JLL

Occupancy planning research brief

Space allocations and chargebacks

Space allocation and chargeback programs enable CRE teams to pinpoint precise spatial usage—and costs—by business unit, thus building accountability and transparency into their workplace programs. This brief includes findings from our survey of prominent real estate teams around the world that you can apply to your workplace planning.

How occupiers assess space and needs across the portfolio

Space allocation and chargeback programs help occupiers understand who takes ownership of space, which is vital to assessing space needs across the portfolio, as well as driving the right behavior between business lines and corporate real estate.

Definitions

- **Space allocations** – The amount of real estate assigned to each business unit. The apportioned space offers valuable insight for operations professionals and forecasting demand. Sometimes, space allocation data provides the business case to implement a space chargeback program.

- **Space chargeback** – A program to identify, communicate and obtain reimbursement for real estate costs from various business units. The goal of a space chargeback program is to drive accountability for space use and align with an organization's business goals.

- **Common space** – Space not assigned to a business unit. This typically includes circulation, lobby, reception, restrooms, break rooms, cafeteria and/or fitness spaces.
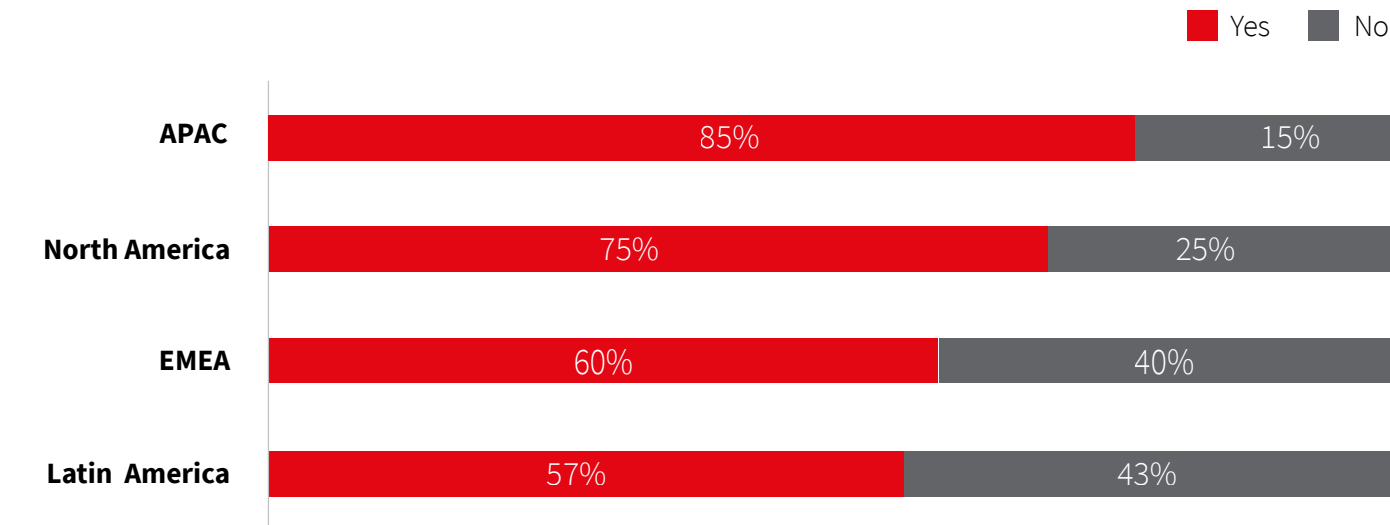
Space allocation and/or chargeback activity

Firms are increasingly adopting space allocation programs. Globally in 2019, 72% of respondents report they allocate and/or charge back space, compared with 65% in 2018. This suggests more leaders are seeing the strategic value of understanding ownership of space in a portfolio.

Research methodology

We asked prominent real estate teams from around the world to answer roughly 100 detailed questions about how they use their space. Ninety-one organizations participated in the survey, providing a response for each region in which they operate. In total, we received 162 responses.

Does your client allocate space?

