. While the specifics depend on your business and financial structure, these considerations may help offset some of the ongoing expenses tied to the property.

In some cases, interest paid on loans used to purchase or improve the property may be deductible. These deductions often help lower taxable income and enhance overall cash flow.

Other property-related costs — such as maintenance and property taxes — may also be eligible for tax write-offs. Together, these deductions may reduce the net cost of ownership and support more predictable long-term financial planning.



Refinancing Strategies as Your Business Grows

When and How to Rework Your Financing Strategy

As your business scales, your financing needs may surge as well. Refinancing is one way to revisit your existing real estate loan and adjust it to better align with your current goals, whether that means improving cash flow or accessing capital.

In simple terms, refinancing means replacing your current loan with a new one under updated terms. Depending on the structure, a new loan may help lower your interest rate, adjust your repayment timeline or unlock equity that has gradually built up in the property.

Before moving forward, it may be helpful to understand how different refinancing strategies work and what each one is designed to accomplish. Here are two common approaches to consider as your small business enters its next phase:

Rate and Term Refinancing

Rate and term refinancing tends to focus on improving the structure of your existing loan without tapping into your equity. It replaces your current commercial real estate mortgage with one that has updated terms, such as a different interest rate or repayment period.

- **Lower interest rate potential.**
Refinancing may reduce your rate, which often lowers monthly payments and total interest paid over time.
- **Adjusted loan term.** Extending the term may reduce monthly payments while shortening it may increase payments but reduce long-term interest costs.
- **Improved payment stability.**
Refinancing from a variable-rate loan to a fixed-rate structure may create more predictable monthly payments.

Cash-Out Refinancing

Unlike rate and term refinancing, cash-out refinancing allows you to access a portion of the equity built in your commercial property while replacing your existing real estate loan. This approach may be useful for small businesses [looking to fund growth](#) without taking on a separate loan.

- **Expanded funding options.** Proceeds may be used for renovations, equipment purchases or other business investments.
- **Consolidated loan structure.** Cash-out refinancing combines your existing balance and new funds into a single repayment plan.
- **Ongoing equity requirements.** Lenders typically require you to retain a portion of equity in the property after refinancing.

Managing Property Cash Flow and Financial Visibility

How to Keep Property Finances Organized and Visible

Once your business settles into property ownership, the focus often shifts from sealing the deal to managing everything that comes with it. Along with the benefits of owning your space comes a new layer of financial activity — and it may take a bit more coordination to keep everything organized.

That's where visibility becomes especially important. When you are able to clearly see how property-related income and expenses fit alongside your day-to-day overhead costs, it becomes easier to plan ahead, manage cash flow and make financial decisions with more confidence.



Tracking Cash Flow Across Property and Operations

Owning commercial property means you're managing more than just your core business. Mortgage payments, property taxes, maintenance costs and any rental income all play a role on your balance sheet, and they don't always move on the same timeline as your operating revenue.

Keeping those pieces connected may help you avoid surprises and better understand how your property investment is performing.

Some businesses choose to centralize reporting so they are able to view everything in one place. Treasury reporting tools, such as PINACLE®, often help bring property-related cash flow and business performance together on a single dashboard, making it easier to see the full picture.

Structuring Accounts to Support Clarity and Control

As property ownership becomes part of your financial strategy, it may help to [separate how money flows through](#) your business. To do so, many owners set up one entity to run the business and another to hold the commercial real estate property, each with its own bank account.

In practice, this might look like your operating business is paying rent to the property entity, just as it would with a third-party landlord. That structure may make it easier to track property-related cash flow separately while keeping your day-to-day business finances clean.

Over time, this separation may make it easier to see how property-related costs compare to your operating expenses and how each impacts your overall financial picture. That clarity may help support more-informed decisions around budgeting, pricing and future investments.

Real Estate Ownership and Long-Term Wealth Planning

Where OORE May Fit Into Your Financial Future

Becoming a commercial property owner may open the door to something bigger than day-to-day operations. What started as a fixed location to run your business may begin to contribute to your financial future, creating new avenues to build wealth as your company evolves. That shift often happens gradually.

As equity builds and your property's role expands, it may start to support decisions beyond the business itself, from future investments to long-term planning. Some business owners choose to work with [private banking and wealth advisory teams](#) to help connect these pieces and plan for whatever comes next.

Those conversations often focus on a few key areas of opportunity:

1. Building Equity as a Financial Resource

Each payment toward your property does more than cover a cost. It may help build a position you may draw from later, whether you're planning to grow, pivot or prepare for a transition. This equity may be used to support expansion, fund new opportunities or provide a financial cushion when margins are tight, becoming a resource to support your next move.

2. Creating Income Opportunities Over Time

On the topic of your next move, your space may not always serve the same purpose. If parts of your property become available, leasing them to other businesses may introduce an additional stream of income. That added income may help offset costs or strengthen overall cash flow, supporting your business today while contributing to your financial position tomorrow.

3. Leveraging Appreciation and Long-Term Value

Like the purpose of your property, its value may shift through the years. As neighborhoods grow and demand increases, property values often rise alongside them. While outcomes vary by market, owning in an area that continues to attract businesses and customers may contribute to long-term appreciation and strengthen your financial position.

That same demand may also influence what tenants are willing to pay. If you lease part of your commercial space, rising market activity may support higher rental income, giving your property another way to contribute to your overall bottom line.



Turn Commercial Real Estate into a Strategic Asset

Deciding whether to lease or purchase your business property is more than just a real estate decision — it's a financial one that may shape how your business grows, manages costs and builds value over time.

Owner-occupied real estate may offer a path toward greater stability and long-term opportunity, from bringing more predictability to occupancy costs to building equity that supports future plans. Still, the right approach depends on where your business stands today and where you want it to go next.

As you weigh your options, it often helps to surround yourself with advisors who understand both your industry and your goals. That team may include your accountant, legal counsel, a commercial real estate broker and a financial professional who may help you think through each step with confidence.

For over 160 years, PNC Bank has worked alongside businesses just like yours. That experience carries through in how our Business Bankers support small business owners, helping them determine when to lease, when to buy and how to approach refinancing as their needs change.

[Explore PNC's small business borrowing solutions](#) to see how we may help support your future, wherever you're headed next.



¹ Proximity and Convenience Driving Patient Healthcare Decisions, JLL, June 20, 2023, <https://www.jll.com/en-us/newsroom/proximity-and-convenience-drive-patient-healthcare-decisions>

² 2025 Retail Rent Dynamics, CBRE Research, May 7, 2025, https://mktgdocs.cbre.com/2299/4725a52b-0de1-4a1c-8e84-3846257f9e89-51664422/Retail_Rent_Dynamics_Report.pdf

³ 2026 Main Street Metrics: Trends over Time from the Small Business Credit Survey, Federal Reserve Banks, March 23, 2026, <https://www.fedsmallbusiness.org/reports/survey/2026/2026-main-street-metrics>

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