

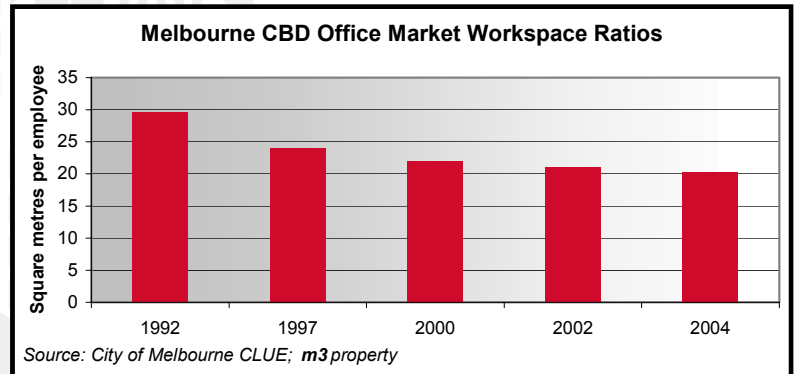
# m3 Dimensions

## Workspace Ratios Decline Stalls

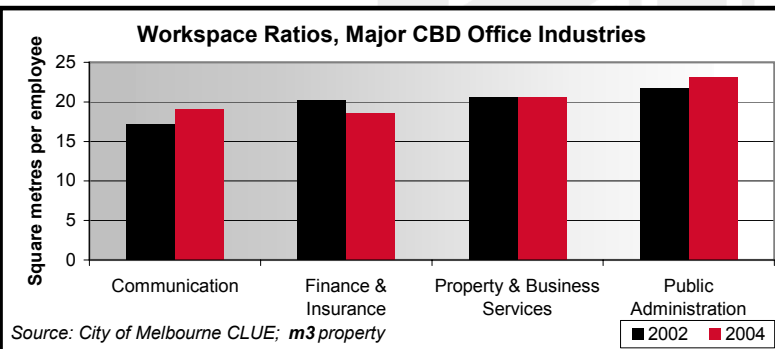
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This month the City of Melbourne released the findings of the 2004 Census of Land Use and Employment (CLUE). Of particular interest to the commercial property industry is data relating to office space and office employment by industry, which can be analysed to calculate workspace ratios.

The downward pressure on workspace ratios has been well documented. Factors leading to the fall in ratios include cost cutting and efficiency drives, consolidation of firms' various office premises into one, increased acceptance of 'open plan' offices, the growth of call centres and greater use of off-site storage facilities for historical documents. Between 1992 and 2002 workspace ratios in the Melbourne CBD declined from 29.6 square metres per person to 21.0 square metres per person. However, as the accompanying chart shows, the decline lost momentum between 2002 and 2004, falling by just 0.7.



Considering the four major office space users in the Melbourne CBD, two sectors have recorded an expansion in workspace ratios between 2002 and 2004, with another remaining constant. Communication and Finance and Insurance are the most space efficient industries, partially a result of call centres representing a significant part of the space requirements within these sectors. Workspace ratios in the Communication sector expanded from 17.1 to 19.0 square metres per employee between 2002 and 2004, whereas Finance and Insurance ratios contracted from 20.2 to 18.5 square metres per employee.



Property and Business Services workspace ratios have remained constant at 20.5 square metres per employee. The public sector remains the least space efficient, with workspace ratios expanding from 21.8 to 23.1 square metres per employee between 2002 and 2004.

In the current office market, workspace ratios are unlikely to decline in the short term due to firms taking advantage of competitive rentals by leasing additional space in anticipation of future growth.

In the medium term, as new and backfill space created by the current construction cycle is gradually absorbed and rental growth accelerates, workspace ratios may decrease further as firms grow within their existing space. However, there is a floor to how much workspace ratios can contract and it is likely that the bulk of the decline has already occurred, as firms in many industries reject the decline to maintain employee comfort and retain quality staff.

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