

EMERGING TRENDS
OCCUPANCY MANAGEMENT
2019



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Organizations are finding it difficult and far too costly to manage corporate real estate assets effectively. Could an emerging class of technology services be the solution that real estate professionals are looking for?

Information is the lifeblood of corporations. When it comes to managing their corporate real estate portfolios, organizations lack true measurement of actual utilization. Complicated by the mobile environment of today's business worker, this is creating a stiff financial and operational burden.

“ Giving people real time information so the individual can be more productive...isn't that the purpose of the office in the first place? ”

The footprint of corporate commercial real estate in the US is around 92 billion square feet. Projected growth of that footprint has a CAGR of less than one per cent. If you are the responsible executive for your corporation's real estate assets, and if you are based in one of the country's major metropolitan areas, you are unlikely to get more space. You are much more likely to be called upon to manage what your company already has more effectively. As your company's workforce expands, contracts or

works more flexibly, getting optimum utilization or benefit out of what is already in place will take on a higher level of importance as it impacts your company's bottom line.

Among the many obligations asset and operational executives are chartered with, none is more important than effectively balancing the objectives of the company's strategic and tactical plans. To fulfil these critical tasks and duties, they need the proper means to measure and evaluate actual performance versus these objectives.

The need for real-time space utilization information for the corporate real estate professional has never been more obvious. Organizations are under enormous pressure to drive down costs by increasing their "static density", the space per square foot dedicated for each workstation. However, there is a real risk of driving this too hard and damaging corporate performance and productivity. In many companies, it has now reached a point where further reduction would put staff productivity, performance and retention at risk. Arguably, we are already seeing this impact in some organizations.

- What is the crux of the challenge?
- What are the options available to companies today?
- Do these new approaches work?

Abintra has helped more than 100 corporations worldwide to tackle this issue, and we can help your organization to solve this important problem.



Companies are learning to get by with fewer employees while taking up less space per employee as they allow more employees to work at home and squeeze others into denser office layouts. "There is this constant trend to get more productivity and efficiency out of office space. It will lead to a slower tightening of the office market," says a leasing broker.

“We are seeing more people being put in less space than ever.”

Density can vary quite broadly due to factors, including:

- Cost considerations
(e.g. whether an office is in the core CBD or a decentralized location)
- The nature of work
(e.g. employees in the financial sector often have specialized space and desk requirements. Other sectors may require specialized support spaces i.e. labs, showrooms, customer spaces/experience centers, technical spaces etc.)
- Domestic and multinational firms
- Size of the organization

- Prevailing standards and benchmarks at time of the office fit-out
- Compliance and codes based on the building's infrastructure
- Measurement practices
- The use of space as reward
(e.g. senior staff are often allocated larger spaces or offices)
- Government and/or worker council regulations

Increasing static density is generally perceived by employees as an exercise in taking away amenities in a relentless drive for efficiency and failing to consider what employees feel that they need to work effectively, such as the private office, personalized desks, printers and storage space. Equally, leaders and staff are rightfully nervous about ill-conceived implementation of "dynamic density" work environments that might disrupt business and culture purely for the sake of cost savings.

Poorly implemented desk sharing (agile working, activity-based work, hot desking, etc.) is a very real business risk created by those who are focused only on cost savings and have limited understanding of the impact on organizational performance.





What are the choices for the CRE professional in addressing the issue of occupancy management?

Listed below is a sampling of the most used solution choices that exist in today's environment.

- **PEOPLE COUNTERS**

Technology that can also be installed to count the number of people entering and exiting an area using video imaging and shape recognition.

Observations: Covers a wide area of space or entrances so no detail of desk usage available or of work activities. Expensive, poor accuracy and slow reporting speed.

- **PEOPLE TRACKING**

Sensor technology that is worn by employees to track motion as well as conversations and social patterns. Technology is designed to aid in determining why individuals are spending time in various spaces and creating social mapping.

Observations: Unreliable, not always carried by occupants, considered obtrusive and privacy infringement.

- **WIFI TRACKING**

Uses Wi-Fi signal from devices (typically cell phones) and routers to triangulate user position.

Observations: Easily scalable and relatively inexpensive. However there are potential large inaccuracies if people do not allow their device to be tracked or have more than one device. Potentially intrusive.

- **BED CHECKS**

Individuals walk around noting attendance. Only recorded on paper. Can record a variety of data, some planned, other unplanned.

Observations: Cheap but cannot be used for workstyle profiling or detailed analysis of work patterns. Prone to observer errors.

