

THE PARKING PARADOX

Use case spotlight: How today's commercial office parking challenges are solved with technology





Executive summary

Hybrid working models, economic pressures, and the rising importance of tenant amenities are driving a reassessment of parking in Australian commercial real estate.

Previously overlooked, parking is now an asset we can no longer ignore. The question has shifted from whether we should reconsider parking to how we should approach it.

Current data shows that parking is the second most important physical amenity in commercial buildings, outranked only by essential services.¹ Traditionally, parking has been treated as a fixed asset with inflexible lease terms, leading to issues such as underutilised spaces and tenant dissatisfaction.

It is increasingly clear that a more flexible approach to managing parking is needed.

In this report, we unpack the current challenges and demands on parking, including tenant preferences and perceptions. We also offer practical advice on how to manage parking more effectively and flexibly through parking management solutions.

1. https://mktgdocs.cbre.com/2299/17e80f6e-4db7-4214-8da9-ef8e18c01dea-170926301/2023_20APAC_20Office_20Occupie.pdf

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Shifting demand & change creates opportunity



Commercial real estate operators are under pressure from all directions.

Tenant demand for higher-quality fit-outs and wrap-around amenities is increasing, alongside tenants negotiating new terms. Additionally, increased business costs are lowering yields. This combination means commercial landlords need to do more with less at every turn.

Some of this pressure stems from the adoption of flexible work. From 2020 - 2023, employees discovered the convenience of working from home - and they are reluctant to give it all up again and return to the office full-time. So many employers are considering new ways of working and upgrading amenities to entice their staff back to the office more frequently.

This impact is felt heavily throughout the building, including in the car park.

Before COVID, tenant demand for parking was essentially flat. Tenants needed the same number of parks every day, so treating parking as a fixed asset made sense at that time.

Today, demand fluctuates dramatically across the week. Offices are often at capacity on Tuesdays, Wednesdays, and Thursdays, yet attendance on Mondays and Fridays is very low. As a result of this dynamic demand, tenants want their parking to be managed differently—in a way that is flexible and responsive.

The effects of these changing habits are widespread across Australian cities today. For example, the vacancy rate in Melbourne's CBD has recently risen from 16.5% to 18%. According to Tenant CS², this increase in vacancy is largely driven by sluggish demand and the addition of new premium stock. Whilst these pressures are challenging, there are opportunities to harness previously underutilised assets, like parking, to, in part, help solve them.

2. <https://www.tenantscs.com/blog/australian-leasing-market-snapshot>

More than a place to work

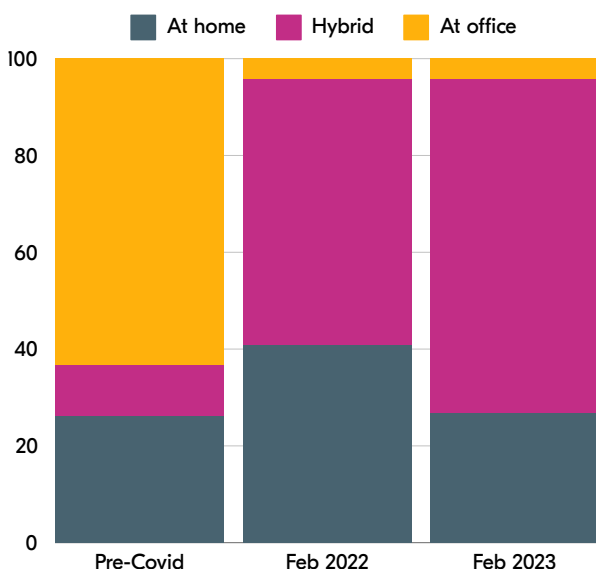
A clear trend has become the norm

Tenants are increasingly demanding premium office environments with features like wellness rooms, collaboration spaces, and in-house cafes.

According to Lendlease, this "flight to quality" began before COVID-19 but has rapidly intensified as employers encourage staff to return to the office.

With average weekly attendance at 50% of 2020 levels and only 4% of knowledge workers in the office daily by the end of 2023, tenant expectations have shifted.³

Changing perceptions: What people want from their working arrangements³



As Charter Hall's Carmel Hourigan notes, businesses now incorporate premium amenities into their employee value propositions, helping to attract and retain talent in a hybrid working model.

For landlords, staying competitive means creating spaces that not only meet current demands but also adapt to future workforce needs.

Parking's influence on tenant experience

More and more landlords and asset managers recognise the untapped potential of car parks in commercial buildings when tenants work flexibly. Previously viewed as a static operational amenity, forward-thinking landlords now view car parking as a critical amenity that significantly influences tenant satisfaction.

This decision is supported by research from CBRE and Knight Frank Office Outlook,⁴ which identifies parking as the second most important physical amenity for tenants after access to public transport.

