

Should I take sublease space?

Guidance powered by Transwestern.

 **TRANSWESTERN** REAL ESTATE SERVICES

DIRECT LEASE VS. SUBLEASE

Breaking down the difference.

DIRECT LEASE

A direct lease is typically a **2-party agreement** between tenant and landlord.
(2 parties, 2 brokers, 2 lawyers).

Direct leases take, on average, **4-6 months** to negotiate.

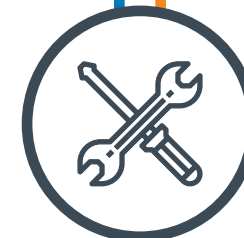
Direct leases include an **inspection and build out** process to customize space to fit your company's unique needs.

SUBLEASE

A sublease is typically a **3-party agreement** between sublandlord, subtenant, and landlord.
(3 parties, 3 brokers, 3 lawyers).

Subleases take, on average, **5-7 months** to negotiate/execute.

Most subleases are tailored to the previous user's needs and are delivered **"as-is"** with existing issues, unless otherwise negotiated.



SHOULD I SUBLEASE?

PROS AND CONS OF
SIGNING A SUBLEASE.

**LOWER RENTS ARE
CURRENTLY AVAILABLE.**



**ALLOWS YOU TO TEST
OUT A NEW MARKET.**



**YOU MUST TAKE SPACE "AS-IS" OR
WITH MINIMAL MODIFICATIONS.**



**SUBLEASE TERMS
ARE SHORTER.**



**ALLOWS YOU TO POSTPONE
CAPITAL EXPENDITURE.**



**SUBTENANTS ENJOY
MORE FLEXIBILITY.**



**SUBTENANTS TAKE
ON MORE RISK.**



**NO GUARANTEE OF A
LONG-TERM LEASE.**



SHOULD I SIGN?

QUESTIONS TO CONSIDER BEFORE COMMITTING TO A SUBLEASE SPACE.

Why is the company subleasing their space?

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Will I be able to contact the building directly for repairs?

A white question mark inside an orange speech bubble icon.

Did the company's landlord agree to let the sublease occur?

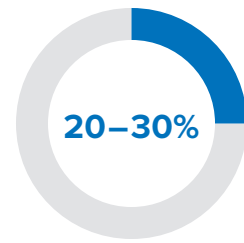
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Was there a restoration clause as part of the original master lease?

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SAMPLE SUBLEASE SAVINGS

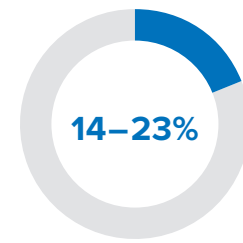
Across key markets in the United States for Q2 2021.



San Francisco, California

“In the East Bay, and Bay Area as a whole, sublease rates are approximately 20-30% cheaper than direct space.”

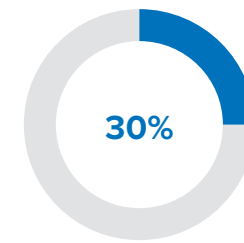
JERRY MILLENBACH
Research Analyst



Washington, D.C.

“Sublease in the Washington metro area is running a 14% discount compared to direct space as of the first quarter of 2021. The CBD has steeper discounts at 23%.”

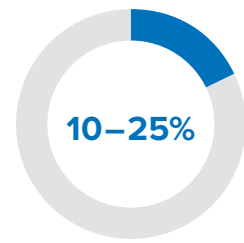
ELIZABETH NORTON
Sr. Managing Director,
Research Services



New York, New York

“In Q1, asking rates for large blocks of sublet space in Manhattan were about 30% below the rates on comparably-sized direct spaces.”

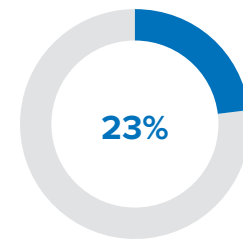
CORRIE SLEWETT
Research Manager



Dallas, Texas

“Discounts typically range from 10-25%, depending on the offering and the building’s competing direct space.”

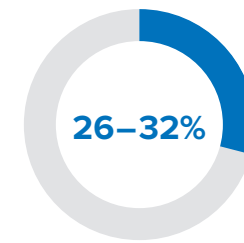
ANDREW MATHENY
Research Manager



Atlanta, Georgia

“Atlanta office sublease asking rents are 23% below the average for direct office space (\$22.65 vs. \$29.50 for combined A&B space).”

