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Changing Spaces: New Trends in Parking

By Jennifer S. Cowley and Steve R. Spillette

Ever since the automobile became the dominant form of personal transportation, parking has been among the most scrutinized features of commercial real estate properties. Plentiful on-site parking attracts new tenants and keeps existing tenants happy. Conversely, the lack of adequate, convenient parking can spell doom for a business. While this fundamental truth still holds, trends in commercial parking have been changing since the mid-1990s for a number of reasons.

The standard ratio for suburban office properties built in the 1970s and 1980s was three to 3.3 spaces per 1,000 square feet of leasable area. Central business district property was too expensive to justify providing such generous ratios, so landlord-provided parking often had ratios of less than two spaces per 1,000 square feet.

Today interior office layouts have been changing to accommodate increasing numbers of employees in limited space. This, along with changes in municipal codes and new transportation alternatives, is affecting the quantity, type and cost of parking provided at individual office properties. In spite of increased costs for parking, many building owners and developers are finding it necessary to purchase, add on or build more parking spaces to stay competitive.

Flex Space and Rising Worker Densities

Most office markets report a growing demand for flex space, which is characterized by rectangular, low-rise buildings, usually no more than three stories, with 20,000 to 25,000 square feet of space. Interior construction makes them suitable for a variety of uses (hence the "flexible" label), including research

and development, warehouse, showroom, call center and office. Most flex properties are in recently developed suburban areas.

Flex office layouts generally feature few ceiling-to-floor walls and offices. Instead, most space is used for modular arrangements of partitions and cubicles. This type of layout is favored by high-tech and creative services firms and accommodates a higher density of workers than traditional office buildings. Consequently, more on-site parking is needed.

Flex Office Parking Ratios

The north Dallas area, particularly Richardson and Plano, has had considerable low- to mid-rise flex office development related to growth in the telecommunications industry since the mid-1990s. Cisco Systems' new corporate campus at Highway 190 and Jupiter Road in Richardson will have surface lots for as many as 5,000 workers.

Randy Garrett with NAI Stoneleigh Huff Brous McDowell in Dallas and Susan Arledge with Arledge-Power Real Estate Group in Dallas say such flex buildings are developed with parking ratios of at least five spaces per 1,000 square feet of leased area, although some tenants require six. Chris Perry of Trammell Crow in Austin reports similar parking ratios for Austin flex office developments.

Municipal codes usually do not address flex office properties. The exception is Plano, where research-technology center zoning requires flex buildings to provide parking that represents 75 percent of the regular office ratio applied to the entire square footage of the building, whether or not the entire building is in use.

New High-rise Office Properties

High-rise developers are responding to tenant demands and building parking structures with parking ratios higher than the traditional three spaces per 1,000 square feet. One such project, the Chase International Plaza (pictured at left) on the Dallas North Tollway at Spring Valley Road, will consist of 1.1 million square feet of Class A space, sharing a garage with a parking ratio of 4.5 spaces per 1,000 square feet.

Even in downtown areas, high-rises usually offer new or improved parking structures. For example, TPMC is planning a 550-space garage in downtown Dallas to serve two properties, Main Tower and Center City Plaza. In downtown Houston, Wedge Commercial Properties Corp. purchased an 1,100-space garage in anticipation of constructing a 30-story office tower across the street. The purchase allowed Wedge to change its development plans for the office tower from ten levels of parking to just four or five.

