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Learn to Lease Renting can work better than buying lab equipment, if you do it right

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Scroll through a lab equipment website, and it reminds you how expensive today's technology can be. Add in the fast evolution in technology, and buying a new platform might feel like buying a car—the value plummeting from the moment that you take ownership. But other options exist, including different kinds of leasing.

"In a vast majority of cases, leasing is operationally and financially more efficient than buying equipment," says Jon Chee, chief executive officer at Excedr (Berkeley, CA). "It removes the large upfront cost of purchasing, enabling you to acquire expensive instrumentation while making affordable payments over time."

In general, you pick between a capital and an operating lease. "With a capital lease, you can put little to no money down upfront, make payments over a set term, and at the end of the term you own the instrument outright," explains Chad Kobold, director of inside sales at Quantum Analytics (Foster City, CA). "An operating lease is more like a long-term rental." At the end of an operating lease, the customer can return, purchase (at fair market value), or keep leasing the equipment. Some companies also offer plans that let lease payments accrue at some level toward an eventual purchase.

When to lease

So, how do you decide when to lease? "There aren't necessarily superior equipment types for leasing," according to Chee. "However, equipment price does affect the usefulness of a lease."

For example, Chee explains, "If you are procuring a relatively cheap instrument, it might be simpler to just purchase outright using cash on hand." The value in leasing increases with the cost of the equipment. Likewise, leasing should be considered when shopping for a number of less expensive instruments. "The larger the upfront costs, the more leasing provides you with upfront and ongoing savings," Chee says.

Cash flow can lead someone to considering a capital lease. "For startup labs with little capital or labs that are under tight budget constraints, a capital lease is the best option," Kobold says.

Various considerations also impact the choice of an operating lease. "Operating leases are a great tool for labs looking to refresh their technology on a regular basis," Kobold points out. "Many labs today want the latest technology, and they cannot afford to have any down time in their lab repairing instrumentation." Keeping equipment newer reduces downtime, which is vital for most labs, especially for those in production environments. "Other advantages of an operating lease over an outright purchase is that there is no capital budget required and, depending on the term, lease payments might be expensed without impact to a company's balance sheet," Kobold explains. "Accounting rules have recently changed so it's important to work with a company who is aware of the changes and can structure the operating lease appropriately."

Check the contract

Like any lease, make sure that you understand all of the conditions in the contract. First, be sure to know if it's a capital or operating lease. Also, know how you have to pay. As Kobold says, you should know the "billing rate and any fees or penalties associated with the lease."

"An important stipulation in any lease contract is the 'personal guarantee' clause," Kobold explains. "Many banks and leasing companies require personal guarantees that hold the borrower personally liable to pay off the lease; other leasing companies do not require this commitment."

The details of a lease can also be adjusted in the contract. As Chee says, "Term length can usually be tailored to your lab's requirements regardless of lease structure." In fact, some companies will make even more modifications to the contract to meet your needs.

Looking for a leasing partner

Don't lease from just anyone. Do your homework long before signing a contract, even before you go shopping. As Kobold encourages, "Choose a leasing company that not only provides financing, but also has expertise in lab instrumentation and who understands your lab applications." He adds, "The more the leasing company understands your lab, the better they can assist you with appropriate instrumentation decisions."

Also, look for someone who will get to know you, not just your lab. "Personal relationships are extremely important," says Kobold. "Find a leasing company who will work with you as your needs change over time, and where you can easily reach the person who will be your own personal lease administrator for many months and years."

As a checklist, Chee says that your leasing partner is "someone who can affordably act as your outsourced equipment procurement and maintenance department, handling equipment planning, acquisition, repairs/maintenance, and disposition." He adds, "Not all lessors provide these services."

For your next lab needs, consider renting as an option, but be sure to know the lay of the leasing land.