RELOGIX

REPORT

Optimizing Office Space in 2023 & Beyond:

Strategies for Achieving Office Efficiency Without Sacrificing Effectiveness in the Hybrid Work Era

March 2023

relogix.com

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Introduction

Introduction

The Rise of Workspace Use Trends: Seeking Certainty in Uncertain Times

The start of 2022 was marked by significant ambiguity in the workplace, as the world gradually recovered from the devastating effects of the pandemic. Many factors impacted the employee rate of return into office buildings, including new variants of the COVID-19 virus, masking, and vaccination requirements, to name a few. In order to safely bring employees back to the office, organizations needed to continuously monitor occupancy data for different areas, floors, and buildings. This was necessary to ensure that health and safety protocols were being followed as a preventive measure and to reassure hesitant employees. Various sensor technologies were instrumental in identifying patterns and facilitating efficient workflows in several scenarios. For instance, enabling organizations to dispatch cleaning staff to sanitize surfaces on workspaces that were recently used.

As the year 2022 progressed, organizations became laser focused on tracking the number of employees coming to the office to initially measure compliance to return to office mandates, and eventually to help inform developing hybrid work policies. While the concept of flexible hybrid work has been in practice for some time, the practice has rarely been acknowledged formally, even though working outside of the office always included a range of alternative locations, including the home office but also coffee shops, restaurants, hotel lobbies, and even coworking spaces. The extent to which these locations were used to complement the traditional office setting, both pre-pandemic and today, remains a huge unknown to most organizations who now need to rethink the role of the physical workplace going forward. As a result, corporate real estate teams are busy gathering and analyzing data as they try to re-evaluate their office space requirements to support current and future business needs.

Introduction

The ability to collect and analyze data has become a valuable asset for many organizations as it reveals the significance of adaptability and flexibility in dynamic and unpredictable workplaces. Organizations that can effectively gather and scrutinize data to inform workplace decisions will be better equipped to achieve business agility and gain a new competitive edge. The shift from cost-reduction strategies to cost-management strategies is becoming more prevalent as organizations realize the importance of operational efficiency and effectiveness. Rather than simply cutting costs, they are becoming increasingly focused on managing costs more strategically, by optimizing processes, streamlining operations, and leveraging technology. This approach enables them to achieve their business goals more quickly and effectively, while also improving their bottom line.

Overall, the ability to collect and analyze data, coupled with effective cost management strategies, can help organizations stay agile and responsive in today's rapidly changing business landscape. By leveraging these tools and techniques, they can stay ahead of the curve and position themselves for long-term success.

The ability to collect and analyze data has become a valuable asset for many organizations as it reveals the significance of adaptability and flexibility in dynamic and unpredictable workplaces.

About the Data

This benchmark report is the result of:

133
customers, 79% in North America and 21% in Europe

307
corporate offices

45,827
sensored workspaces such as desks, offices, meeting and collaboration spaces, and ancillary spaces

4.4 billion
data points collected and analyzed

Relogix collected data globally, using sensor technology, between April 1 and December 31 in 2019 and 2022, excluding weekends and holidays, and excluded data from January 1 to March 31 in both years due to the false start caused by the Omicron variant. Weekday data was collected from 8 am to 5 pm to represent typical working hours accurately. This approach provides unbiased and anonymous information unlike other sources that rely on user input, such as manual check-in data or surveys.

This report aims to demonstrate the substantial difference between using occupancy and actual utilization data to determine office space requirements. The potential opportunities are game-changing for property owners, organizations, and employees, with possibilities for significant societal improvements. Rather than focusing on the past, businesses should take action and innovate by using the potential huge cost-savings they could receive. By doing so, they can create a new way of living and working, that benefits both the company and its employees, allowing both to thrive.

In 2022 North America had highest data volume among all regions given the number of customers, office locations and sensors installed per location.

When grouped by industry, results in this benchmark report are very heavily influenced by the Financial Services, Technology and Consumer Goods industries, which together make up 75% of the data presented herein.

Figure 1 Data Collected by Industry

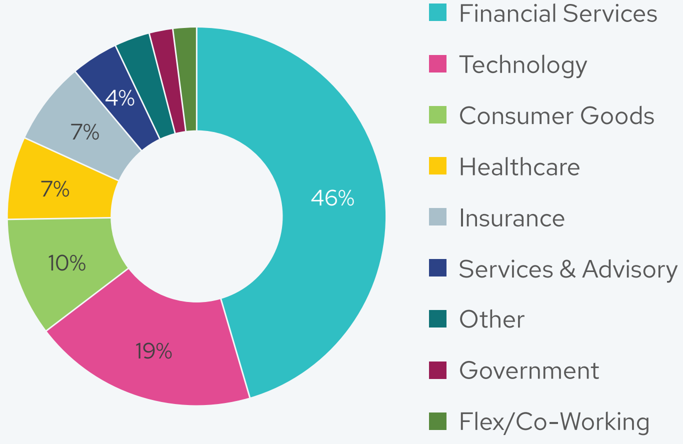
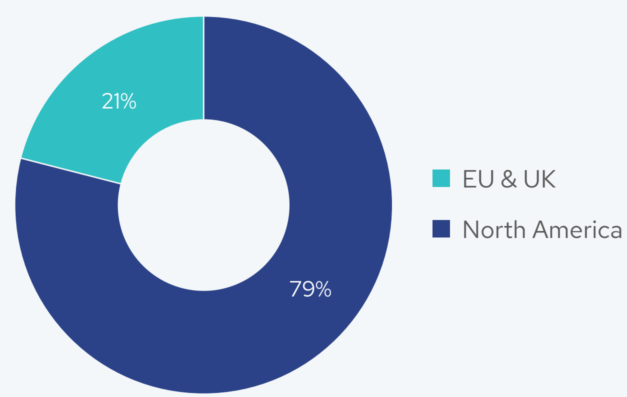