Yes ■ **No** ■

Region	Yes	No
APAC	85%	15%
North America	75%	25%
EMEA	60%	40%
Latin America	57%	43%

Percentages may not add up to 100 due to rounding.

Benefits of allocating space, ranked

There are many benefits to allocating space, from understanding key metrics like density and vacancy to knowing who owns the space in a portfolio. Understanding ownership of square footage in the portfolio is the top benefit respondents say they achieve by allocating space,
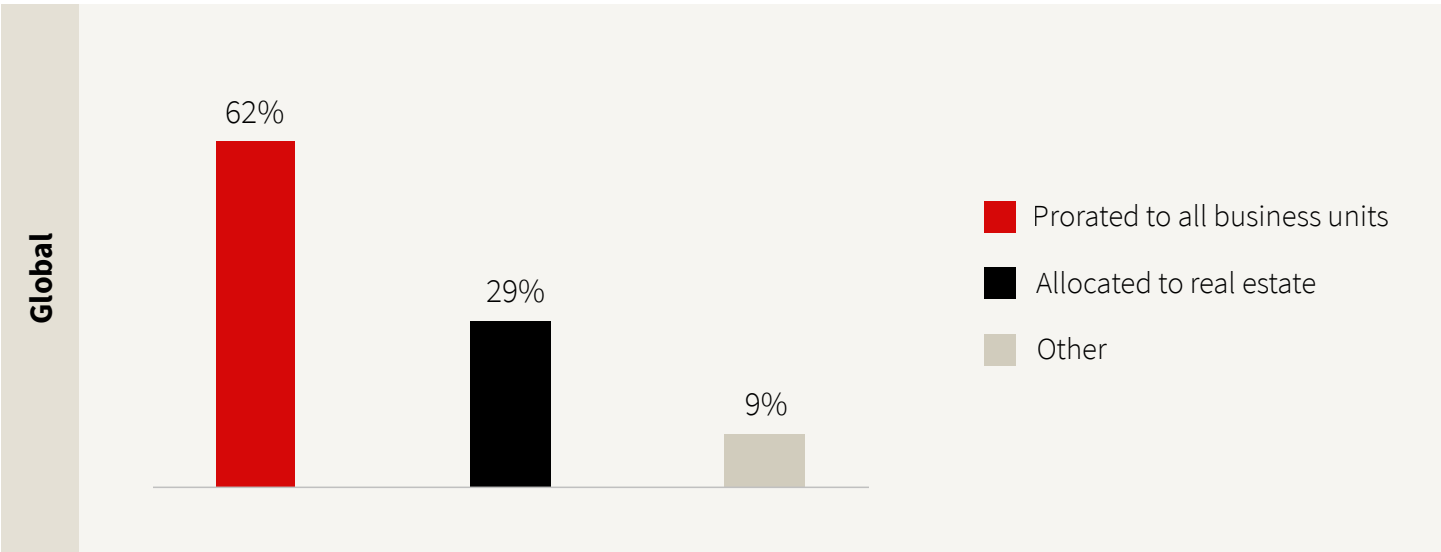
up from the second position last year. Understanding vacancy rates tied for second place with charging back space to the business units—an effort that drives the right business line behavior.

