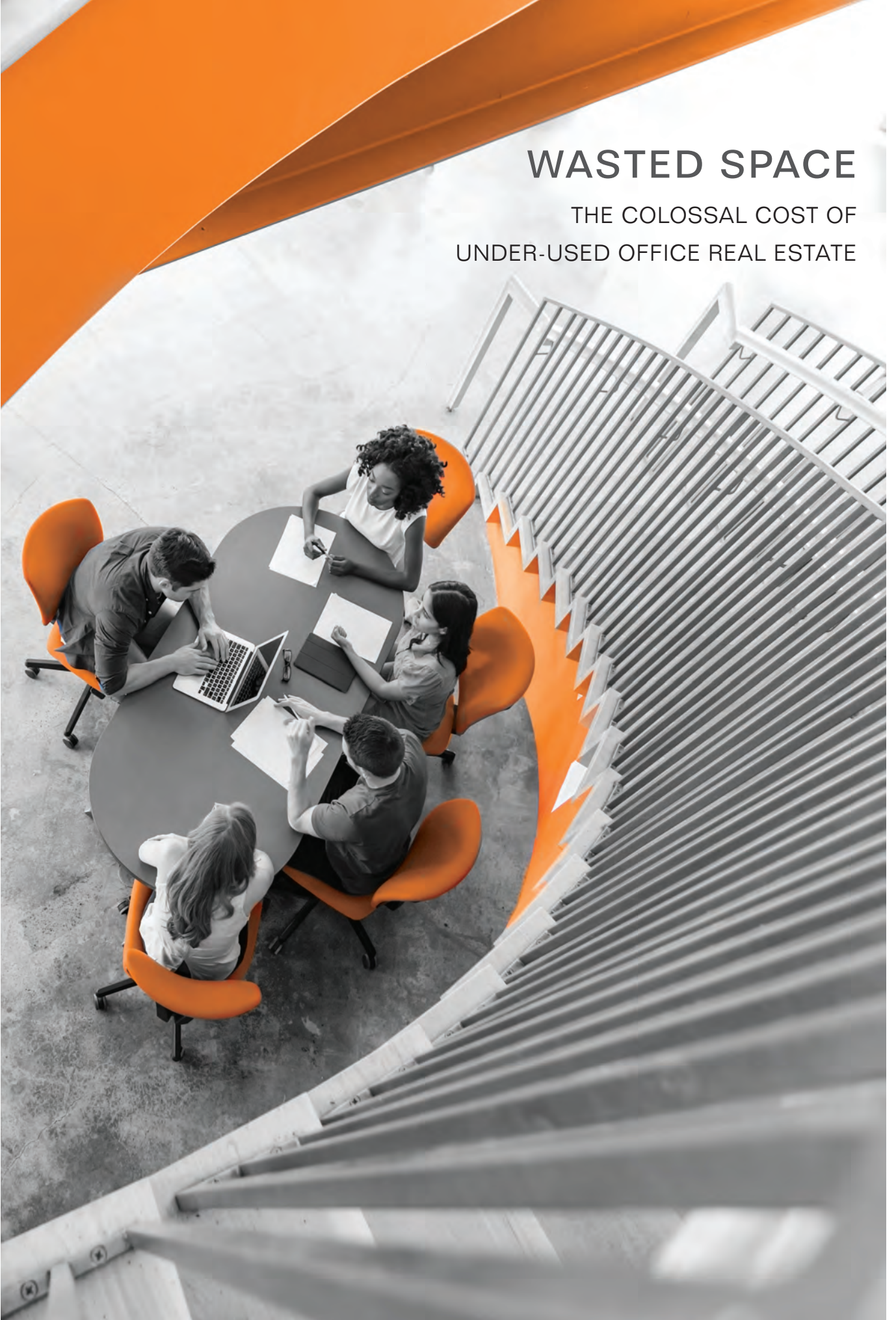


WASTED SPACE

THE COLOSSAL COST OF
UNDER-USED OFFICE REAL ESTATE



CONTENTS

Executive Summary	03
Under-utilised Office Space: The Scale of the Challenge	04
Towards Flexible Working	05
Calculating the Cost	06
About Abintra	08
Case Studies	09
Methodology and Sources	10

INTRODUCTION

Very few businesses today have anything resembling a typing pool. Such places have been swept away by technological and cultural change. Yet office real estate has been slow to adapt. The idea of one desk for one person still holds sway. In our experience, only a fraction of businesses have scratched the surface of flexible working, much less realised anything approaching its full potential.

With this study, we set out to discover just how much office space is being under-utilised, and to put a cost on that wasted

space. In doing so, we do not seek to encourage businesses to divest themselves of their real estate assets, whether owned or leased. Rather, we wish to draw attention to the value of office space, which for most businesses is their second biggest overhead after their payroll, and to highlight the scope for improvement.