Figure 2 Regional Influence



Effectiveness and Efficiency

The Shared Role of Occupancy and Utilization

To fully understand office use, it is important to define what is meant by usage because it is multi-dimensional. Simply stated, occupancy measures presence, which some also refer to as attendance. Occupancy is binary i.e., the result is either true or false, whereas utilization is variable. Utilization measures the total time presence is detected. Both occupancy and utilization must be observed together to qualify and quantify need for office space. Occupancy data provides insights into the effectiveness of the space, often revealing information about the frequency of access, preferences for workspace types, and the availability of seats. On the other hand, utilization data measures efficiency, mostly illustrating the amount of time the workspaces remain idle and/or unused. An accurate assessment of overall performance can only be achieved by analyzing effectiveness and efficiency together.

In this report, utilization is measured against all available workspaces, not just those that were occupied. For instance, if the occupancy rate is 50% for 100 available workspaces, it means that 50 workspaces were occupied. Similarly, a comparable utilization rate of 30% means that an equivalent of 30 of the 100 available seats had fractional use when measured in minutes. This approach provides a comprehensive view of workspace utilization and allows for more accurate comparisons and analysis of utilization patterns over time. Again, to truly understand workspace effectiveness and efficiency, occupancy and utilization cannot be viewed independently as the combination of the two is what provides the insights needed.

Both occupancy and utilization must be observed together to qualify and quantify need for office space.

Key Findings

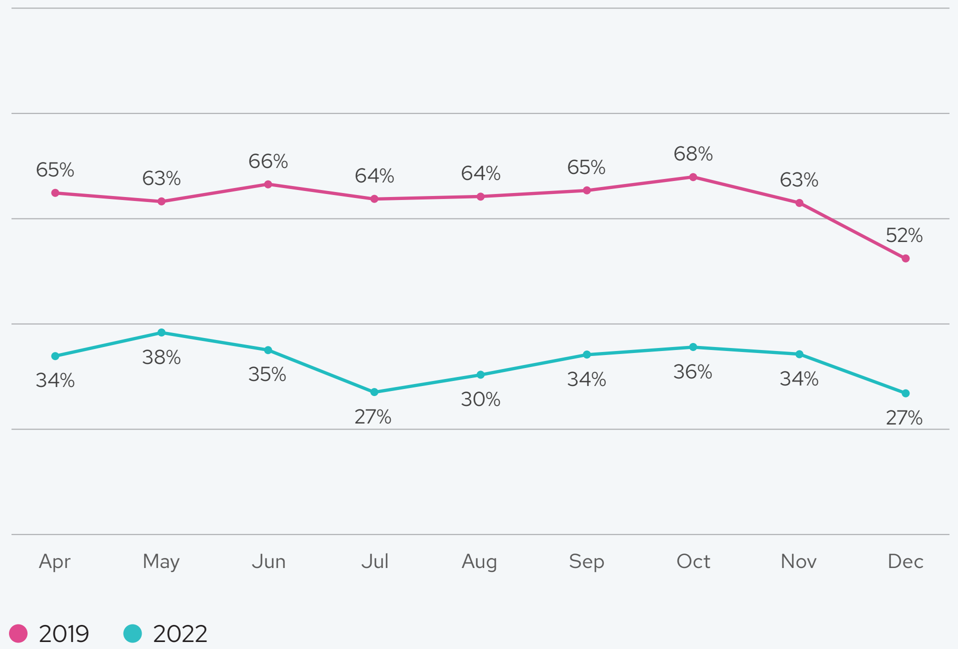
Why Pre-Pandemic Occupancy Baseline Data is Crucial for CRE Professionals

Ask any corporate real estate professional and they will tell you that pre-pandemic office occupancies were nowhere near 100%. A small percentage of employees already worked remotely, and employees travelled for business, worked off-site at customer or partner sites, and even enjoyed PTO a few weeks each year.

Although occupancy numbers were being closely monitored on a weekly basis and there was hope that they would continue to increase as mandates for returning to the office echoed, progress was relatively slow from March to September in 2022, and then stalled in Q4. Comparing use of workspaces in 2019 and 2022 allowed us to demonstrate the seasonality of use behavior.

Figure 3 shows what monthly occupancies looked like month to month comparing 2019 to 2022 data. Having access to pre-pandemic "business as usual" data enabled Relogix to achieve three very important things in this study:

Figure 3 Monthly Average Occupancy – Global – All Space Types, Includes Mondays and Fridays



01

Identify any changes in patterns of use that were seasonal.