1 Understand ownership of square feet in portfolio

2 (tie) Chargeback space to the business units

2 (tie) Understand vacancy rate

3 Understand density

4 (tie) Increase adoption of mobility/agility

4 (tie) Look for cost savings opportunities

5 Other

Common space allocation

Continuing the trend from 2018, 62% of organizations are currently prorating the majority of common space, like cafeterias and atriums, to all business units, as opposed to real estate or other functions.
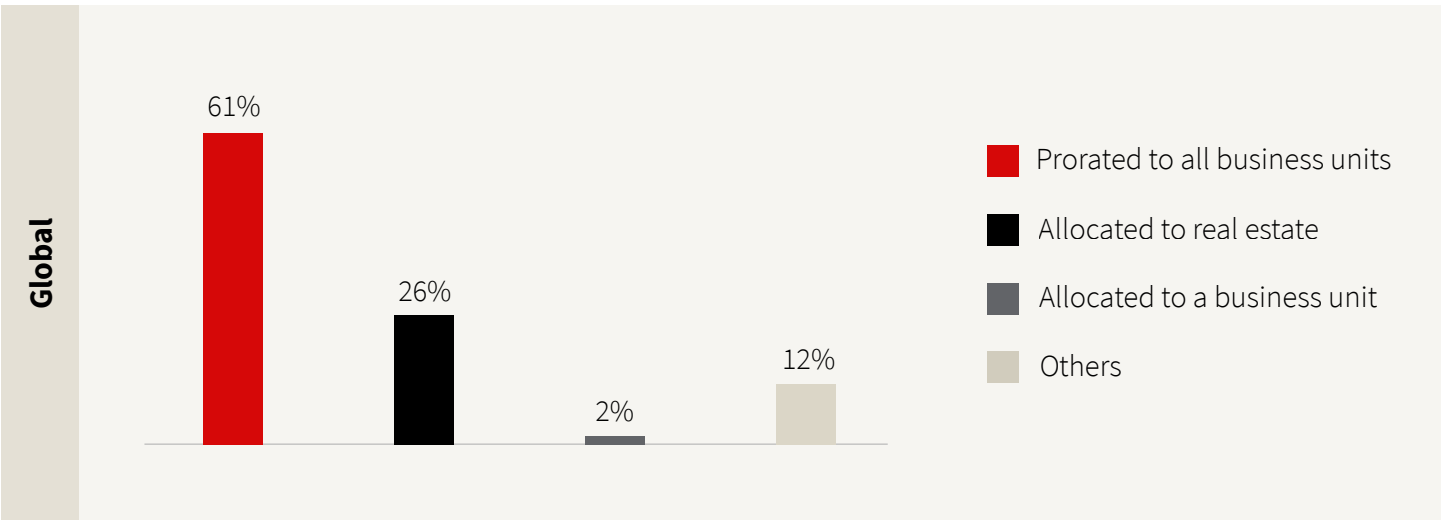
62%

29%

9%

Global

■ Prorated to all business units

■ Allocated to real estate

■ Other

Percentages may not add up to 100 due to rounding.

Meeting and open collaboration space allocation

Similar to common space, 61% of organizations predominantly prorate meeting/open collaboration space to all business units. One reason for this is that collaboration space and meeting rooms are used by multiple business units and not dedicated to a single unit. This also simplifies the allocation procress, because assigning collaboration spaces to specific business lines depending on who owns it at the time becomes very labor-intensive and may not provide much value in the end.
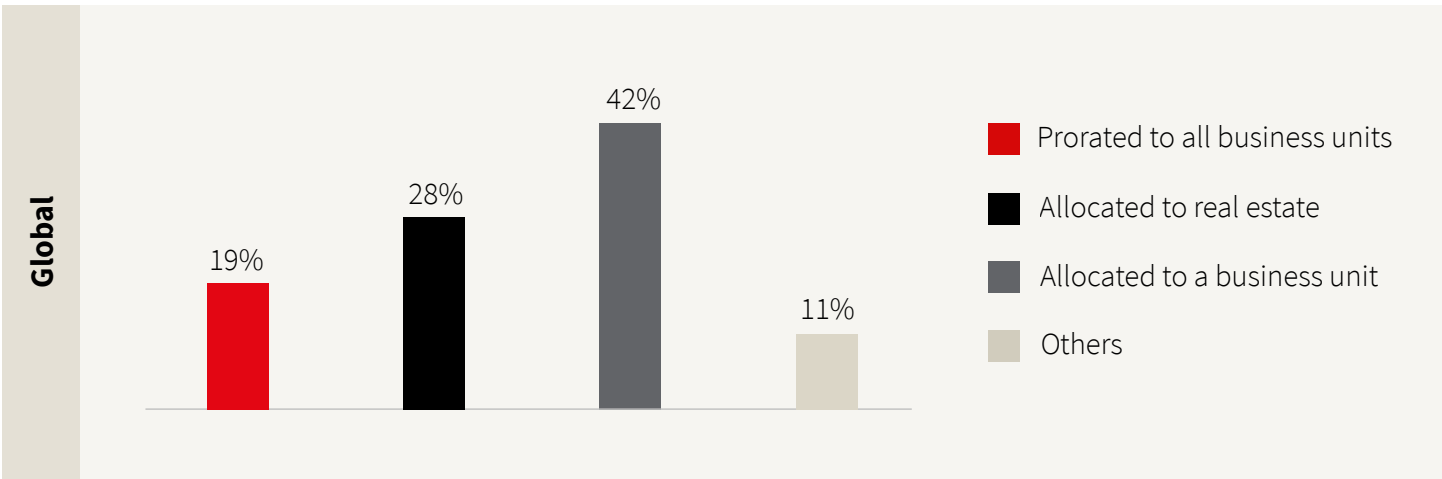
61%