We hope the report raises awareness of the possibilities to better utilise office real estate and by doing so to achieve significant business benefits from higher productivity to improved staff wellbeing and smarter buildings.



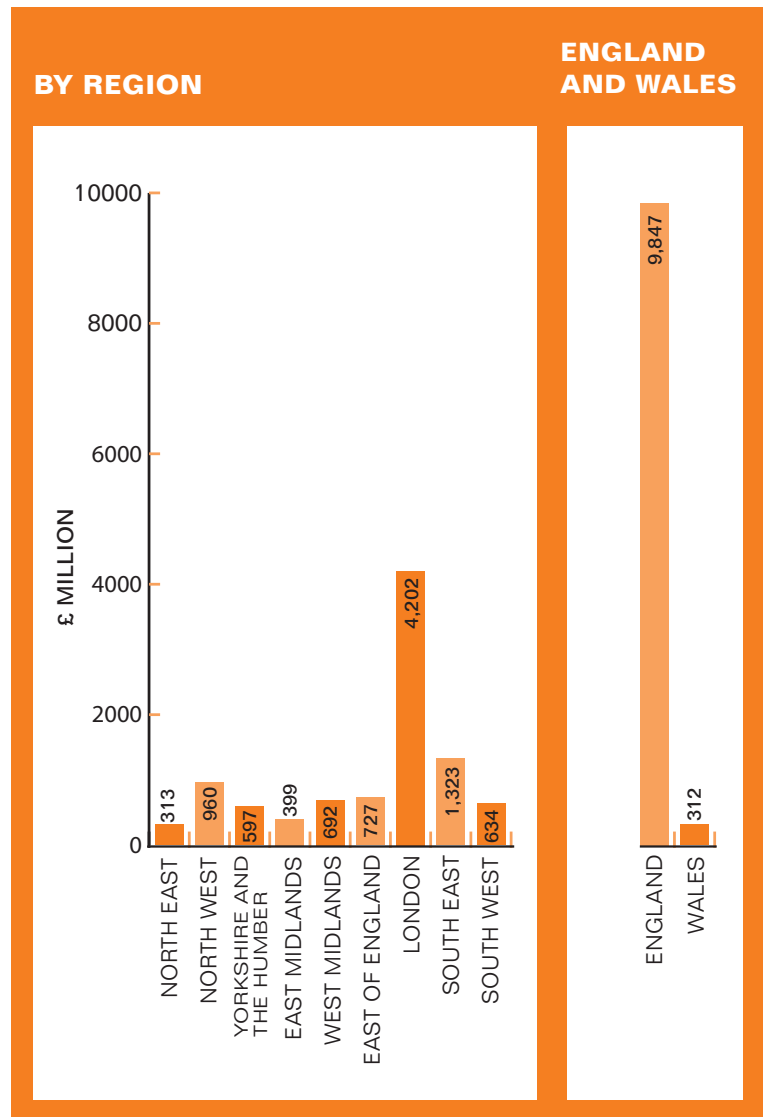
There are around 100 million square metres of occupied office real estate in England and Wales. We calculate that up to a third of it is under used, which equates to more than 12 square miles or an area the size of Slough*.

For corporations in tier one office locations, the value of this wasted space is huge. We typically use a figure of £15,000 per workstation for big city businesses, but as this report shows, even when the parameters are dialled down, businesses across the UK are still wasting billions of pounds every year.

Our figures show that large corporations in England and Wales are collectively under using an area of office real estate equivalent to 75 Canary Wharf Towers.

“ Corporations in England and Wales are under-using office space equivalent to 75 Canary Wharf Towers. ”

Annual cost to large firms of under-used office space



KEY FINDINGS

- Large office-based firms could collectively find an extra 131 million square feet within their existing real estate.
- The cost to big businesses of this hidden space exceeds £10 billion a year.
- In London alone, large firms have 36 million square feet of office space that could be put to better use.

“ The cost to big businesses of this hidden space exceeds £10 billion a year. ”

* For readers outside the UK, Slough is a large town in Berkshire on the outskirts of Greater London.

UNDER-UTILISED OFFICE SPACE

THE SCALE OF THE CHALLENGE



Much is written and broadcast about the amount of empty residential property in the UK, but occasionally empty commercial property grabs some media attention. Pressure groups exist to try to turn such spaces into places to live for the homeless while some developers have done well by converting disused commercial space into residential schemes.

Let us make clear that this report is not about those kinds of spaces. This study is about the hidden office space that almost every business is carrying, space that is technically occupied but under-used. Consider the desk that is empty while its user is at a meeting, on site, working from home, on leave or working part time. Or the meeting room that is booked out but then isn't used.

