



## **CRE Overcoming Hesitancy as LA and Bay Area Welcomes Short-Term Deals**

CRE owners and occupiers more comfortable executing their business plans.

Some commercial real estate players have overcome the early-year indecision over tariff announcements, with deals being on again and off again amid the new administration's ever-changing policies.

However, executives on the West coast are now becoming more comfortable with the uncertainty surrounding potential tariffs and are focused on executing their business plans, whether from the owner's or user/occupier's perspective, according to Damon Juha, partner at Los Angeles-based law firm, Saul Ewing.

"In the office leasing setting, we are seeing an uptick in activity, with many smaller, short-term deals (less than 5 years) or large sublease deals where parties are chasing bargains for well-amenitized space," he told GlobeSt.com. "Few parties seem interested in the tired space in less desirable areas."

He said the industrial sector seems to be particularly sensitive to tariffs, so players in this space have remained cautious, with deals taking longer, more handwringing being done and scrutiny at all levels.

Although several retailers have been handing back space or shutting down entirely, Saul Ewing has completed some deals that quickly backfill many of these spaces, while continuing to see clients pursue value-add deals and higher-end locations, Juha said.

### **Shift in Lease Terms**

Several landlord clients in the Greater Los Angeles and Bay Area markets have been willing to consider one-to-two year leases to secure tenants for the building.

"Before COVID-19, they would not have been willing to undertake these short-term deals, but given their desire to backfill spaces, they are now willing to do so," he said.

As for tenants, several clients in California, Arizona, and Texas are frequently renewing for short terms, in the one-to-two-year range, as they are not yet certain where their return-to-office mandates will ultimately be located.

“The thought is to buy time to formulate the return-to-office strategies,” he said. “For tenants, these short-term deals offer time to determine their longer-term needs in terms of space without incurring significant risk.”

### **Large Subleases Appeal to Some**

Additionally, large sublease deals have become attractive for some, he said.

“A significant portion of our current work involves subleasing, on both the subtenant and sublandlord sides,” according to Juha. “Sublandlords may have committed to more space than they need and are finding that they require less space, either due to financial performance or allowing staff to work remotely, in part or whole.

“Many of the deals we are working on are attractive because the space itself is in a prime location, is frequently new, recently remodeled, or has allowances that allow subtenants to improve the space.”

Moreover, the space often features occupant amenities, including a gym, shared conference rooms, and parking, he said.