

SPECIFIC-CASE

WORKSHEET 7 OF 9

Mid-Contract Idle Capacity Discovery — Sublease or Absorb?

Scenario: You have just measured the utilisation of a leased asset — warehouse, equipment, or office — and found it is running below 60%. The lease still has 18 months remaining. A termination penalty would cost three months' rent. You need to decide whether to sublease unused space, renegotiate early, or absorb the idle cost until expiry. Fill this in for your specific asset.



Complementary worksheet for

Cost Reduction Strategies

by Ibrahim Anwar

READ ON GOOGLE PLAY BOOKS ›

What This Is For

This worksheet addresses a specific decision point: you are mid-contract, utilization is below 60%, and you have options — but the right choice depends on calculations that most operators never do before picking one. The four mechanisms from Chapter 8 (sublease, renegotiate, convert to variable, terminate) are not interchangeable. They have different costs, different contract implications, and different timelines. Running the numbers for your specific contract before calling the landlord or signing a sublease is the difference between a decision and a gamble.

The worksheet walks through the three-path comparison: what does it cost to sublease the idle portion, what does it cost to renegotiate early (if possible), and what does it cost to simply absorb the idle capacity until expiry? Each path has a total cost over the remaining term. The cheapest path is not always obvious before the numbers are laid out. And the cheapest path in total-cost terms is sometimes the one that feels more complicated at first — which is why operators default to absorption without ever calculating what absorption actually costs them.

Benefits

What you get when you actually run this worksheet on a real situation:

- Converts an intuitive 'we have too much space' discomfort into a specific dollar figure per month — the idle capacity cost you are currently paying.
- Provides a like-for-like comparison of all three paths over the same remaining lease term, so the decision is made on total cost, not on which option feels easiest.
- Surfaces the sublease income calculation before an approach to the landlord, so the negotiation opens with data rather than a vague request.
- Identifies whether early renegotiation is financially viable versus absorption — a comparison most operators skip because they assume renegotiation means the landlord will say no.
- Forces a contract read: the sublease clause question cannot be answered without reading the lease, and that read often surfaces other clauses worth knowing.

Framework To Use

— Three-Path Total Cost Comparison

Over the remaining lease term, compare the total net cost of each path. Choose the lowest.

Path	Upfront cost	Monthly ongoing cost	Total over remaining term	Risk
Sublease idle space	Tenant search time	Idle cost minus sublease income	Lower net cost if sublease holds	Sublease partner leaves early
Renegotiate early	Negotiation time; possible concession	Reduced rent from new date	Depends on reduction achieved	Landlord refuses or delays
Absorb until expiry	None	Full idle capacity cost every month	Highest total cost	None — simplest path

How To Use

Follow these steps in order. Each one builds on the previous.

- 1** Fill in the base numbers: monthly lease cost, total lease capacity (square meters, pallets, machine hours), current average utilization percentage.
- 2** Calculate monthly idle capacity cost: $(1 \text{ minus utilization}) \times \text{monthly lease cost}$. This is the figure you are already paying every month for capacity that produces nothing.
- 3** Record months remaining on the lease and the termination penalty amount (from the contract — typically 2–4 months' rent).
- 4** Estimate sublease income: if 30% of the total idle space were sublet to a non-competing third party, what monthly income would be reasonable given local market rates? If unsure, use 50–70% of your own per-square-meter rate as a conservative estimate.
- 5** Calculate the sublease path total: $(\text{idle capacity cost minus estimated sublease income}) \times \text{remaining months}$. This is the net cost if you find a sublease partner immediately.
- 6** Calculate the absorption path total: $\text{idle capacity cost} \times \text{remaining months}$. This is the status quo cost.
- 7** Calculate the renegotiation path: what monthly reduction would you need to match the sublease path net cost? Is that reduction plausible given current local vacancy rates and your payment track record? Write the figure you would bring to the landlord.
- 8** Compare the three totals. Circle the lowest. If sublease is the lowest: read the lease contract for the sublease clause before approaching anyone.

Example Use

A regional importer of kitchen equipment leases a 5,000 sq ft warehouse at \$6,200 per month. After a product line shift, the back 2,000 sq ft has been empty for four months. The lease has 14 months remaining.

The importer fills in the base numbers. Monthly lease: \$6,200. Total capacity: 5,000 sq ft. Active use: 3,000 sq ft. Utilization: 60%. Idle capacity cost per month: $40\% \times \$6,200 = \$2,480$. Months remaining: 14. Termination penalty: three months' rent = \$18,600.

