Prolonged low oil pricing taking its toll…

THREE WAYS ENERGY COMPANIES ARE REASSESSING THEIR SPACE NEEDS

Many industry experts did not expect the low oil pricing environment to last as long as it has. So at this point in the cycle, most companies find themselves in one of three camps as it relates to their space needs. Companies that cut back on capital spending early in the downturn and are still seeing positive cash flow may consider taking advantage of current market conditions. Others that may be highly leveraged and in need of additional cost containment should look to offload excess space, restructure leases or explore alternative deal structures to reduce costs. A third group may be on the buy side of an acquisition and will need to address a near-term space realignment.

TAKE ADVANTAGE OF MARKET LEVERAGE

- Use this time to assess your current and future footprint needs
- Consider locking in current rates for long-term leases
- Work in termination or retraction rights for future flexibility
- Keep apprised of your market and building-specific situation in order to strike at the right time
- Consider a space upgrade through opportunities at higher-quality properties

or

CONTAIN COSTS

- Check your lease for an exit strategy
- Hit the sublease market at an aggressive price point and be ready to act fast
- Make sure you have enough term left and be ready for strong competition
- Depending on your building's situation, your landlord may present aggressive retention or restructure opportunities
- Explore a sale/leaseback if in an owned facility

or

REALIGN SPACE AFTER A MERGER/ACQUISITION

- Reevaluate your post-acquisition, combined footprint early
- Have excess space? Consider the sublease market or a restructure of the current lease (see 'Contain costs')
- Need to expand due to a consolidation? Assess if best option is to grow in place or consider alternate properties (see 'Market leverage')