02

Establish a proper unbiased comparative baseline for 2019.

03

Correct the widely circulated misconception that pre-pandemic building occupancy was approaching 100%, which frustrated many corporate real estate professionals.

Key Findings

In 2019, between April 1 and December 31 excluding weekends and holidays, the average monthly occupancy for all workspaces was 63%, while in 2022, it was only 33%. The highest occupancy in 2019 was 68%, while in 2022, it was 38%.

A visit to any corporate office in 2022 would have visually supported what the data was telling us — that occupancy had dropped significantly. In fact, the percentage change in the average occupancy between 2019 and 2022 indicated a decrease of 47.6% when measured against the pre-pandemic baseline of 63%. Still, there was hope and anticipation as the return to office battle between the C-Suite and employees ensued.

The slight increase in occupancy which began in September 2022, was most likely fueled by renewed mandates and emerging layoff announcements. However, as the holiday season approached, occupancy started to decline once again, as expected. The summer months and the holiday season suggests that changes in work patterns may not have resulted because of the pandemic exclusively.

The monthly (even weekly) trends were useful in 2022 as they offered a general understanding of the return-to-office patterns and compliance with mandates, which was top of mind in early to mid-2022. However, it is now clear that the daily views of the same data reveal new and more meaningful insights into the evolving workplace landscape.

Confident Decisions and Accurate Data Go Hand-in-Hand

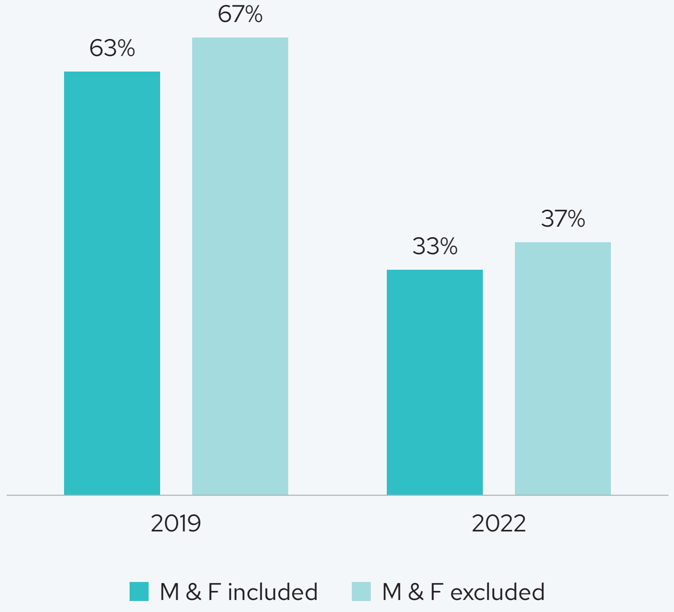
Having accurate and detailed data is essential for making informed decisions, particularly when it comes to high-risk decisions like reducing office space. Organizations need to know exactly how their offices are being used, which areas are used more frequently, and which areas are not for example, to make decisions that will not negatively impact employee productivity.

A trend observed in mid 2022 was that customers started to exclude relevant data, such as Mondays and Fridays (see Figure 4) and in some cases even reduce the workday to just analyze busier days and core hours to try to sharpen the accuracy of their metrics. However, while the impact changed the metrics minimally, this practice could easily lead to an over-estimation of use because important patterns and trends are intentionally being over-looked. To achieve the highest level of accuracy, more data detail is required to uncover nuances.

In fact, having more detailed data also reduces the amount of time needed to observe emerging patterns because of the sheer frequency and volume of data collected by sensors, and further explaining why ignoring low preferred days and hours makes a nominal difference when assessing the bigger picture.

Analyzing workspace utilization patterns enables organizations to identify emerging preferences and areas for improvement. Attention to detail is a critical success factor in accurately assessing opportunities for improvement, which can inform decision-making in a more intentional way and impact future spending. For corporate real estate, workplace strategy development, design development, workforce planning, and even identifying requirements for technology tools and infrastructure, paying attention to the details is essential.

Figure 4 Improving Occupancy Averages – Global – All Space Types, Including Mondays and Fridays