- **SWIPE CARD**

Incoming (and outgoing if available) data from security card access is used to inform presence by individuals.

Observations: Prone to inaccuracy due to tailgating, the data may not be readily available, and no detail of desk usage. Cost is embedded in organization so it's low cost but highly inaccurate.

- **ELECTRONIC OBSERVATIONS**

Generally nothing different to a Bed Check with information added through an electronic medium. Access to data and reporting is generally quicker than using a paper based Bed Check.

Observations: Electronic methods allow monitoring of the data during the study and built in checks for data input errors by observers. Can be longer and more expensive than paper to set up. Difficult to scale moderately expensive to implement.



“ Abintra has found in general that more than half of our clients have meeting rooms that are underutilized by more than 65 per cent of the time.”

Despite these often-dramatic variations, static density has approached the limit for many organizations and, in some cases, has exceeded it. This reflects the increasing desire among companies to grow headcount within their existing footprint to offset increases in rental costs above CPI increases. This has led to the densification of many workplaces in the US and other regions.

In the US, UK and European marketplaces where Abintra has its highest level of customers, we have found that the utilization rate of commercial offices in all geographies carry a 49 per cent underutilization. By industry, business services has by far the highest rate of underutilization at 65 per cent. Financial services rates are in the high thirties while manufacturing and industrial measures consistently in the high forties. Much of this can be

explained by industry culture and industry job requirements. Nevertheless, it is a huge waste of operational capital.

Abintra has found in general that more than half of our clients have meeting rooms that are underutilized by more than 50 per cent of the time. In addition, Abintra has found that its clients have an inordinate number of large conference rooms with little demand for them. “Right-sizing” became a large efficiency issue for these clients.

In response, many organizations today have already implemented some form of flexible working strategy for their staff with many more in the process of doing so. Just as usage and utilization patterns change for 1:1 ratios, they also constantly change for higher ratios of sharing. Understanding how these flexible assets are used is essential to the constant improvement of a flexible workplace, to benefit staff and management through the provision of more suitable workplace assets, increased productivity and reduced costs.

Implementing these new ways of working will not drive down the cost per seat. Instead, the aim is to drive down the cost per person by optimizing the utilization of the space, which is referred to as “dynamic density”.

The statistics are sobering.

The average cost per square foot for corporate real estate in the top 11 US metropolitan areas ranges from \$30 to \$80 per square foot.

The Average cost per employee for a corporate workspace in the top 11 metropolitan areas in the US ranges from \$4,000 to \$14,000 per year. That cost doesn't consider associated expenses to maintain those workspaces such as facilities expenses (heating, lighting, and security) or IT expenses. All in, the average cost to maintain a workspace in the US ranges from \$13,000 to \$24,000 per year.

Without question, a corporation's real estate assets are a significant component in its balance sheet. An even larger component is the company's workforce. Smart companies understand that workspaces are a business tool. An office environment reflects and reinforces a business's core values, through the placement of different teams and functions and design elements that reflect culture, brand, and values.

Proper utilization and retention of these assets have a direct influence on a company's profitability. How can the corporate real estate executive ensure these assets are properly utilized? Understanding the new dynamics of today's workforce is essential. What do employees want and expect from their workspace?

A recent Harvard Business Review article regarding employee retention rates stated that 61% of employees want appealing and comfortable work spaces, work place flexibility, perks and a work environment that provides learning opportunities.

Progressive companies are retaining the importance of location—while changing their mind-set about how the physical space is consumed. Powered by technology, their value proposition lies in augmenting the user experience. For instance, companies are striving to create not only a functional experience but also a memorable one through a vibrant ambience, varied open-seating options, amenities, and networking opportunities for the on-the-go Millennial and Gen Z workforce.



There is another approach. To build leadership and employee buy-in for a new dynamic work environment, there must be a narrative beyond reducing costs and a stronger value proposition that gives rather than takes. Those “gives” relate to choice, control, ability to respond to business change and enhancing the enjoyment and performance of work. One of the most common questions asked by Abintra’s clients is:

“How can we use our space more efficiently?”

In other words, our clients want to know how to address and handle:

- Adding headcount into the existing footprint without taking up more space
- Accommodating increasingly volatile headcount (flexibility) with a reservoir holding spare capacity
- Accelerating the release of excess space

PIR SENSOR SYSTEM

Sensors mounted to the underside of work surfaces throughout the office to detect presence.