KEITH PIERCE
Vice President, Research

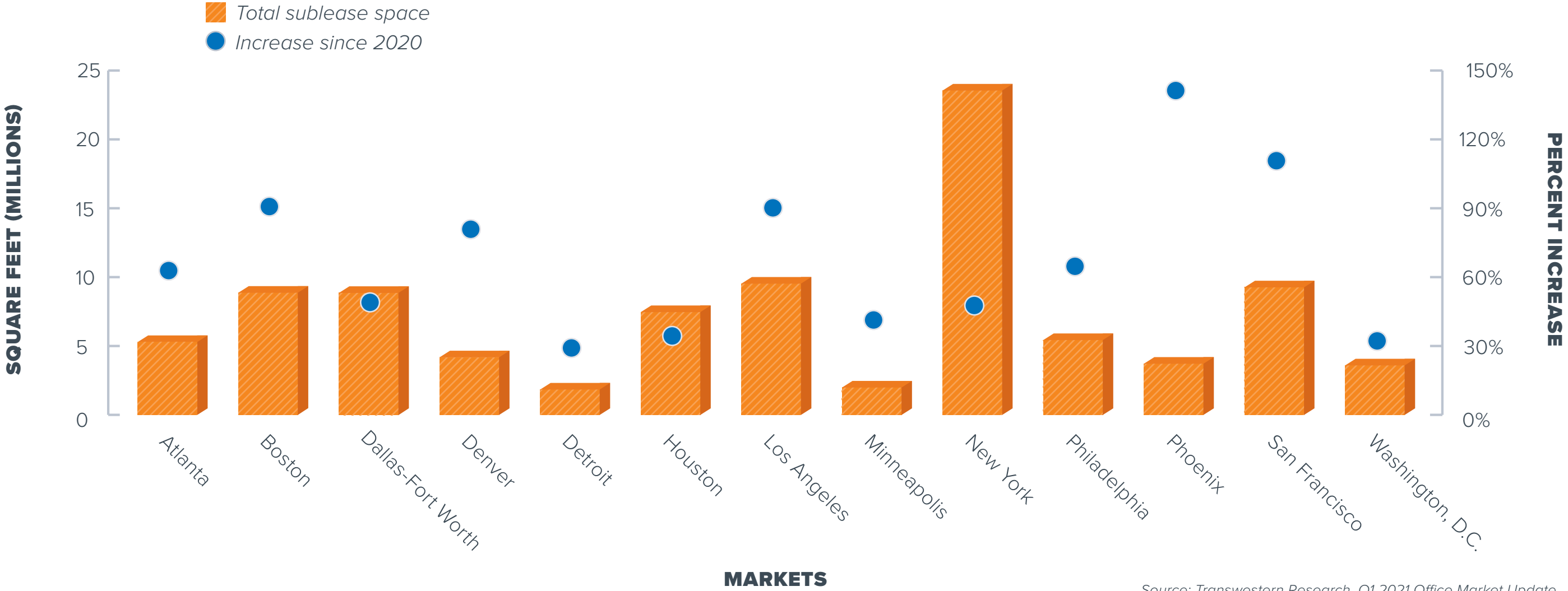


Chicago, Illinois

“In the Chicago metro area, sublease space is 26% discounted compared to direct space. The discount in the CBD averages 32%.”

ELIZABETH NORTON
Sr. Managing Director,
Research Services

SUBLELEASE SPACE ACROSS KEY MARKETS



Source: Transwestern Research, Q1 2021 Office Market Update

U.S. OFFICE MARKET SNAPSHOT

Q2 2021

- Transwestern Offices
- Offices chosen as “Best Place to Work”
- ★ Transwestern Young Professional chapters