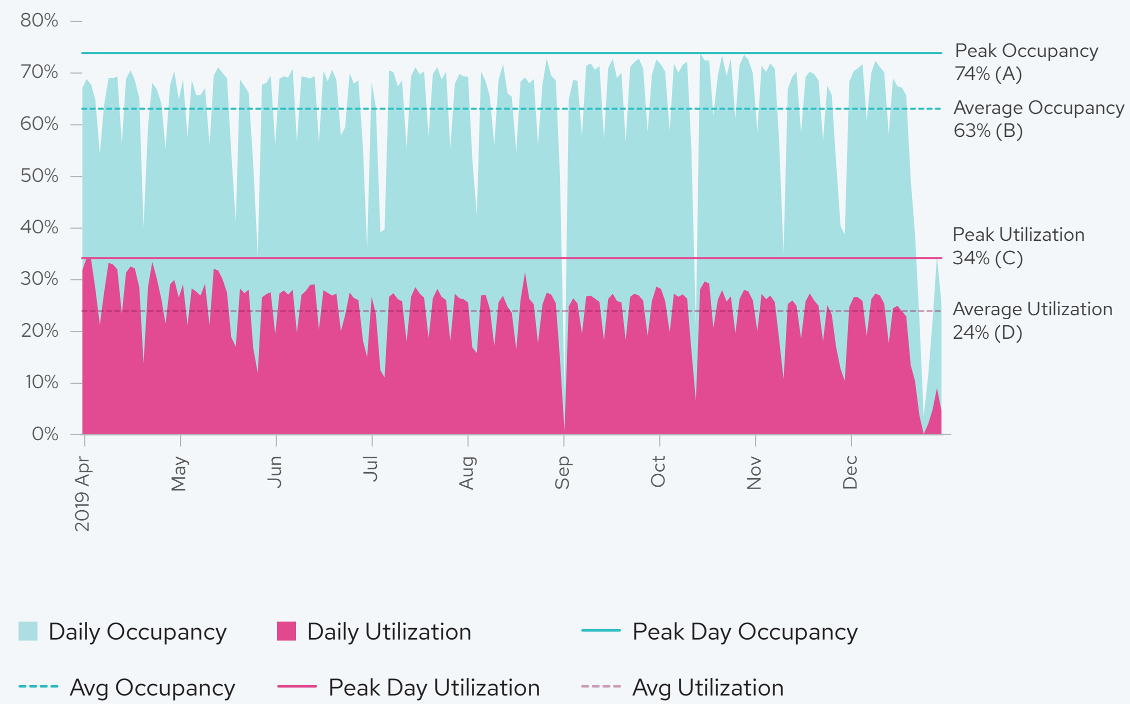
Daily Trends & Peak

Breaking Down 2019 Usage Data

Before delving into the unexplored realities of 2022, let's take a closer look at the 2019 trending data in Figure 5. The graph shows the daily occupancy and utilization values for the entire trending period in 2019 from April 1 to December 31 excluding weekends and holidays (198 days in total). The gaps shown represent Mondays and Fridays, illustrating that these days were less preferred working days long before the pandemic.

In 2019 the peak day occupancy never exceeded 74% (A) and the average daily occupancy was 63% (B) — a difference of 11%. The area between the two occupancy lines A & B is of particular interest. When data is captured at the daily level, it enables a deeper analysis to surface the daily fluctuation in office use and measures how often the daily average is exceeded. Here, we can see that most data points for the entire trending period were above the average line, indicating frequent spikes in usage. In fact, average occupancy was exceeded 140 days out of the total 198 days of data collected. This means that the occupancy was at or above the average threshold for more than two-thirds (73%) of the time. In 2019 this is not surprising since people were expected to work from the office 5 days per week.

Figure 5 2019 Daily Workspace Use — Global — All Spaces, Including Mondays and Fridays



When data is captured at the daily level, it enables a deeper analysis to surface the daily fluctuation in office use and measures how often the daily average is exceeded.

Key Findings

Accurately quantifying occupancy fluctuations is crucial for developing effective space planning strategies. However, relying solely on average occupancy values can lead to planning requirements being driven by peak occupancy, resulting in inefficient use of space.

By turning our attention to utilization data, we can gain a deeper understanding of workspace performance. In 2019 (see Figure 5) peak day utilization never exceeded 34%. This fundamental shift in measurement from occupancy to utilization highlights the amount of surplus space that organizations now need to contend with.

Before sensor technology, utilization data was not easily accessible. Many organizations attempted to understand utilization by conducting manual studies at regular intervals, known as “clipboard studies.” However, the volume and synchronized processes by which data is collected through sensor technology is unparalleled. With sensors, they can collect accurate, real-time utilization data which measures the total time spaces are in use in minutes, gaining timely insights that were previously impossible to obtain.

Because utilization data drives the efficiency of space use and exposes the true seat sharing ratios, organizations can optimize their workplace and reduce unnecessary spending associated with all their surplus space.