By offering a more efficient and user-friendly parking experience, landlords can elevate the overall appeal of their properties. Easy access to parking is highly valued by tenants (and their staff), which impacts immediate leasing decisions and long-term lease preferences.

3. <https://www.pwc.com.au/important-problems/future-of-work/future-of-work-report-2022.pdf>

4. <https://www.knightfrank.co.uk/office-space/insights/culture-and-space/the-secret-to-a-happy-workforce-unveiling-the-most-valued-office-perks/>

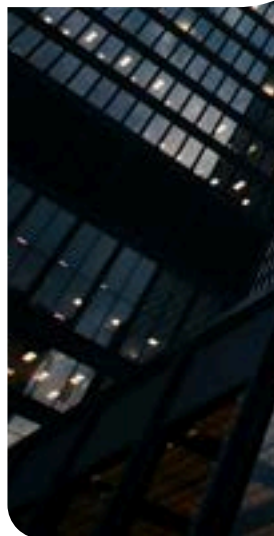
Rising vacancy and market pressures

A divide in demand between premium and lower-grade assets exists

There's a clear divide between premium and lower-grade office assets. As demand for top-tier spaces outpaces supply, vacancies in lower-quality buildings continue to rise.

Carmel Hourigan, CEO of Charter Hall Office, points out that while prime assets are highly sought after, older and non-central buildings are facing the highest vacancy rates in nearly three decades—currently at 14.8%, according to the Financial Review.⁵

This trend is further driven by the shift to flexible work, with tenants opting for premium spaces that offer greater amenities and better returns, leaving lower-grade properties struggling with declining demand and performance.



"Demand for prime assets is outpacing supply, leading to very low vacancies in top-tier offices and increasing vacancies in lower-quality buildings."

Carmel Hourigan,
CEO Charter Hall Office

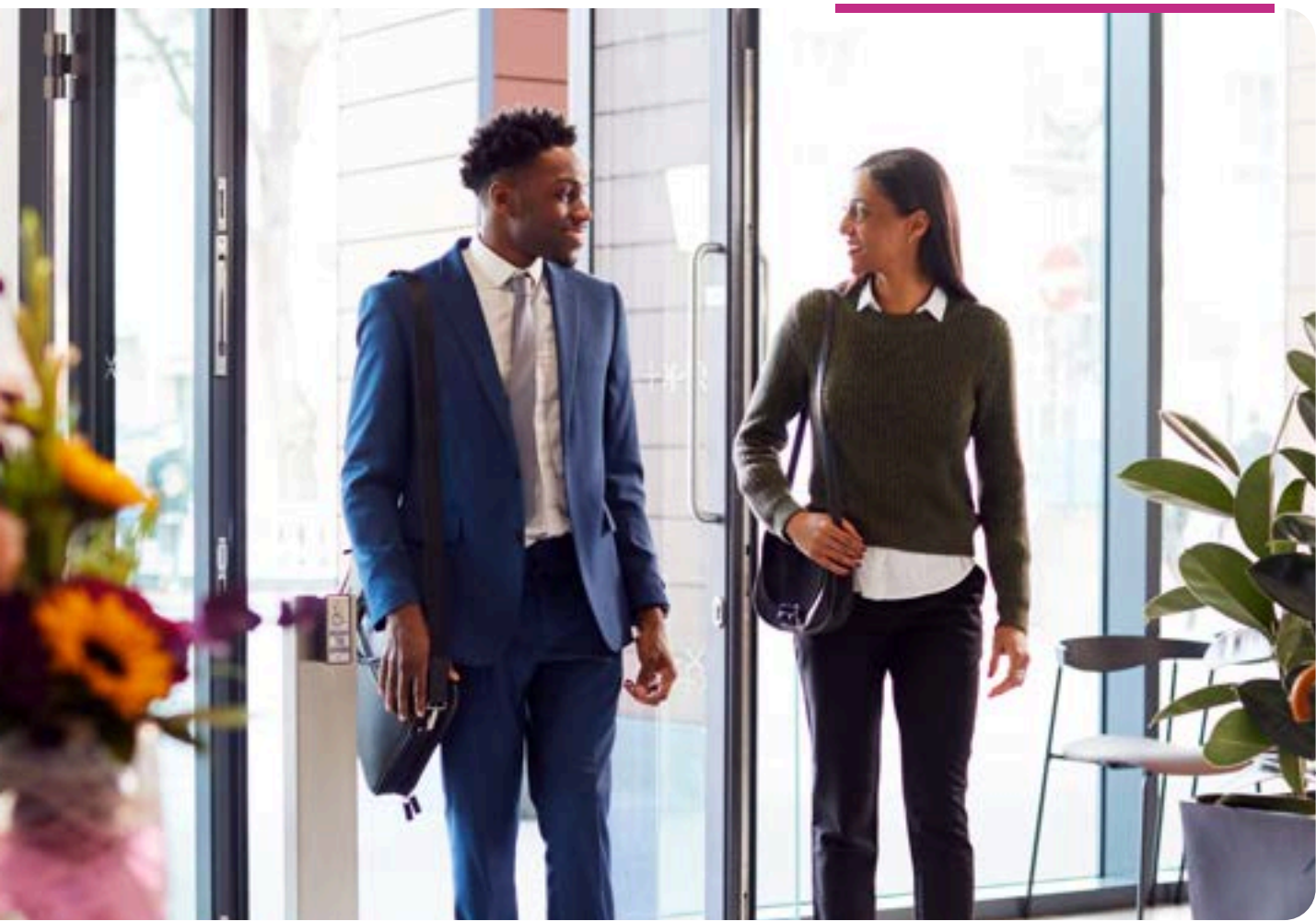
5. <https://www.afr.com/property/commercial/office-vacancies-near-30-year-high-as-wfh-stays-popular-20240130-p5f0zw>

