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Where Business Gets Down to Business

Companies Cut Costs By Shrinking Offices

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Rest assured, it's not the extra donut you ate for breakfast – your office space is most likely shrinking.

Influenced by alternative workplace arrangements, an increasingly mobile workforce and rising operating and energy costs, companies are reducing the amount of square footage allotted for employees' workstations.

The typical office standard has declined from around 250 square feet per work station in the early 2000s to about 190 square feet or less, according to the 2011 Workspace Utilization and Allocation Benchmark study of office work space usage in the federal government and private sector, conducted by the U.S. General Services Administration.

The reduction no doubt is largely to cut facility costs, which range on average from \$10,000 to \$15,000 per person, according to the study. Further, offices across the country have average utilization rates of only 35 to 50 percent, due to travel, meetings, vacations, sick leave and telecommuting.

Over the past five years, companies have increasingly reevaluated the allocation of space in their work environment, said Ted Weiss, the CEO of [T. Weiss Realty Corp.](#) in Melville, which specializes in Class A office space. When he started in the real estate development industry more than 40 years ago, "people had very defined work spaces," Weiss said. Today, the majority of tenants in his portfolio have moved toward an open environment with less defined office space.

"There is greater density in many of our offices," Weiss said.

Many companies on Long Island are embracing the model of New York City Mayor Michael Bloomberg, who, along with his staff, works in low cubicles in one common area to encourage open communication.

But while the size of individual cubicles and workstations may have shrunk, the areas devoted to conference rooms, multi-purpose and collaborative space, kitchens and lunch rooms have increased, Weiss said.

Each of Weiss' four Melville locations has large atriums functioning as Wi-Fi hot spots, outfitted with club chairs.

"A lot of business is done in our common areas," he said.

Weiss said many of his national or large regional tenants don't offer a defined work space for each employee. Some may work in the field and only come into the office one day every other week, for example, only requiring space when necessary.

For those situations, "we have built shared communal offices," Weiss said. Instead of dedicated desks for these employees, the company may have a large club chair situated in an area equipped with a port for a laptop. This type of "hot seating," which enables multiple employees to share one work area, is growing in usage, Weiss said.

Rich Daniele, a tax partner at PricewaterhouseCoopers in Melville, said the accounting industry is moving toward a similar hoteling system, in which office space is provided to employees on an as-needed basis. Particularly in accounting, an industry that has primarily embraced electronic records over the last decade, the need for more office space has decreased.

"The percentage of our floor space dedicated to storage has shrunk in this paperless environment," Daniele said, noting PwC no longer maintains a separate storage facility for its files.

As documents have become accessible online and, in turn, can be retrieved from a client's site or an employee's home, the need for accountants to physically be in the office has declined, Daniele said.

Technology has changed the way office space is used, agreed Ken Bauer, executive vice president of leasing at RXR Realty in Uniondale. Employees are doing more work remotely while maintaining a "home base" at the office, to allow for collaborating and brainstorming, he said.

TOTUS Business Center in Melville, a temporary office facility with executive offices and suites owned by Weiss, has experienced close to 100 percent occupancy in recent years, Weiss said. Start-up companies and small businesses utilizing space in the business center enjoy a shared conference room, pantry and waiting room.

"[Tenants] get more bang for their buck because they're not paying for space they don't need," Weiss said. "That type of work environment has been embraced."

While the concept of greater density in offices may have been well-received, the only way for it to continue to flourish, Weiss said, "is if municipalities decide to change zoning so developers can invest in

above-ground and below-ground parking.” Most Long Island office buildings do not have the capacity to accommodate additional cars.

If zoning changes and parking become sufficient, instead of accommodating four or five employees in a 1,000-square-foot space, employers could fit seven to eight, Weiss said.

“You can’t put double the amount of people in a space if you don’t have the parking to accommodate them,” Weiss said.