26%

2%

12%

Global

■ Prorated to all business units

■ Allocated to real estate

■ Allocated to a business unit

■ Others

Percentages may not add up to 100 due to rounding.

Vacant space allocation

Vacant workspace is predominantly allocated to a respective business unit, with 42% of respondents globally choosing this method—consistent with last year's findings. With full visibility into occupied space, as well as vacant space available, a business unit can locate the team together and better anticipate future space needs. This high percentage also indicates that a high number of corporate real estate teams see the value in making the business line accountable for the total amount of space to which they committed.
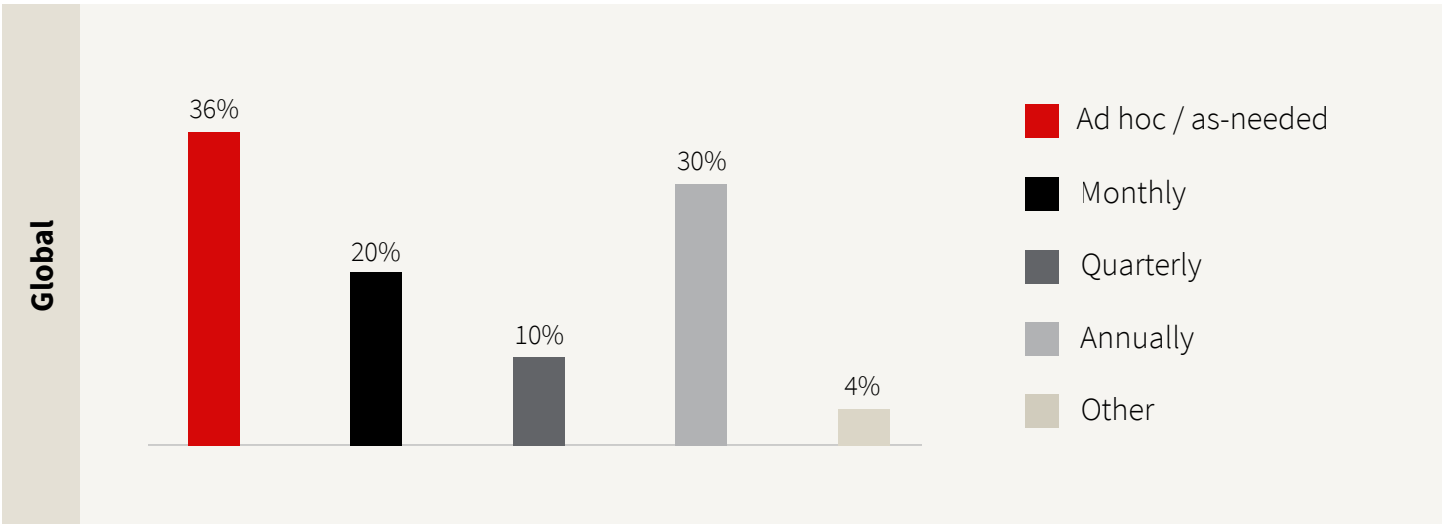
Global

19%
28%
42%
11%

- Prorated to all business units
- Allocated to real estate
- Allocated to a business unit
- Others

Percentages may not add up to 100 due to rounding.