SAN FRANCISCO / EAST BAY

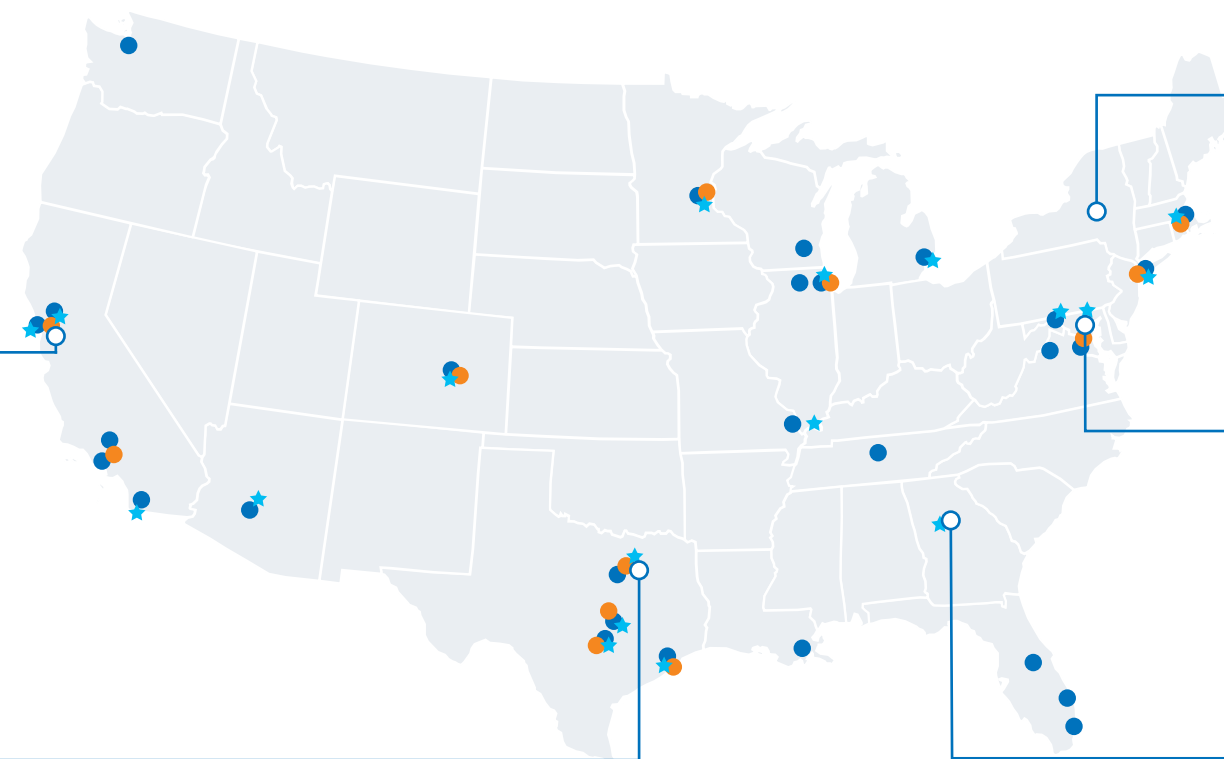
“Although San Francisco has been one of the highest sublease regions in the country, where sublease inventory represented nearly 50% of the overall office vacancy rate in the market, there continues to be plenty of space opportunities for tenants. In other words, instead of looking at the glass half empty with the amount of space available on the market, there is a silver lining for tenants, who have an opportunity to lease quality space at a favorable discount.”

JERRY MILENBACH // Research Analyst

DALLAS / FORT WORTH

“Tenants will likely receive better concessions through Q2/Q3 2021. But, economic recovery and pent-up demand for office space will likely see concessions decreasing much sooner than past experience would dictate.”

ANDREW MATHENY // Research Manager



NEW YORK

“Sublet space actually started to increase before the pandemic, and direct availability is also on the rise. As vaccination rates increase and workers begin to return to the office, we are seeing increased activity as tenants realize market fundamentals have shifted in their favor.”

CORRIE SLEWETT // Research Manager

MID-ATLANTIC

“With record negative absorption, high vacancy, and elevated concessions, it’s a tenant market in the Washington metro area. Tenants should take advantage of this opportunity to lease space at a discounted rate through 2021 and into 2022.”

ELIZABETH NORTON // Sr. Managing Director

ATLANTA

“Atlanta is challenged right now, but investors are looking to buy, owners are holding steady on rents, and many large companies are moving to town and signing long-term leases. No one betting their own money expects the current challenges to last.”

KEITH PIERCE // Vice President, Research

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