

Desire for short-term leases could fill sublease inventory

By MARILYN BOWDEN

An increased appetite for short-term leases could help fill a growing inventory of sublease space – but brokers say fitting tenants to such space can be tough.

“In the 23 years I’ve have been in this business, I’ve never seen such a correlation of rising levels of sublease space and a rising appetite for short-term leases in corporate America,” said Diana Parker, a director at Cushman & Wakefield.

“Typically corporations don’t like subleases, but in today’s market they’re not sure what lies ahead for their office space need, so they want to keep economical and flexible with short-term leases.

“There are unique sublease opportunities, many of them fully furnished with telephone service, and they can capitalize on a rate 30%-50% less than a direct deal.”

With so much uncertainty in the business climate, said Gavin McPhail, a vice president at

‘There are unique sublease opportunities, many of them fully furnished with telephone service.’

Diana Parker

Jones Lang LaSalle who represents tenants, “tenants are increasingly talking with landlords saying they’re not in a position to commit to a five- or 10-year lease, and asking for a one- or two-year extension.

“If there is a sublease where they can make a short-term commitment and have savings on rental rates, it would certainly play into needs for short-term solutions.”

In the Brickell and downtown markets, he said, the demand for short-term leases is heightened by the 1.8 million square feet of new product coming on

the market over the next 18 months.

“The market is going to change pretty dramatically in favor of tenants; it’s just a matter of time,” Mr. McPhail said.

“If tenants who have leases expiring now can buy sometime by extending their lease for a year or two where they are or finding some type of sublease opportunity, they can be candidates for these three new buildings or to backfill existing building, and negotiate favorable rates.”

But subleasing isn’t always a good solution, said Fairchild Partners’ Tony Puente, who manages Bank of America at International Place downtown.

“You’re looking for an entity whose timing is immediate,” he said, “and will accommodate your needs as is, since you won’t have tenant improvement dollars to change that space. And as a subtenant you don’t have any control over your options to occupy that space beyond the term left on the lease.”

Moving is expensive, Mr.



Photo by Maxine Usdan

Gavin McPhail, a vice president at Jones Lang LaSalle, says the market is going to change ‘dramatically’ in favor of the tenants.

Puente said, and the savings would have to be drastic to offset moving twice within a couple of years.

“At this point many landlords are understanding of market conditions, and it’s a lot easier to ask for a short-term lease from an existing landlord rather than moving into a new space.”

“If I were a tenant I would

look for a direct lease first,” said Donna Abood, CEO of Colliers Abood Wood-Fay. “But there is a place for subleases. They do meet the need for some companies.

“I’ve signed three leasing agreements this week for subleases. That’s more volume in one week than we’ve had this year so far.”