Allocation update frequencies

Thirty-six percent of respondents update allocations on an ad-hoc or as-needed basis, while 30% do so annually. These numbers have not shifted significantly year-over-year, suggesting that most organizations are not seeing the need to shift frequency. It makes sense to review allocations at times of change, such as when existing space is being reconfigured, or new space is being developed.

Global

36%
20%
10%
30%
4%

- Ad hoc / as-needed
- Monthly
- Quarterly
- Annually
- Other

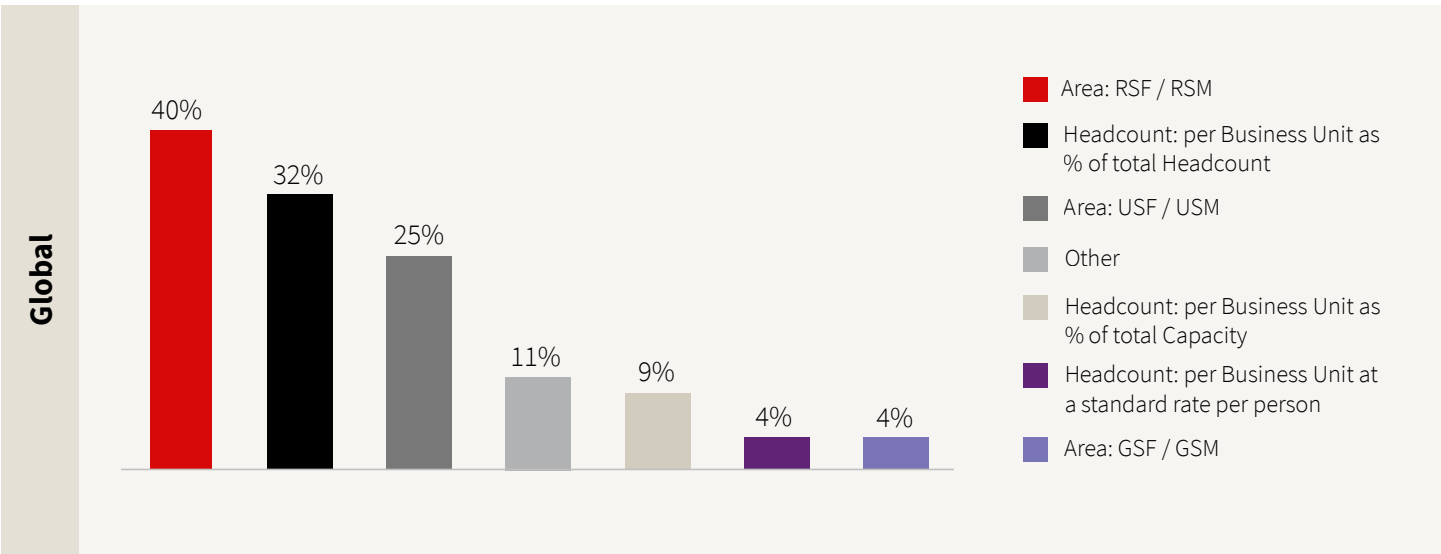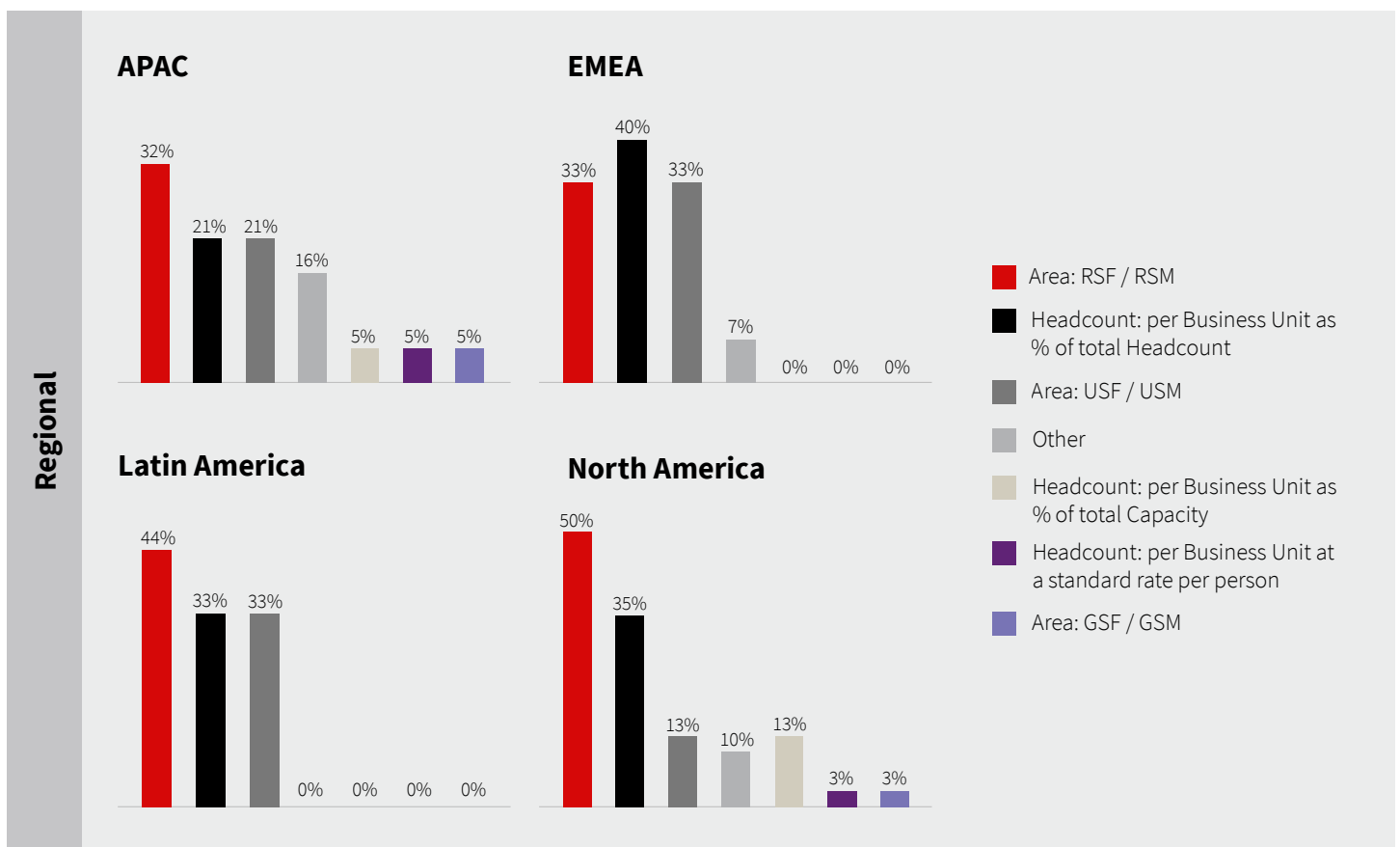Percentages may not add up to 100 due to rounding.