The Harsh Realities of 2022

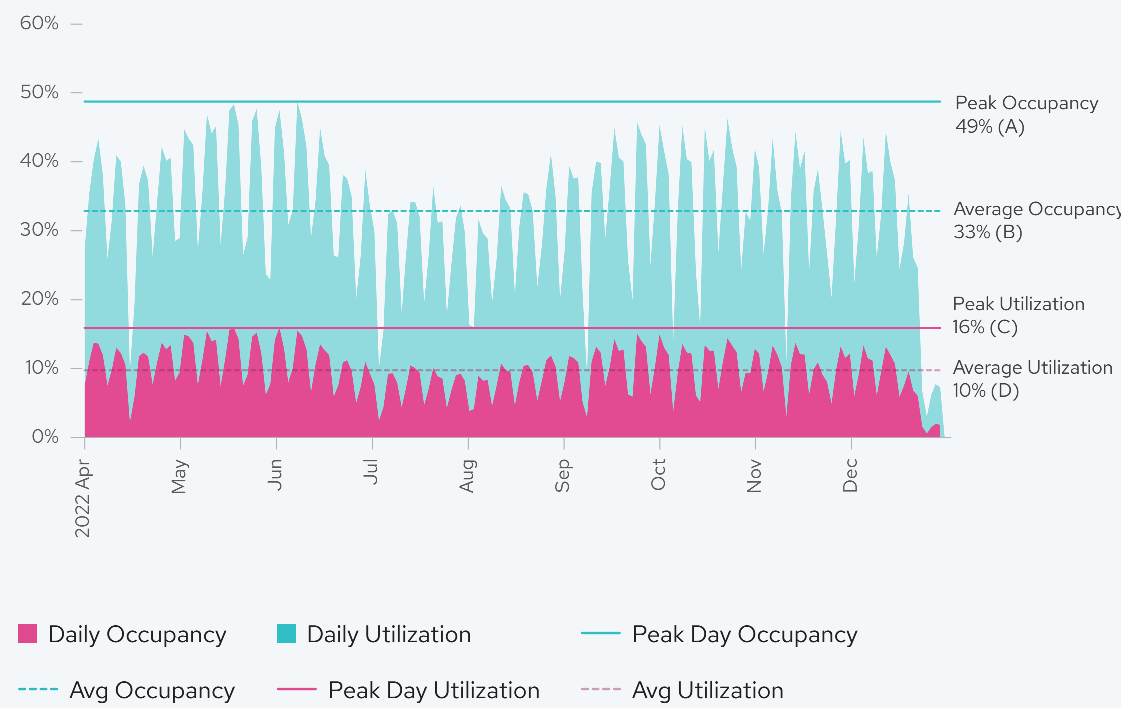
The significant differences between occupancy and utilization data in 2019 have already been illustrated. As shown in Figure 6, the first thing we see is the substantial drop in daily occupancy and the fact that Mondays and Fridays remained the least preferred days throughout 2022. Peak day occupancy never exceeded 49% (A), which is considerably lower than the peak day occupancy of 74% observed in 2019 in Figure 5, indicating a 34% decrease.

More significantly however, the peak day utilization, which was 34% in 2019 (see Figure 5), dropped to 16% in 2022, indicating a 53% decrease. A possible explanation for a larger decline in utilization could be that individuals visiting the office are not remaining there for the entire day.

Since utilization measures the fractional use of workspaces it must not be overlooked and is key to understanding the efficiency and effectiveness of your space. When data was not previously available, using occupancy was a common business practice to quantify a change in demand for space. Sensor data takes it much further enabling a planning precision like nothing else, saving organizations millions in unnecessary costs, and which can open doors to new opportunities to truly future proof their business.

In addition, examining the fluctuation in occupancy in 2022 (see Figure 6), we discovered that the average was exceeded 106 days out of the total 191 days of data collected. This means that the occupancy was at or above the average threshold only half the time vs. three quarters of the time in 2019 (see Figure 5). We also see more of a wave-like pattern in 2022 which is not visible in 2019, indicating a possible change in employee preferred months to work from the office. The less preferred summer months could be attributed to the fact that 2022 was a year of reconnecting and for traveling for many! We will not know for certain if this is an emerging new pattern of work until we are able to observe comparative data in 2023.

Figure 6 2022 Daily Workspace Use – Global – All Spaces, Including Mondays and Fridays



Hello Hybrid: The Business Case for Seismic Change

While remote work will lead to significant cost savings in office real estate in the next several years, it is important for organizations to not ignore the need for office space. By aligning with employees' natural behaviors, creating flexible work environments enables waste reduction and at the same time, re-investing some of the newfound savings to advance the overall work experience for employees. Investing in people and finding and supporting a balance between remote work and in-office work is crucial in achieving both the efficiency and effectiveness needed to support a highly productive workforce regardless of where they work.

Table 1

45,827 workspaces measured between April 1 and December 31 in 2019 and 2022	2019	2022
Days in the office	3.7 days	2.45 days
Seat Sharing Ratio based on Average Occupancy	1.35 ppl: seat	2.04 ppl: seat
Seat Sharing Ratio based on Average Utilization	2.94 ppl: seat	6.25 ppl: seat
Cost reduction range assuming 150 sq. ft. per workspace and $35 per foot, based on average and peak occupancy	$63M–$89M	$123–$161M
Cost reduction range assuming 150 sq. ft. per workspace and $35 per foot, based on average and peak utilization	$159M–$183M	$217M–$292M

By aligning with employees' natural behaviors, creating flexible work environments enables waste reduction and at the same time, re-investing some of the newfound savings to advance the overall work experience for employees.

