Why Space Utilization Matters

Why is Office Space Underutilized ?

In many organizations over the past decade, and more so in recent years, there has been a significant increase in the number of mobile workers, people working from home, colleagues collaborating in physical and virtual groups, etc. This stems from – advances in technology, the pervasiveness of Laptop computers and smartphones, to avoid down time from commuting and office meetings, the increasing importance of work / life balance, etc. In conjunction with this, remote access to information from anywhere has improved significantly. Between this, and as studies have proven, people who work from home tend to work longer hours, people are as or more productive outside the office than in the office.

And since people like the flexibility of where they work, there is a growing issue of underutilized office space.

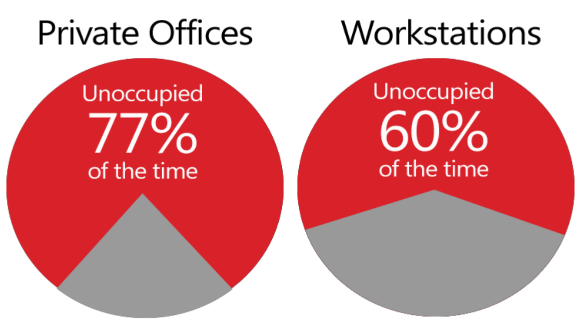
What are Office Space Costs ?

Many companies are coming to realize that space, *one of their most expensive costs is underutilized.* For example, with most companies of 100 or more employees space costs can easily exceed $600,000. - or roughly $6,000. per person.

How much is Office Space Underutilization Impacting Profits ?

Underutilization means organizations are overspending on office space. In a study of 80 enterprises occupying over 500 million square feet of space, almost 80 % have vacancy rates of 10 % or more - with most having office space utilization being 60% - 70% (ie: a vacancy rate of 30 % to 40 %).

When you combine those two figures, there is a significant gap between the capacity of office real estate and the amount of space that's actually used. That gap results in unnecessary costs and reduced profits.



Private offices and workstations are unoccupied more than three-quarters of the time.

Better Space Utilization – for a better bottom line

To appreciate what this means, let's look at the numbers. One of the largest office furniture companies in the world has studied private office and cubicle utilization in the last several years. Using sensor technology, they monitored space utilization by companies in various industries. From this, they discovered more than three quarters of the time private office space was unoccupied and workstations were underutilized 60% of the time !

Upon review, it was determined the low office space utilization was the result of out of office meetings, people working from home, business trips, vacations, long weekends, special circumstances, the impact of an increasing mobile work force, etc. Further, with many companies having mobility programs for working outside the office, the number of people in the office at any given time is much less than in the past.

To understand space utilization, there is a need to measure the number of employees at work (in offices, workstations and conference rooms) at any given time during the workday. This data is usually captured in at least two ways: average utilization and peak utilization. For most companies space utilization is typically in the 60% – 70% range.

Let's take a closer look at how this happens. For a traditional 20,000 sq. ft. space (with 19,000 sq. ft. of rentable space), that equates to a capacity of 91 people, or roughly 209 sq. ft per person. With sq. ft. per person trends dropping for newly configured offices in recent years, many firms are now in the 200 sq. ft. per person range. With that configuration and a capacity of 91 people, most organizations have about 10% vacancy, reducing the 91 people to 82 individuals. With general utilization approximating 65% utilization, that increases vacancy to 35%, resulting in more than 1/3 of the space not used !

Since this number is a big surprise for many people, the next question usually is - How much is that costing ? Well, as you might guess, the cost is substantial. Using an average cost of $30 per sq. ft. the 19,000 sq. ft of rentable space has an annual cost of $570,000. To determine the cost of the excess vacancy (hidden vacancy driven by low utilization) you have to first determine your target vacancy rate. By using a 10% target rate and subtracting it from 35% gives us a 25% cost associated with low office utilization – or $142,500. annually !

Thus, in the case of a 7-year lease with 5 years remaining and assuming a 35% vacancy rate, if the company were able to right-size now, terminate the lease early, or sub-let the extra space to a third party, **they would save $712,500. in 5 years ! And because the amount scales with organization size, better managing space meaningfully improves the bottom line for all enterprises.**

Just as technology is changing the nature of work and how organizations operate, it's also changing industries. Smart Building initiatives are good examples of this with Smart Solutions for Space Utilization, Predictive Cleaning, Energy Monitoring, etc. as well as a Data Ownership Framework and Data Sharing Platform to further improve outcomes in real estate. To learn more contact –

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