Chargeback methodologies

There is no one-size-fits-all solution for chargeback programs. Each enterprise must determine how to calculate chargebacks based on the goals they want to achieve. Depending on the goal, an organization may use headcount or area in its chargeback calculations. North America leads the way in basing chargeback methodology on area. Half

of organizations in this region charge back space based on area measured as RSF/RSM, compared to 33% in EMEA and 32% in APAC. In EMEA, 40% of respondents use headcount per business unit as a percentage of total headcount as their chargeback methodology.

What do you base your chargeback methodology on?

Global

- 40% — Area: RSF / RSM
- 32% — Headcount: per Business Unit as % of total Headcount
- 25% — Area: USF / USM
- 11% — Other
- 9% — Headcount: per Business Unit as % of total Capacity
- 4% — Headcount: per Business Unit at a standard rate per person
- 4% — Area: GSF / GSM

Regional

APAC

- 32%
- 21%
- 21%
- 16%
- 5%
- 5%
- 5%

EMEA

- 33%
- 40%
- 33%
- 7%
- 0%
- 0%
- 0%

Latin America

- 44%
- 33%
- 33%
- 0%
- 0%
- 0%
- 0%

North America

- 50%
- 35%
- 13%
- 10%
- 13%
- 3%
- 3%

Legend:
- Area: RSF / RSM
- Headcount: per Business Unit as % of total Headcount
- Area: USF / USM
- Other
- Headcount: per Business Unit as % of total Capacity
- Headcount: per Business Unit at a standard rate per person
- Area: GSF / GSM

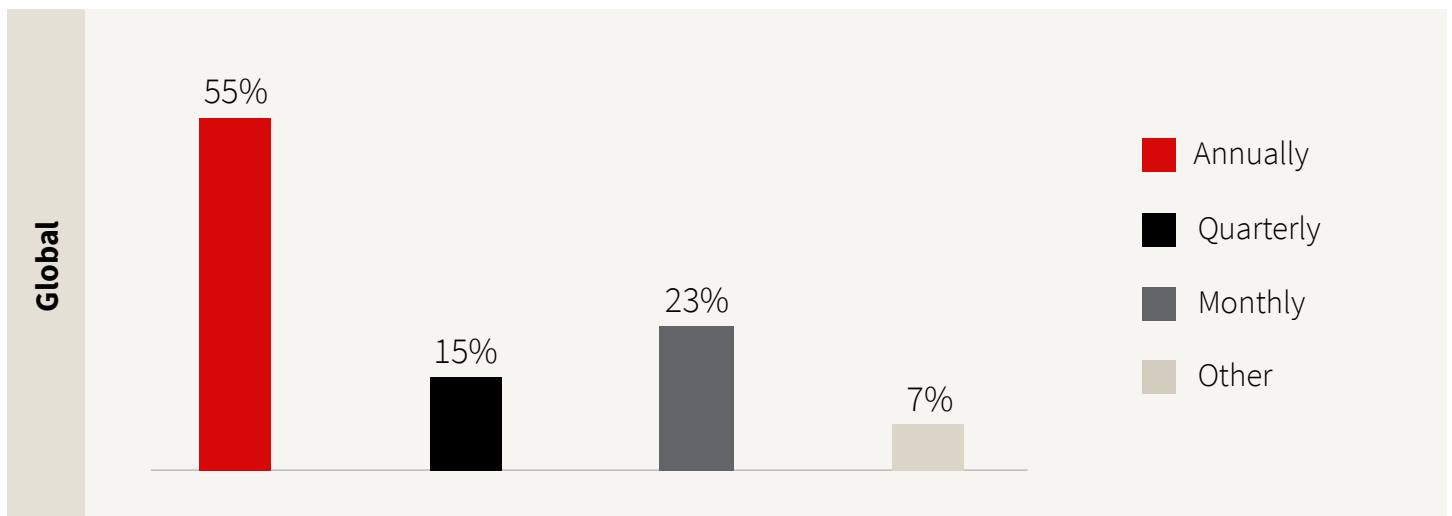Percentages may not add up to 100 due to rounding.