Future Proofing Your Business

From Cost Savings to Cost Management

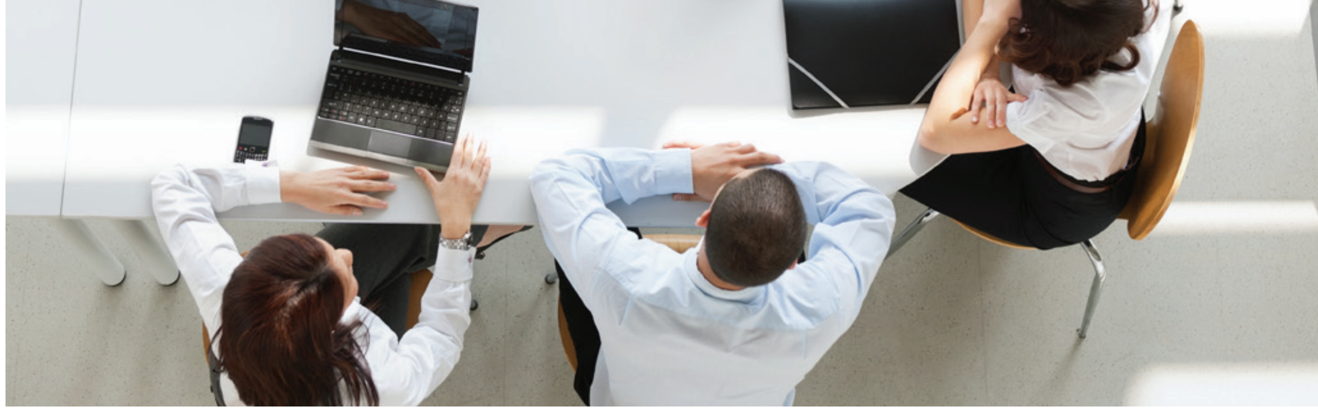
In the past, organizations focused on workplace strategies that would save them money, but unfortunately, this often came at the expense of their employees' privacy and ability to concentrate. They would cram as many people as possible into smaller spaces and expect them to come into the office five days a week, usually with little to no flexibility.

Today, organizations still need to manage costs, but they can do so in a way that is more mindful of their employees' needs. Instead of just cutting expenses for short-term gain, they can focus on cost management, which involves continuously planning, controlling, and optimizing expenses to achieve their long-term goals. This approach allows them to not only reduce expenses but also make sure that the costs they do incur are necessary and effective in achieving their objectives.

By being strategic about cost management and identifying cost-saving opportunities, companies can free up significant financial resources as seen in Table 1. They can then reinvest these resources in areas that support their business goals and objectives, such as improving employee engagement, talent attraction and retention, diversity and inclusion initiatives, and community building, to name a few.

Adopting a cost management approach can help organizations align their financial resources to their business goals and reinvest in areas that benefit their employees and support continued business innovation. By doing so, they can build trust with their stakeholders and enhance their overall reputation and brand value.

By being strategic about cost management and identifying cost-saving opportunities, companies can free up significant financial resources.



Agility and Office Space Planning

Balancing Employee and Organizational Needs

While some organizations might be quite hesitant to adopt sharing ratios based on utilization data, these ratios can give us a good sense of how much room they have to grow and which we have already seen was quite excessive already in 2019. When we adopt utilization-driven sharing ratios, fewer buildings and/or floors are needed, creating a more dynamic, highly energized, and human-friendly work environment. By optimizing space to be both effective and efficient, they can make sure that every square foot (or square meter) being used provides the greatest value to the organization and its employees while reducing unnecessary rent costs and other expenses that could instead be re-invested in programs that drive employee engagement and experience.

Whether to use occupancy or utilization really depends on 2 things:

01

The executive team's tolerance for change.

02

How much buffer needs to be built-in and paid for in advance, to future-proof the business.

If your executive team is more risk-averse and prefers to maintain a certain level of buffer space for future growth, occupancy data may be more suitable. This allows for a more conservative approach to space planning, ensuring that there is enough space available for current and future growth. However, it is also important to note that alternative flexible space options can and should be considered as viable solutions to improve business, enabling agility that will become increasingly important in a highly competitive and fast-changing environment.

On the other hand, if your organization is looking to reduce waste and open doors to novel approaches to space planning and provisioning opportunities, which are more agile and sustainable, utilization data will pave the way.

Ultimately, the choice between these metrics will depend on your organization's specific goals and priorities but know that only a combination of both metrics will yield the best and most comprehensive approach to take when developing your strategy for office space requirements.

Workplaces must balance maintaining or exceeding employee expectations with minimizing unnecessary waste, including costs, to be both effective and efficient. In the past, these objectives always were in opposition, but not anymore. A different perspective is all that is required to start down the path of achieving this balance.

When we adopt utilization-driven sharing ratios, we can bring people together in fewer buildings and floors, creating a more dynamic, highly energized, and human-friendly work environment.

Summary

In Summary

The impact of the COVID-19 pandemic on the workplace has drawn much attention to understanding how offices are used and what types of workspaces people prefer. The outcomes of this type of analysis allows more organizations to understand where there is opportunity for change as they look to re-build a work environment that employees will love.

As we continue to track workspace use in 2023, adoption and maturity of remote work will naturally lead to significant office space reduction opportunities, which will result in major rent and operating expense related cost savings for businesses around the globe. Even for those that have long leases, there may be more instances where some will risk legal action and costs because even after those fees and penalties, they will come out further ahead.

