

SUBLEASE SPACES INDICATOR OF LAYOFFS



In September 2012, San Francisco Business Times reported Idle

Games laid off 25 workers and was seeking a subtenant to take over its headquarters space at 875 Howard St. in San Francisco, CA. The social gaming company collected gaming industry awards for Idle Worship, a massively distributed simulation platform. However, the game did not turn out to generate as much revenue for the company as the founders hoped. The game attracted around 10,000 daily players. After Idle Worship, the company marketed Fresh Deck Poker, a cross-platform, social and mobile poker game that creates a poker experience with drop-in, drop-out gameplay, art, and multiple game types. After the layoffs, Idle Games had 40 employees. When companies are not doing well, they start to sublease their space. The availability of subleases is a sign of layoffs. A sublease is when a tenant transfers a portion of the space it has leased to subtenant, but not the entire duration of the lease. Idle Games leased 33,000 square feet its building at the south of Market Street in San Francisco. The building is owned by Hudson Pacific Properties. Idle Games subleased part of its premises to Jason Burch and Jim Chesler of Cassidy Turley BT. The lease term goes to February of 2017. The south of Market Street neighborhood in San Francisco is a diverse stretch of warehouses, auto repair shops, nightclubs, residential hotels, art spaces, loft apartments, furniture showrooms, condominiums, and technology companies. Major technology companies have headquarters there, including Wikia, Wired, Sega of America Inc., Dropbox, Yelp, Zynga, Rampleaf, and Advent Software. In San Francisco, new available sublease space increased 35 percent during August 2012. The availability is 1.4 million square feet compared to 725,000 square feet in 2011, according to Colliers International. San Francisco Business Times reported on September 13, 2012 that Visa moved its headquarters from San Francisco to Foster City and put 44,000 square feet of unwanted space on the market. The availability of sublease space shows the economy in San Francisco is weakening. It seems companies are preparing for a downturn by getting rid of space. More employees are squeezed into smaller offices. Many offices these days do not even have cubicles for each employee. Many workspaces are open with employees seeing the faces, and hearing the sounds of others. Many tenants in the San Francisco Bay Area are technology companies. Since many of these companies come and go because constant reinvention is needed to stay alive, there is volatility in the job market and in the real estate market.