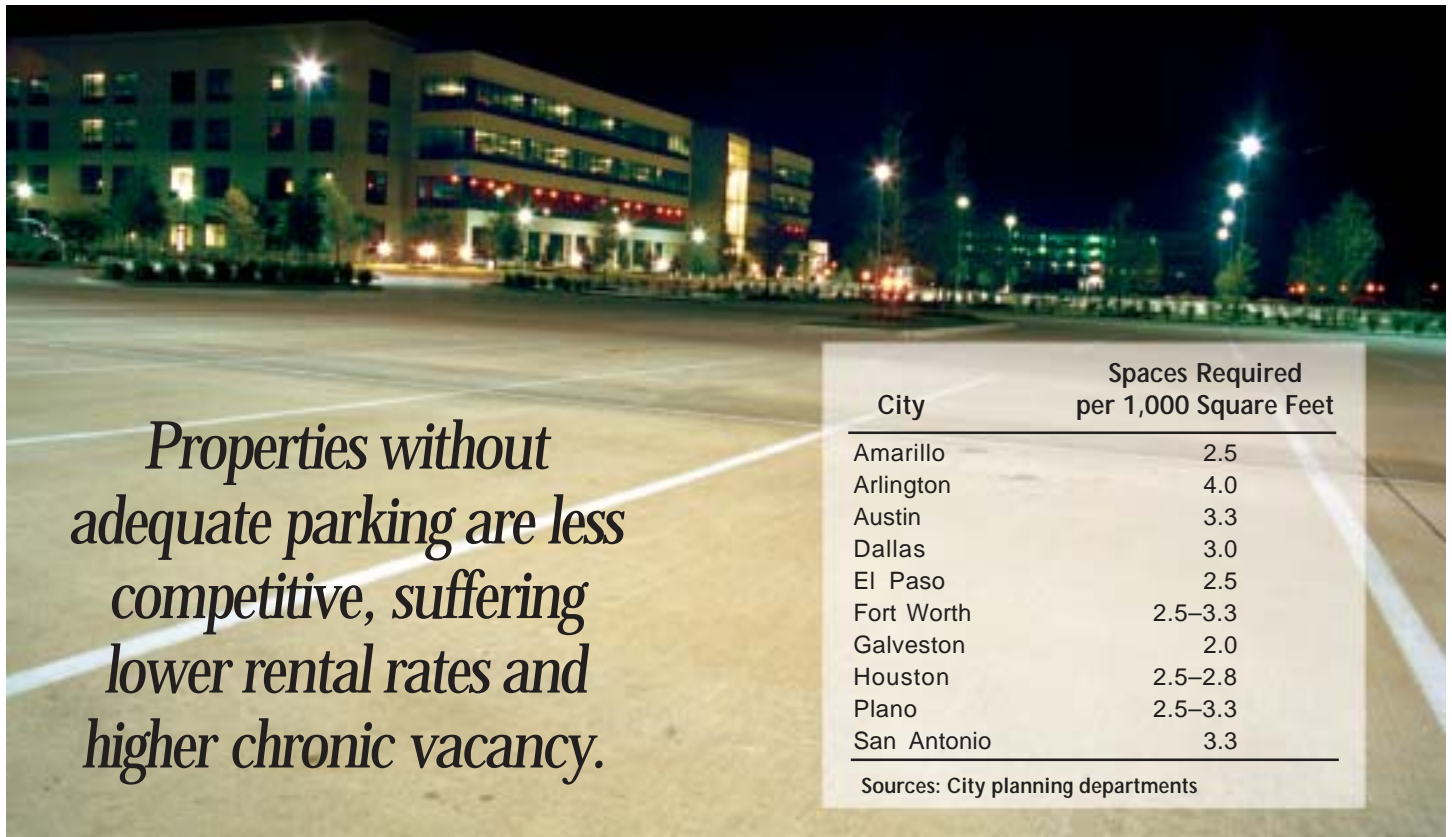
Also in downtown Houston, Hines is building a 32-story office tower with seven levels of parking totaling 900 spaces. Based on the 26 floors of office space in the tower with about 26,500 feet per floor, the parking ratio is estimated to be 1.4 spaces per 1,000 square feet.

Older Office Properties

The trend toward higher parking ratios is having a negative effect on the competitiveness of older office properties. Tenants who will accept lower parking ratios tend to be limited to small, high-end, service firms such as legal and accounting firms plus certain high-profile corporate headquarters. Arledge reports that she is no longer seeing "three per 1,000" tenants.