Even so, organizations should not overlook the need to continue to invest in providing flexible work options for their employee and which still may include a physical office in some capacity – they just need to be open to considering newer alternatives as they strive to entice employees with a more palatable and future-friendly solution. By adopting utilization-driven sharing ratios organizations can optimize their workspaces, reducing unnecessary costs that can then be reinvested in ways to truly drive employee engagement, and deliver on the precise work-related experiences employees are seeking.

Summary

Furthermore, when organizations look to replace their cost-saving approach to workplace strategy with a cost management one that involves continuously monitoring space, and proactively planning, managing, and optimizing their expenses, they will be better positioned to achieve much bigger and longer-term business goals. Some examples most often identified as areas of opportunity include learning and development, talent attraction and retention, compensation and benefits, diversity and inclusion, community building, and sustainability to name a few, and all of which contribute to building solid brand ambassadorship. This approach can lead to a more positive work culture and increased employee satisfaction, which together super-charges productivity, all while lower operating costs and delivering on better business outcomes that create long-term value for all its stakeholders.

Appendix

Appendix – Supplementary Graphs

Figure 3A Monthly Average Occupancy – Global – All Space Types, Excludes Mondays and Fridays

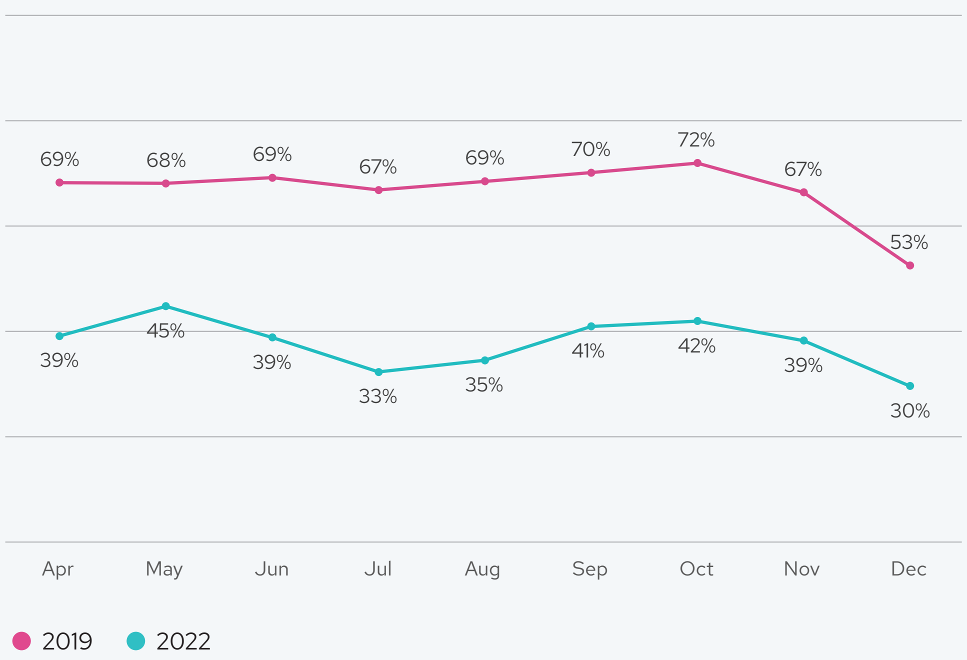
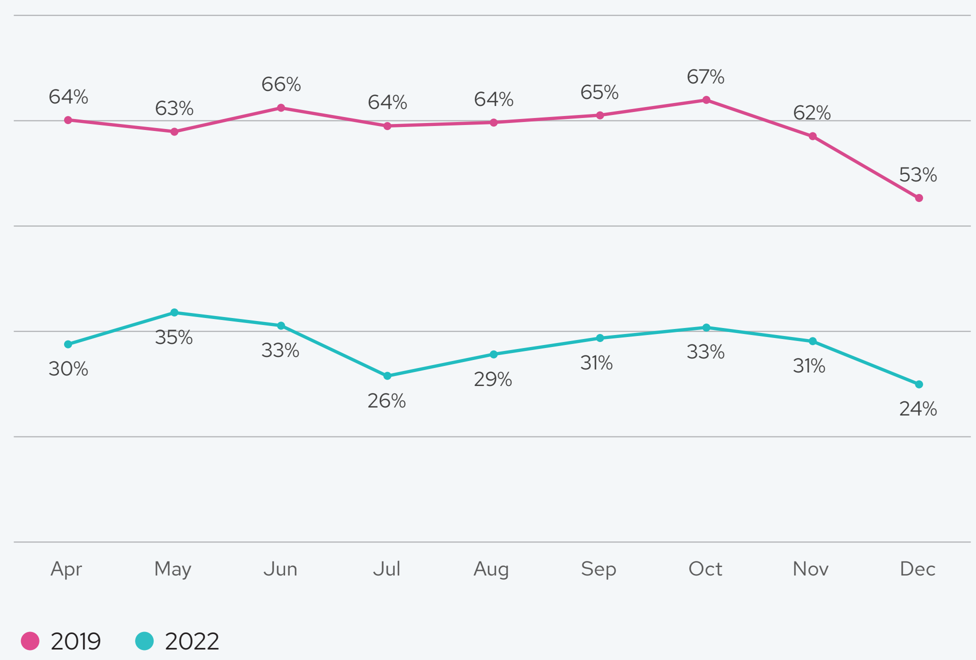