Observations: Passive infrared sensor (PIR) system offers a complete dedicated and non-invasive solution and service. It is a SaaS-based solution and is a guaranteed way of understanding and managing the utilization of the workplace. Using peerless wireless communications and sensors for data-capture, formatted results can be provided through a web browser and viewed as a live floor plan.

This allows staff to work flexibly by choosing different places to work within the office rather than being assigned a fixed desk as the one primary place of work. Once they use that space, then it becomes quite straightforward to recapture latent underutilized space or what is generally referred to as desk sharing. When executed well, this approach improves the real estate bottom line while enhancing overall employee productivity, performance and engagement.



BARCLAYS

is a British multinational banking and financial services company headquartered in London. It is the seventh largest bank in the world based on its total value of its assets. Barclays is a universal bank with operations in retail, wholesale and investment banking, as well as wealth management, mortgage lending and credit cards.

Barclays engaged Abintra as they had a key business unit that was looking to reduce its real estate overhead. The client wanted a more flexible environment than its existing 1:1 desk ratio.

Barclays knew they did not have the means to access reliable data to make the right decisions. At the time, this

internal business unit was being cross-charged \$16,500 per seat for 1,300 seats, an annual cost of \$21 million.

Barclays solved the cost issue and gained a higher level of operation efficiencies by utilizing a Passive Infrared (PIR) sensor system (WiseNet™). In a survey, the system highlighted where savings could be made and where alternate desk sharing ratios could be implemented. Desks were reallocated allowing for the disposal of 300 seats. The client now has 1,000 seats, saving \$4.9 million annually. Additionally, the data showed another team could be integrated in the building, and these were brought across from other leased spaces. This pushed the total savings to \$5.8 million annually. Barclays is a fine example of how departmental real estate cost savings can be achieved in a minimal amount of time.





The philosophy to be deployed is true value. The value of understanding workplace utilization has long been misunderstood and many organizations have employed various techniques to establish utilization, with unsuccessful results because of inaccurate and unreliable data. Today we can not only accurately define the overall utilization but also understand objectively how this total figure is derived and therefore identify the scope for potential improvements. The potential savings are vast as long as the system employed can deliver accurate data with scale.

While PIR solutions present the best overall solution, not all PIR solutions are equal. Abintra's solution, (WiseNet) is designed specifically to capture occupancy at multiple locations, accurately and in real time. The system is self-monitored and offers manual remote monitoring for evaluation and updates. It is designed with scale in mind

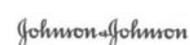
for two reasons. First, it offers inexpensive remote support worldwide for global customers, which includes fixes, upgrades, moves and change support. Second, it ensures all levels of requirement can be met quickly and reliably, irrespective of environmental complications.

WiseNet can capture utilization data for almost any function and location in today's modern office, from workstations and meeting rooms seats to soft seating and sit/stand desks. The ultimate test of any solution of this type is its ability to deliver the proper data, efficiently, expediently, reliably and accurately. WiseNet features a WBI portal and a live availability floorplan called WiseView which manages clients' workplaces for both the short and long-term management of the office.

Abintra's list of clients supports our premise that our PIR occupancy solution is the best way to solve the occupancy management concern of large scale corporate environments.



Deutsche Bank



We are at a time when there is extraordinary potential for change in the physical workplace in response to the evolving nature of technology and work. Benchmarking metrics such as workplace density and space utilization are becoming critical in helping corporate occupiers inform workplace and real estate decisions and in managing their real estate as a strategic asset. At the same time, there are significant risks. Overly simplistic understanding of data may lead to companies increasing static or dynamic workplace density at the expense of productivity and the satisfaction of workers.

There are many ways to measure utilization. Organizations need first to understand why they need the data and what data they need before rushing to solutions.

The real question companies need to ask themselves is what workplace solution is appropriate for their organization, both now and in the future. Corporate occupiers must develop a complete understanding of how their people work and what their organizational objectives and imperatives are. It is only by aligning these two fundamental perspectives that companies can implement a workplace strategy capable of achieving cost effective business transformation.

For more information on Abintra and its solutions, please visit our web site at

www.abintra-consulting.com

For more information about this report, please contact:

John E. Murphy

National Account Manager

Abintra Consulting

jmurphy@abintra-consulting.com



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ABINTRA UK

London

Office +44 (0) 203 691 1117

Mobile +44 (0) 7876 685 002

E-mail tbooty@abintra-consulting.com

ABINTRA USA

Boston

Office (978) 405-3354

Mobile (508) 868-9215

E-mail jmurphy@abintra-consulting.com