“ Substantial returns on investment can be realised by the successful implementation of flexible working. ”

It is a generally accepted figure in the space utilisation industry that the amount of office real estate most businesses could do without or devote to other uses is 30 per cent. Indeed, that is the central figure we have used in our headline calculations. However, in our experience, that number is usually higher with 40 per cent or more not uncommon. Many senior executives and real estate managers are astonished to discover the waste of such an expensive asset. For real estate managers, it can be even harder to stomach. As one client put it: “It's difficult to accept that you've been wasting an expensive asset.” Difficult though it may be, the first steps towards positive change are accepting that there could be an issue and deciding to find out exactly how big it is.

Let's look at the scale of the challenge.

Of the UK's 5.7 million businesses, perhaps barely 19,000 are large firms with 250 or more employees. However, they account for 40 per cent of employment. Of these, our research concludes that just under a third are office-based businesses, together employing 3.2 million people. Those office workers occupy some of the most expensive commercial real estate in the country, or rather they don't.

Our experience of working with more than 100 such major office-based corporations worldwide is that space savings of 30 per cent or more are typically achievable. It is not easy, and many organisations have struggled to implement flexible working successfully. However, it can be done. The value is not just in the obvious cost saving that could be made by downsizing. In practice, most of our clients choose to reinvent their space by introducing new kinds of working areas, such as breakout areas, and leisure facilities, such as internally-run or franchised coffee shops that can be used as additional meeting spaces.

Flexible or agile working, and their proven effect on wellbeing, are ideas that have been around for years but are at last gaining traction. This is an idea that shouldn't be confused with the slightly wacky premises of the dot.com boomers. The business benefits are real and quantifiable, from improved retention rates to increased productivity.

It is clear from this study that in large offices there is a great deal of expensive space to spare and a huge opportunity to reimagine working spaces to give people room to breathe.

“ The first step is to find out exactly how an organisation is using its space. ”

Abintra supports customers to achieve benefits related to corporate office space, from identifying potential cost savings to implementing office automation. Substantial returns on investment can be realised by the successful implementation of a real estate project, such as an office move or a switch to flexible working. They also extend to the ongoing efficient management of office spaces and more effective automation of building environments.

The first step is to find out exactly how an organisation is using its space now with robust data and sound advice. Organisations are frequently astonished to see just how much space they could free up. The same goes for gathering environmental data, an important precursor to automating environmental systems and setting the scene for smart buildings.

Abintra consultants use Wisenet technology, which is capable of reporting over varying time periods, providing exactly the information required to plan for improvement.

As flexible working, activity based working, smart working and home working become more popular, such systems can continue to report on how your space is being used while instructing building management systems to adjust heating, lighting and other environmental parameters in line with actual occupancy.

Employees can see available spaces at an office location with a quick glance at a concierge screen or their mobile device. For organisations with multiple locations, they also have the option to search for the closest available space across the whole property portfolio.

“ Organisations are frequently astonished to see just how much space they could free up. ”



TABLE 1 TOTAL ESTIMATED ANNUAL COST OF UNDER USED SPACE FOR LARGE FIRMS

Region	£
North East	313,339,643
North West	959,706,276
Yorkshire and the Humber	597,153,203
East Midlands	399,295,383
West Midlands	691,725,240
East of England	726,744,290
London	4,201,841,987
South East	1,322,550,464
South West	634,485,147
England	9,846,841,633
Wales	311,901,332
England and Wales	10,158,742,965

TABLE 2 ESTIMATED OFFICE FLOORSPACE UNDER USED BY LARGE FIRMS

Region	sq ft
North East	5,126,630
North West	15,226,182
Yorkshire and the Humber	10,250,677
East Midlands	7,208,799
West Midlands	10,497,386
East of England	11,191,012
London	36,665,288
South East	20,365,729
South West	9,491,176
England	126,022,880
Wales	5,024,589
England and Wales	131,047,469

TABLE 3 TOTAL ESTIMATED OFFICE FLOORSPACE OCCUPIED BY LARGE FIRMS

Region	sq ft
North East	17,088,768
North West	50,753,941
Yorkshire and the Humber	34,168,924
East Midlands	24,029,330
West Midlands	34,991,286
East of England	37,303,372
London	122,217,626
South East	67,885,765
South West	31,637,255
England	420,076,267
Wales	16,748,628
England and Wales	436,824,895

TABLE 4 TOTAL OFFICE FLOORSPACE

Region	sq m	sq ft
North East	3,969,000	42,721,919
North West	11,788,000	126,884,853
Yorkshire and the Humber	7,936,000	85,422,310
East Midlands	5,581,000	60,073,326
West Midlands	8,127,000	87,478,215
East of England	8,664,000	93,258,430
London	28,386,000	305,544,065
South East	15,767,000	169,714,411
South West	7,348,000	79,093,137
England	97,566,000	1,050,191,000
Wales	3,890,000	41,871,571
England and Wales	101,456,000	1,092,062,238

TABLE 5 TOTAL ESTIMATED ANNUAL OCCUPANCY COST

Region	£ per sq ft*	Large firms £
North East	61	1,044,465,478
North West	63	3,199,020,919
Yorkshire and the Humber	58	1,990,510,677
East Midlands	55	1,330,984,609
West Midlands	66	2,305,750,799
East of England	65	2,422,480,967
London	115	14,006,139,958
South East	65	4,408,501,548
South West	67	2,114,950,489
England		32,822,805,443
Wales	62	1,039,671,108
England and Wales		33,862,476,551

* Median of new and 20 year old cost

Abintra is the pioneer in technology-led corporate office space evaluation and management.