Edwin Murphy of Century Development in Houston states that properties without adequate parking cannot compete and consequently suffer lower rental rates and higher chronic vacancy, unless alternative off-site parking services can be acquired to meet tenant demand. Class A properties in suburban locations built in the 1970s and 1980s are perhaps at greatest risk. These buildings were usually constructed with surface parking ratios of three spaces per 1,000 square feet. Tens of millions of square feet of such space was built in the Houston and Dallas metropolitan areas alone.

Garrett and Arledge both believe that parking is the primary reason numerous suburban office properties have become uncompetitive in the last five years. Arledge reports that many 1970s and 1980s properties have become obsolete. Empirical evidence appears to agree: office properties along I-635 (LBJ Freeway) in North Dallas, most of which were built in the 1970s and 1980s, have lost tenants since 1999, despite the



Properties without adequate parking are less competitive, suffering lower rental rates and higher chronic vacancy.

City	Spaces Required per 1,000 Square Feet
Amarillo	2.5
Arlington	4.0
Austin	3.3
Dallas	3.0
El Paso	2.5
Fort Worth	2.5–3.3
Galveston	2.0
Houston	2.5–2.8
Plano	2.5–3.3
San Antonio	3.3

Sources: City planning departments

area's booming economy. In 2000, multitenant office properties in the LBJ Freeway area showed negative absorption of 24,372 square feet, according to Kennedy-Wilson Property Services.

Downtown Dallas, which suffers competitively because of parking issues in spite of available transit service, saw negative absorption of 41,436 square feet. Real estate professionals report that tenants are leaving these older buildings and moving to newer buildings with higher parking ratios in nearby areas such as Richardson and Plano.

Parking-poor office properties have limited options for regaining competitiveness. Surface parking can be provided if adjacent vacant or underdeveloped land is available at a reasonable price. Most garages have excess structural capacity, according to Murphy, and can add one or two levels. Existing spaces can be restriped for smaller cars, although trends show that car sizes have increased in recent years. The final determination is usually based on financial viability — whether the additional investment in parking will provide an adequate return because of better marketability.

Financial Considerations

Most businesses want to minimize real estate expenses, and the cost of building or leasing structured parking in addition to base rent can be prohibitive. According to Garrett, high-rise districts such as downtown Dallas and Las Colinas are leasing space for \$22 to \$26 per square foot without parking. By comparison, flex space in newer suburbs is leasing for \$19 to \$21, parking included.

The additional cost of parking in high-density areas is significant. Both Garrett and Arledge report that structured parking costs from \$40 to \$220 per month per space in downtown, uptown and other high-density commercial areas of Dallas. According to Perry, offsite parking in Austin's central business district runs \$110 to \$125 per unreserved space per month and \$150 to \$175 per reserved space. In downtown Houston, office

occupancies have increased dramatically since the mid-1990s, and parking charges have followed suit.

According to a February 2, 2000, article in the *Houston Chronicle*, the average cost for a reserved space in that city is \$190 per month, with spaces in well-located, highly amenitized garages fetching \$400 or more per month. Unreserved spaces averaged \$124 per month, with low-end spaces available for \$50 to \$100 per month.

Companies that cannot afford garage parking sometimes offer covered parking. This sought-after amenity is still pricey, running an extra \$15 to \$45 per space per month.

Municipal Codes and Public Transit

Most major Texas cities have fairly restrictive municipal parking codes requiring a minimum of 2.5 to four spaces per 1,000 square feet of on-site parking for office uses (see table).

Most large cities have special codes for downtown areas that allow much lower ratios, or in some cases, none at all. Pleasing new tenants, many of whom require ratios exceeding four spaces per 1,000 square feet, proves more difficult for many developers than meeting municipal parking codes.

Another influence on parking demand is public transit service. Real estate professionals report that large-scale commuter transit service, such as Dallas' light rail and Houston's park-and-ride service, helps reduce pressure for higher ratios, although the extent of the impact is debatable. Such transit service generally focuses on downtown areas, however, and the limited service available in suburban areas is generally thought to have no effect on parking ratios required by tenants.

For more information on parking standards, see Center technical report No. 1516, *The Role of Parking in Texas' Commercial Real Estate*. 📄

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