Sublease path: a neighboring apparel importer needs temporary storage for the next 8–10 months while their own facility is being expanded. They would pay \$1.40 per sq ft per month for the 2,000 sq ft idle zone — roughly \$2,800 per month. Monthly net cost under sublease: idle cost (\$2,480) minus sublease income (\$2,800) = net positive \$320 per month for 8 months, then idle cost returns if the sublease partner leaves. Total over 14 months (8 months sublease + 6 months idle): $(8 \times \$0) + (6 \times \$2,480) = \$14,880$. But the sublease generates surplus income in months 1–8: $8 \times \$320 = \$2,560$ net income. Net sublease path cost over 14 months: $\$14,880 - \$2,560 = \$12,320$.

Absorption path: $\$2,480 \times 14 = \$34,720$.

Termination path: \$18,600 penalty + approximately \$3,000 in search and legal costs = \$21,600. And the importer still needs storage, so replacement lease costs would apply on top.

The sublease path is clearly cheapest at \$12,320 versus \$34,720 (absorb) or \$21,600+ (terminate). The importer reads the lease contract. The sublease clause exists on page 6: "Tenant may sublet part or all of the premises with Landlord's prior written consent, not to be unreasonably withheld." The importer notifies the landlord in writing, receives consent within 10 days, and the sublease starts at month 5 (a month was lost to the search). Net outcome: \$7,440 in actual idle cost paid during the search month and the final six months, versus \$34,720 had the importer simply absorbed the idle cost.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Mid-Contract Idle Capacity Discovery — Sublease or Absorb?

Scenario: You have just measured the utilisation of a leased asset — warehouse, equipment, or office — and found it is running below 60%. The lease still has 18 months remaining. A termination penalty would cost three months' rent. You need to decide whether to sublease unused space, renegotiate early, or absorb the idle cost until expiry. Fill this in for your specific asset.

ITEM

YOUR FIGURES

ITEM	YOUR FIGURES

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Fill in: monthly lease cost, current utilisation %, monthly idle capacity cost (idle% × monthly cost), months remaining on lease, termination penalty, and estimated sublease income if 30% of idle space were sublet. Compare: (sublease income × remaining months) versus (idle cost × remaining months) versus (termination penalty + replacement search cost). Which path costs least in total over the remaining term?
-

2. If the sublease path is cheapest: check the lease contract for a sublease clause before approaching the landlord. Write down the clause reference and any consent requirements. If renegotiation is within 90 days: calculate what monthly reduction you need to break even versus the termination path, and bring that figure — not a vague request — to the conversation.
-

Tips and Traps

TIPS

- Read the sublease clause before approaching any potential tenant. If the clause requires landlord consent, that consent must come before a sublease agreement is signed — not after.
- Calculate the sublease income conservatively: use 50–60% of your own rate rather than market rate unless you have strong evidence of local demand. The comparison works only if the sublease income is realistic.
- When approaching the landlord about early renegotiation, lead with your payment track record, not with the fact that utilization is low. A reliable tenant requesting a modest adjustment is a lower risk to the landlord than a vacant space.
- If the absorption path total is surprisingly large, show it to whoever in the business thinks 'doing nothing' is the safe option. Absorbing idle capacity costs has a specific dollar figure; it is not free.
- For equipment leases with lower idle capacity costs, run the same comparison — the numbers may favor absorption, especially if residual term is short. Do not assume the sublease path is always cheapest.

TRAPS

- Approaching a potential sublease tenant before reading the contract. A verbal commitment to a sublease partner that the contract then blocks is an awkward and potentially costly position.
- Counting the termination penalty as the only cost of the termination path. Search time, legal fees, potential gap period without storage, and new lease setup costs can easily double the termination penalty.
- Assuming the landlord will refuse early renegotiation without asking. A landlord who fills 100% of a space with a proven tenant at 90% of the old rate is better off than managing the risk of that tenant leaving and facing a vacancy in a soft market.
- Using the idle capacity cost calculation as a one-time exercise for this decision only. After the lease renews, set a calendar reminder to recalculate utilization at month 6 of the new term.
- Comparing paths over different time horizons. All three paths must be compared over the same remaining term to be a valid comparison.

