



COMPASS COMMERCIAL, LLC An ITRA GLOBAL Partner

Providing commercial real estate services by advocating for our corporate clients' interests and decreasing their expenses.

Potential Pitfalls of Signing a Sublease

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There continues to be a significant amount of sublease space available for office space users in many markets. Industrial and retail occupiers generally have less options. While subleases can be attractive financially, let's not forget there are some potential pitfalls to consider before you sign.

A few things that can negatively impact your company when you sign a sublease:

1. **Lease Default.** If the tenant, you sublease from doesn't pay the landlord rent it will cause a lease default. The lesson here is that a subtenant should pay the landlord their portion of the rent directly, when possible, to minimize risks.
2. **No Rights or Options.** With most leases, the rights and options granted to the original tenant when the lease was signed do not transfer to a subtenant unless the lease specifically says that they do. If the lease is silent, assume the rights won't transfer to your company. This could be resolved by obtaining the landlord's agreement to honor those rights and options in writing, unfortunately many landlords won't do this.
3. **The Cost Discount Ends When the Sublease Expires.** If your company signed a sublease at 50% of the prevailing market rental costs, that is fantastic! But when that sublease expires, the landlord isn't going to offer your company that same type of deal, at least the odds are against it. You will have two options when the lease expires: pay more to stay in the same space or relocate to a different building (and maybe even another great sublease!)

If your company is in the market to lease space contact us at Info@compass-commercial.com

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