Chargeback frequencies

Similarly to allocation update frequencies, chargebacks are tied to the financial cycle of most organizations. Just over half—55%—of respondents charge back to business units on an annual basis.
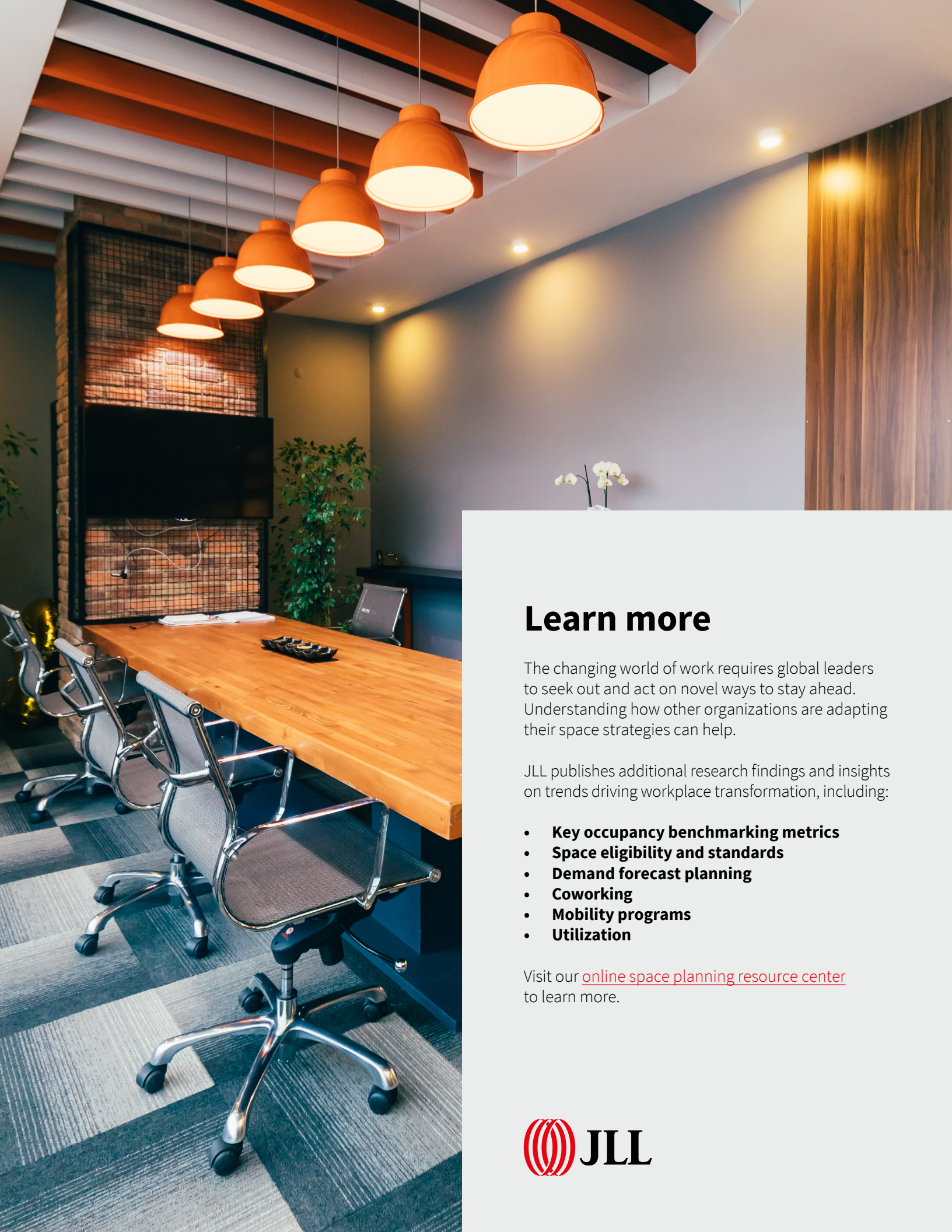
Global

- 55%
- 15%
- 23%
- 7%

Legend:
- Annually
- Quarterly
- Monthly
- Other

Percentages may not add up to 100 due to rounding.

Key takeaways

- With space allocation and chargeback programs, organizations can provide transparency across the organization by helping leaders understand the cost of the square footage that their business unit or team occupies.

- This practice improves accountability as business units accept ownership for their space. After all, they don't want to pay for more space than their teams truly need.

- For a successful chargeback program, the space planning team must ensure that costs are visible and tied to the right business units.

- Some organizations even calculate the actual cost of their vacancy. Nothing attracts leaders' attention more than seeing how much money they may be spending on space that sits empty.

Learn more

The changing world of work requires global leaders to seek out and act on novel ways to stay ahead. Understanding how other organizations are adapting their space strategies can help.

JLL publishes additional research findings and insights on trends driving workplace transformation, including:

- **Key occupancy benchmarking metrics**
- **Space eligibility and standards**
- **Demand forecast planning**
- **Coworking**
- **Mobility programs**
- **Utilization**

Visit our online space planning resource center to learn more.

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