

**Does the new lease standard, ASC 842, impact the net benefit of leasing versus purchasing land and buildings in the retail industry?**

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This paper examines whether the new lease standard, *ASU 2016-02 - Leases (Topic 842)*, changes the lease vs. buy paradigm through a net advantage to leasing (NAL) model. The study employs OLS regression to compare the change in NAL under the new lease standard and the previous lease standard. Using 40 publicly traded retail firms with the largest total minimum operating lease payments in fiscal year 2020, we find that there is an increase in the net benefit of leasing over purchasing property and buildings when comparing the old lease standard to the new standard. The net benefit of leasing over purchasing is moderated by the effective tax rate, discount rate, and lease term. The results suggest that retail firms are likely to continue to lease rather than purchase assets even with the implementation of ASC 842 and that firms subject to higher corporate tax rates and borrowing rates may experience a greater net benefit of leasing over purchasing relative to other firms. The results should inform future leasing decisions by retail managements.

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