

Excess Office Space: An Opportunity to Improve Usage

BY JEFF HOLLANDER

Times are tough, and many businesses are being forced to make do with less. Creative changes that office leaders make today can also have positive impacts on worker productivity and corporate profitability for years to come.

Reposted with permission from *San Diego Daily Transcript*, November 11, 2008.



Advanced Equities Financial Corp's new San Diego offices leave window walls open and use banquettes to create daylight, collaborative/social spaces.

As the black cloud of a cascading economy spreads further away from Wall Street into all sectors of corporate America, savings-minded business leaders will increasingly look to cut their largest expense after payroll: real estate.

Even with the heartaches and risks to office morale, layoffs might prove easier than reducing rent obligations, according to Scot Ginsburg, executive vice president at Jones Lang LaSalle Americas Inc. Ginsburg said tenants looking to return space to landlords had better be prepared to sign long lease extensions. Rare is the landlord willing to add vacancy and forego revenue in today's uncertain market.

A credit tenant with 30,000 square feet has a shot to renegotiate, Ginsburg said, because landlords are more accommodating for tenants with solid payment history who are willing to sign on for another five years—especially if the lease term is close to expiration. The more years left on an existing lease, the less likely the landlord will renegotiate.

“Why am I going to absorb vacancy and take less rent to keep you for three years?” Ginsburg said.

Jason Hughes, principal at Irving Hughes, said he's finding renegotiation a little easier. In fact, he helped a technology company client cut its square footage in half, reducing the office from two 10,000-square-foot floors to one. He said he's finding landlords are quick to accommodate reasonable renegotiations and are even discounting rents 15 percent to 30 percent.

Dennis Hearst, senior director at Cushman & Wakefield of San Diego, said there's a small segment of the market that hasn't been negatively affected by the economy. Some in this group are taking advantage of a chance to upgrade their situation

and get Class A space for Class B rates. Mostly, though, he said many tenants with expiring leases are staying put—but not all are interested in signing long-term extensions.

“What we’re starting to see is a lot of renewals,” Hearst said. “Construction costs have risen faster and higher than TI allowances and moving often entails other expenses such as signage, furniture, new cabling and more.”

Improving Work Spaces

Even if a business chooses to remain in the same space, there still is an opportunity to make meaningful improvements. According to Gensler’s research, 36 percent of U.S. office space is considered by the workers using it to be ineffective. This is in large measure because the nature of work is changing.

The percentage of focus time at one desk has declined dramatically in favor of collaborative meetings and group work scenarios. Small investments can have positive impacts on the engagement of the work force, which can increase innovation and productivity. Often employees will embrace smaller private workspaces if collaborative social areas are provided nearby.

For businesses that can’t reduce square footage—and even some that can—payroll reduction will be the major source of cost savings as workflow flattens out. Layoffs free up space to create more effective spaces.

While too much space for too few people can negatively influence morale, a little more breathing room can boost spirits and productivity. Observe how people are working in the office, how spaces are really used. What’s empty? What’s overcrowded? Where have people been doing workarounds to make space effective? It’s easy, really. Look for wear patterns, improvised equipment and furnishings, over-flowing desks, unused conference rooms, etc.

Consider reconfiguring workstations to take advantage of empty spaces. If you have four-station work pods, move people around to free up the fourth station and let the other three stations share it as communal workspace.

Where possible, get rid of workstations altogether and find ways to use the free space to help your staff work more effectively. What have your people been asking for in the last five years that you weren’t able to provide because you didn’t have the room?

Hughes said his clients who are renegotiating and extending leases are drawing on unused tenant improvement allowances to make cosmetic changes. Create project rooms, a formal lunchroom, a brainstorm tank, social spaces. Even if it means



Colliers International created an instant employee lounge in its new San Diego office by hanging a plasma screen and setting up a pool table in an unused conference room.

reducing the size of workstations, people often will embrace smaller workstations in favor of improved meeting and communal areas.

Colliers International had a clever idea when it recently built out its new San Diego office: It hung a plasma screen on the wall of an unused conference room, set up a pool table and—voila!—employee lounge.

Another idea for putting newly freed space to good use can be seen in the design of Advanced Equities Financial Corp.’s new San Diego offices. Rather than install offices on all perimeter walls, Advanced Equities chose to leave window walls open and used banquettes to create daylit, collaborative/social spaces. Natural light has been proven to improve morale and increase productivity.

These are tough times, and many businesses will be forced to make do with less staff and, in many cases, the resulting excess space. In the face of this challenge, office leaders can make changes to improve the way their employees work. Small and creative positive changes today could have long-lasting impacts on worker productivity and corporate profitability for years to come.

Jeff Hollander, AIA, LEED AP, is Managing Director of Gensler’s San Diego office. Contact him at jeff_hollander@gensler.com or +1 619.557.2510.