Appendixes

Appendix A – Three-Path Comparison Formula Card

BASE NUMBERS (fill these first):

Monthly lease cost: \$M
 Total lease capacity: C units (sq ft / pallets / hours)
 Current avg utilization: U%
 Idle fraction: $I\% = (100 - U)\%$
 Monthly idle capacity cost: $I\% \times M = \$$ _____
 Months remaining: R
 Termination penalty: \$T

PATH 1 – SUBLEASE:

Estimated monthly sublease income: \$S
 Monthly net cost = idle cost - \$S
 If net cost is positive: you still pay something, but less
 If net cost is negative: the sublease income exceeds idle cost
 Path 1 total over R months: $(\text{idle cost} - S) \times R = \$$ _____

PATH 2 – ABSORB:

Path 2 total over R months: $\text{idle cost} \times R = \$$ _____

PATH 3 – TERMINATE:

Path 3 total: $\text{termination penalty } (\$T) + \text{search} + \text{legal} = \$$ _____
 (also add replacement lease cost if still needed)

CHOOSE: lowest total = recommended path

Appendix B – Sublease Clause Reference Card

Find the sublease clause in your lease contract.

Common section titles: "Assignment and Subletting," "Transfer,"
 "Sub-Tenancy," or "Third Party Use."

Key questions to answer from the clause:

1. Is subletting permitted at all?
 Yes, freely Yes, with conditions Prohibited
2. Is landlord consent required?
 Yes (prior written consent required)
 No
3. Is consent subject to conditions?
 Conditions: _____
4. Does the landlord have a right of first refusal to take back the space?
 Yes No
5. Does the tenant remain liable if the sublease partner defaults?
 Yes No

If subletting is prohibited or landlord refuses consent:

Move directly to renegotiation path.

Bring: utilization data, payment track record, market vacancy rate.



WHERE THIS WORKSHEET COMES FROM

Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

by Ibrahim Anwar

This worksheet is one of nine in the *Cost Reduction Strategies* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

Read the source book on Google Play Books:

<https://play.google.com/store/books/details?id=j0bXEQAAQBAJ>

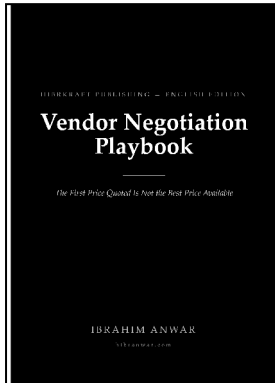
OPEN ON GOOGLE PLAY >

PT Hibrkraft Kreasi Indonesia · Cileungsi, Bogor · hibrantwar.com

CONTINUE THE SERIES

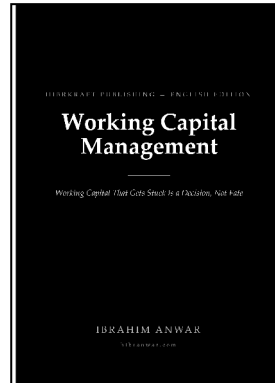
More from the Operator's Handbook

Each handbook is a 9-worksheet companion pack like this one. Tap any cover to open it on Google Play Books.



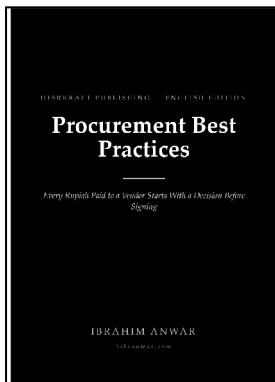
**NO. 04 ·
OPERATOR'S
HANDBOOK**
**Vendor Negotiation
Playbook**
*The First Price Quoted Is
Not the Best Price Available*

**OPEN ON GOOGLE
PLAY >**



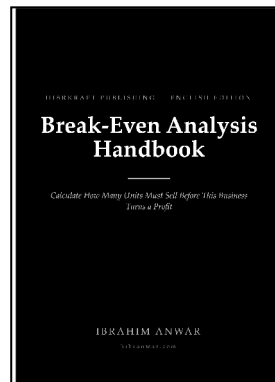
**NO. 07 ·
OPERATOR'S
HANDBOOK**
**Working Capital
Management**
*Working Capital That Gets
Stuck Is a Decision, Not
Fate*

**OPEN ON GOOGLE
PLAY >**



**NO. 08 ·
OPERATOR'S
HANDBOOK**
**Procurement Best
Practices**
*Every Dollar Paid to a
Vendor Starts With a
Decision Before Signing*

**OPEN ON GOOGLE
PLAY >**



**NO. 11 ·
OPERATOR'S
HANDBOOK**
**Break-Even
Analysis Handbook**
*Calculate How Many Units
Must Sell Before This
Business Turns a Profit*

**OPEN ON GOOGLE
PLAY >**

Operator's Handbook · PT Hibrkraft Kreasi Indonesia · hibranwar.com