Based on award-winning technology, our consultancy services give you unprecedented precision and real-time reporting about how your office space is being used. By demonstrating how organisations could be using their real estate more effectively, not only can they enjoy cost efficiencies, but also create better, more flexible work spaces that contribute to recruitment and retention..

We understand that while real estate is an overhead, your people are an asset, and our people-friendly approach is designed to help you win their hearts and minds to ensure any transformation is understood and welcomed by all.

Whether you have already begun to adopt agile working and want to get to the next level or if you are curious to see what agile working could look like in your office environment, it is crucial to have accurate data and sound advice. We will help you to evaluate the art of the possible and to make the right decisions about working more flexibly and productively.



FLEXIBLE WORKING INTERNATIONAL INSURANCE COMPANY

Typical of many of our customers looking to move to a new corporate HQ, the team wanted to generate data on existing use and to profile the teams and groups to establish a forward-thinking approach to real estate within the new building.

This real estate team was a relatively early adopter of flexible working and given the gravity of the move task had to quite naturally take a considered and conservative approach with regard to accommodation numbers.

Their target was to move from one desk per person to an 8:10 ratio, eight desks for every ten people, even

though the data suggested the ratio of desks to people could be considerably lower. In reality they outperformed this figure representing around a 30 per cent improvement in workstations alone, and some £8 million annual saving.

This has matured and continues to mature in terms of reliable accommodation allowing them to lose their final support building and provide truly flexible space along with easily found meeting or collaborative space. This project has further broadened to their European teams and across the USA with a full global intention.

INCREASED CAPACITY LARGE PHARMACEUTICAL COMPANY

A large European campus was looking to work flexibly to accommodate ever changing project groups. Our first implementation for them was for their seven-storey pilot building which was already working flexibly but somehow was not achieving the headcount that was expected.

The customer implemented our solution to really understand what was going wrong. We provided specialist consultancy advice to define what the total footprint, including meeting rooms and collaborative space, could support.

Robust data led to an understanding of meeting room use and misuse. It became clear that well-meant rules were compounding utilisation issues, and we quickly increased headcount by 27 per cent. By adding our Wiseview system to show live availability of space, we were able to ensure a safe increase in capacity, currently running at an additional 37 per cent.

RELOCATION CORPORATE BANK

Typically, our customers have a great deal of experience of large scale or global corporate accommodation, and in many cases they are already invested in flexible working. Our technology and expertise is encouraging customers to look beyond what they have already achieved to the longer term and what's next.

In this example, the real estate team and the C suite had already bought into the concept of flexible working, including home working. They were keen to look more deeply into the future of workplace, and to understand the expectations and requirements of younger generations. This led to implementing a permanent solution ahead of a large scale

move to new corporate headquarters. The project involved accurately profiling the individual requirements of teams and groups ahead of the move.

This is a tried and tested solution for us, and our long experience in the field means we have similar case studies and data to draw upon. In this example, our expertise ensured the customer's new HQ was set up for a successful move. Our involvement didn't stop there. It is anticipated that the new space will also adopt our Wisenet solution for ongoing work space management with an eye on integrating with the building and staff application support requirements.

We approached the challenge of estimating how much office space is under used and putting a cost to that number from two starting points. The results, while not identical, clearly identified that the amount of under-utilised office space in the UK can be valued in the billions of pounds.

The first starting point was government data on the amount of office space in England and Wales. The second was ONS data on employment. In both cases we applied figures for the total cost of occupying office real estate, and we allowed for the fact that space savings are most likely to be realised by larger commercial firms, who account for 40 per cent of employment in office-based sectors.

We have excluded businesses and employees in the public sector, non-service industries and several service sectors,

namely retail, transportation, accommodation and food, education, health and social work, arts and recreation and other service activities.

To estimate the amount and value of under-used space we applied a figure of 30 per cent to the values calculated. This is the standard figure in the space management industry, although in our experience with more than 100 corporations worldwide, savings of 40 per cent or more are frequently achievable.

Of course, many of the sectors excluded by this process, such as construction and retail, would certainly have large office-based functions, even if most of their employees work in other environments. This suggests that the scale of under-used office space may be even larger than this report reveals.

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