

The Changing Landscape of Tenant Parking

By Mark Fragale, Ace Parking

Over the last 30 year years, tenant parking has gone from an amenity to a high demand revenue generator at many office buildings. Years ago, building developers based parking projections on an average of two vehicles per 1,000 square feet of office space. In the late 90's through the 2000's, the average became 3 vehicles per 1,000 square feet of office space. In today's world, tenants are in need of 5 to 6 vehicles per 1,000 square feet. This is due to modern technology reducing the need for storing files, freed up even more square footage for additional staff. In addition, the cubicle has replaced the enclosed office and can fit 4 times the amount of people in the same space that had only one. Now, most companies operate with double or even triple the amount of staff in the same 1,000 square foot space, creating a significant tenant parking shortage.

With additional parking demand trending toward 5 parking spaces per 1000 sq ft. Many office buildings are hard pressed to find solutions when they obtain interest from a larger tenant. Often the property managers look for parking availability outside of their office space hoping to find a low cost solution and earn the business.

One of the ways to alleviate this is to build a garage; that is if you have the capital.

If the office property is located near open land then there may be an opportunity to approach a land developer, partnering to build a parking structure. Some real estate investors may be open to financing the new structure, if it is near a location with major parking deficiencies. From their point of view, parking is a premium and revenues will reflect that due to increased demand. Developers see this as an opportunity to secure a long term parking commitment with the building owner that can help to finance the cost of the structure. A 500 space parking structure in Dallas, for example, can average \$7,000,000 in building costs, plus \$50 to \$200 per sq foot in land cost depending on the location.

Another potentially positive solution is assisted parking, where attendants maximize the parking space in a garage by stacking cars in aisles and on ramps that would normally be vacant. Assisted parking can create an additional 30% of usable parking space in an existing structure. Many garages in New York, Washington D.C., Chicago, and Los Angeles have no other option than assisted parking due to the density of development in their downtown areas.

Assisted parking solutions do have a bit of operating expenses associated but the numbers may make sense in some situations. If we look at a 500 space garage, through assisted parking, an additional 150 spaces could be created. With 150 additional parking spaces, (estimating 4 parkers per 1000 sq ft of office space) 37,500 sq ft of additional office space could be leased using the same parking area. In the Dallas market, selling office space at \$14 per square feet would equate to \$525,000 in gross revenue.

The expenses of staffing this size garage to accommodate an assisted parking system can average monthly costs of \$22,000, or \$264,000 annually. This cost can be significantly reduced by the tenant charge for monthly parking. For example, a monthly charge of \$120 per parker would result in \$18,000 monthly gross revenue or \$216,000 annually. The net result of the new lease revenue, plus new monthly parking revenue minus the parking operating expense is a \$477,000 gross increase.

As tenant parking demands continue to evolve, property managers will be challenged to find new parking solutions that alleviate the strains brought on by old parking projections.

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