

A Tale of **TWO BUILDINGS:** **How Office Space Efficiency Affects Productivity And Saves Money**

By Joe Simmons

After salaries, office space is usually the highest cost incurred by a business. An office may cost 10-20 percent of a company's revenue annually.

Nonetheless, if you were asked a few basic questions about your building or space, could you answer them? For example, how much space do you have? What is the add-on factor? Is your lease a Net Lease, Base Year Lease or Full Service Lease? What does it cost you as a percentage of revenue and per person? When was it built, and is the layout maximizing the use and productivity of the space?

Surprisingly, few executives know the answers to these basic questions, even though the dollars associated with lease space makes up a significant portion of their budget. Moreover, while its role as a major expense is considerable, a firm's space plays a very important part in enhancing productivity and morale. It can be a positive influence on behavior, a tool to improve customer service to customers and an influence on business cultures. Thus, the value is both financial and productivity driven.

Is Your Space Efficient?

When a building cannot support work that is being done there because it is inadequate in size, shape, layout or management, it shows. Furniture tends to become disorganized, desks and shelves fill up with paper and become cluttered, circulation becomes impaired and the floor gets covered with marginalized material.

You should ask yourself if the building and space is a good shape for your organization. The efficiencies intrinsic to the building as a whole are determined largely by design. There are a number of basic design factors to consider in choosing a building or space. A few of them include:

- Location and size of the core, entrances and fire stairs
- Depth and configuration of floor plate
- Distance from window to corridor
- Column spacing – Are their columns interfering with useable space?
- Structure of building – Are there problems in providing chase space for cabling?
- Edges, corners and dead ends – Tri-

angles and circular spaces don't work well.

These factors determine how well your space will be utilized as well as primary circulation routes. They also determine the add-on or load factor for the building which plays a significant part in calculating rent expense.

A Tale of Two buildings

To underscore the importance of efficiency as it pertains to rent expense, I have provided an example of two different buildings. Building A – Ideal Towers – is a well-designed building with rectangular floor plates, a small core and efficient common areas. Building B – Leaning Towers is an older building with many angles, a large core, substantial lobbies and a huge atrium that spans two floors. While both Towers are aesthetically pleasing, Leaning Towers is approximately 10 percent less efficient from a space-utilization standpoint, due to the angles of the building. This means that tenants in Leaning Towers have to lease approximately 10 percent more useable space just to get the same number of people and uses as it would if

it leased within Ideal Towers. In addition, Leaning Towers has an add-on (common area) factor of 18 percent because of its large common areas and atrium, while Ideal Towers has an add-on factor of 12 percent because of its small core and well-designed efficient lobbies and common areas.

To see the comparison, let's presume that a tenant leases approximately 20,000 square feet in Ideal Towers at a full service rental rate of \$30 per square foot.

Imagine that. A tenant in Ideal Towers has the same number of people working and performing the same functions as it would Leaning Towers but the cost is over \$1,000,000.00 less over the term of a 10-year lease. That is a significant amount of money for a tenant of 20,000 square feet. By making this comparison, you realize very quickly that in order for a tenant to justify leasing space in a building such as Leaning Towers, it would need other compensating factors such as:

- lower rental rate
- far superior location
- higher parking ratios
- exceptional architecture
- better transportation
- far superior amenities within the property

Although there are many issues to consider when analyzing your space requirements, the efficiency of your space is one of the most significant in terms of both the cost of the space and the productivity generated out of the space. It is important that you perform the proper analysis of your space needs to alleviate the likelihood of wasting large sums of money on space that is not needed.

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	IDEAL TOWERS	LEANING TOWERS
Usable Square Ft.	20,000	22,000
Add-on Factor	x 1.12	x 1.18
Total Rentable Sq. Ft.	22,400	26,222
Rental Rate	x \$30/sq. ft.	x \$30/sq. ft.
Annual Rent	\$672,200.00	\$786,660.00
Savings from leasing in Ideal Towers is \$114,660 per year.		