Figure 3B Monthly Average Occupancy – North America – All Space Types, Includes Mondays and Fridays



Appendix — Supplementary Graphs

Figure 3B.1 2022 Monthly Average Occupancy — USA vs. Canada — All Space Types, Includes Mondays and Fridays

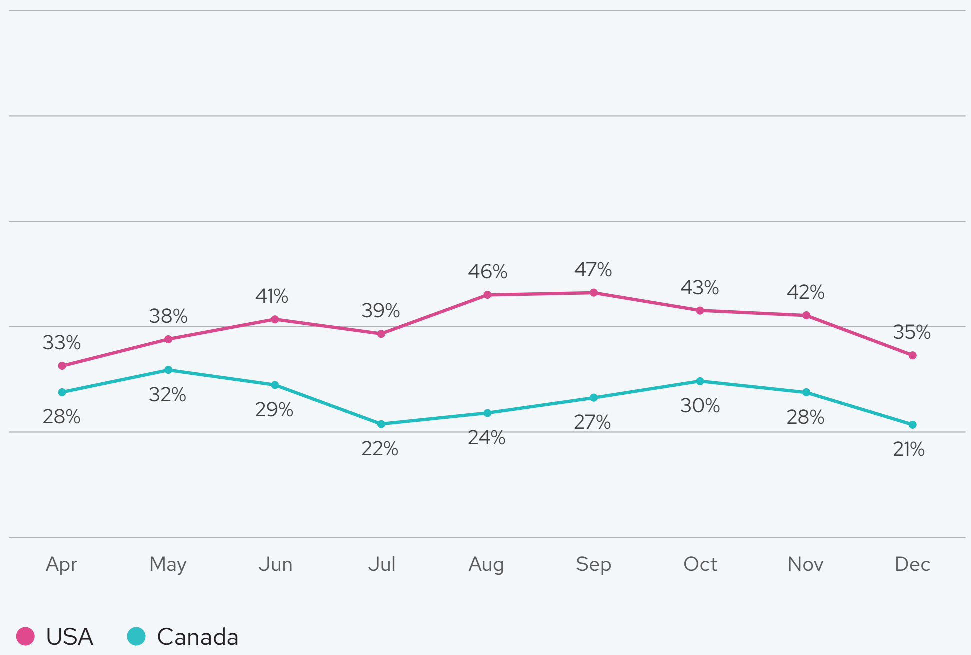
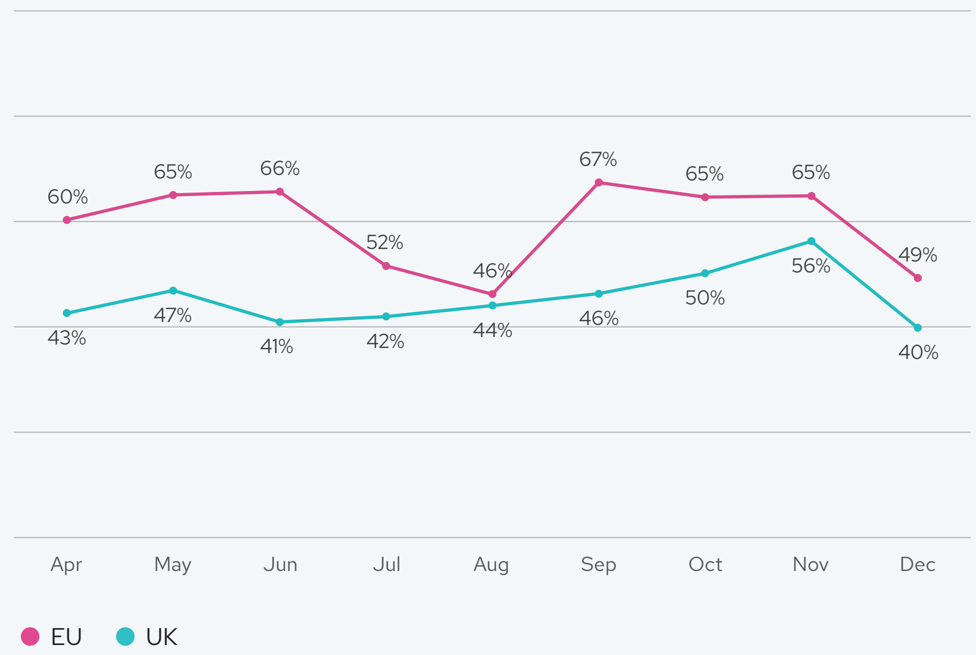


Figure 3C.1 2022 Monthly Average Occupancy — UK vs. Europe — All Space Types, Includes Mondays and Fridays



About Relogix

Trusted by top Corporate Real Estate professionals who need to make data-driven business decisions to inform their real estate strategy and measure impact. We are the must-have occupancy analytics solution for flexible workplaces, leveraging a decade of CRE and analytics expertise proven to help you understand and plan your space. We're ready for the future. Are you?

For more information, visit **relogix.com**

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