Addressing vacancy challenges with parking monetisation

Parking is a unique opportunity in the context of high vacancy rates and the need for cost-effective solutions.

When using real-time data, asset and property managers optimise the allocation of parking bays, ensuring efficient utilisation. These insights highlight the challenges associated with parking availability.

However, the insights also highlight opportunities. Monetising unused or underutilised parking spaces to increase and diversify revenue streams is one of these. This may involve introducing flexible paid parking options, such as daily rates, catering to tenants who occasionally need to scale up their spaces when they run events or for their staff who want to park in the building, and attracting additional users from the surrounding business community.



Strategic investments in people, processes, and technology

Doing more with less is standard.

With yields down, inflation rising, and investment low, asset managers are under pressure to do more with less.

A key focus is operational efficiency, often achieved through digitisation and automation. According to JLL's 2023 Global Real Estate Technology Survey⁶, over 80% of occupiers and investors plan to increase technology budgets, despite the tough operating climate. JLL emphasises that optimising costs requires a balanced investment in people, processes, and technology.

Leaders like CBRE are embracing automation and AI to stay competitive, with CBRE's COO, Vikram Kohli, noting the potential to skip a generation of offshoring through tech advancements.

Improving parking efficiency

One way property managers improve the operational efficiency of their assets is to reassess how static resources such as parking are managed across the asset. Parking management systems minimise administration time by automating processes.

"We want to take advantage of technology, automation, and machine learning as a way to potentially skip a generation of offshoring and outsourcing."

Vikram Kohli,
Chief Operating Officer, CBRE Group

Parking management solutions can take this a step further by helping everyone in a building take full advantage of the parks easily. They create a car park sharing pool alongside admin tools to improve the parking experience, utilisation, and in some cases, creates additional revenue.

A car park-sharing pool effectively shares (and rents) unused or underused spaces back to tenants and others who need to park. Property owners can offer vacant spaces to tenants, who can further share them with employees or visitors as needed. Additionally, tenants can share their spaces with other tenants too.

6. <https://www.jll.com.au/content/dam/jll-com/documents/pdf/research/apac/australia/jll-australian-office-market-overview-q1-2024.pdf?hash=66389ffc5b33b625e0e6ea986d17644497956cbca68a622f50162e49098fc5c1>

7. <https://www2.deloitte.com/us/en/insights/industry/financial-services/commercial-real-estate-outlook.html#endnote-103>

How Parkable helps solve the parking paradox

For years, parking has been viewed as the 'poor cousin' asset within commercial real estate. Every tenant has tacked it onto their lease with little consideration for how it'll be used. Yet for tenants, parking remains a highly valued amenity.

The current climate amplifies this paradox.

Parkable gives you a hands-off way to manage parking, grow tenant preference, and earn revenue from unused spaces. Its multi-tenant platform improves the everyday parking experience for tenant employees, car park administrators, and security teams. Essentially it makes getting to work easier and more positive.

Parkable's unique approach combines parking management software and apps for parkers and integrates garage access hardware to address commercial real estate needs.



How to deliver long-term value through improved amenity

Since COVID-19, the commercial real estate sector has increased its investment in refurbishments, amenities, and technology to attract and retain tenants. Despite this, one of the most crucial amenities—parking—often remains underutilised.

This represents a significant opportunity for landlords.

Using Parkable, asset managers can create a resource that is highly valued by tenants to meet current needs and is flexible enough to accommodate future changes. Landlords who adopt Parkable report improved tenant satisfaction.



REA recognises parking as a valuable office amenity

Adopting hybrid working gave REA the opportunity to reconsider how they managed their parking to give their people the best experience.

Using Parkable, assigned parkers share their parks (when not in the office) via the Parkable app with their colleagues to use. The Parkable algorithm allocates the parks fairly each week or as they become available.

Making parking available to their staff easily has bolstered REA's workplace culture.



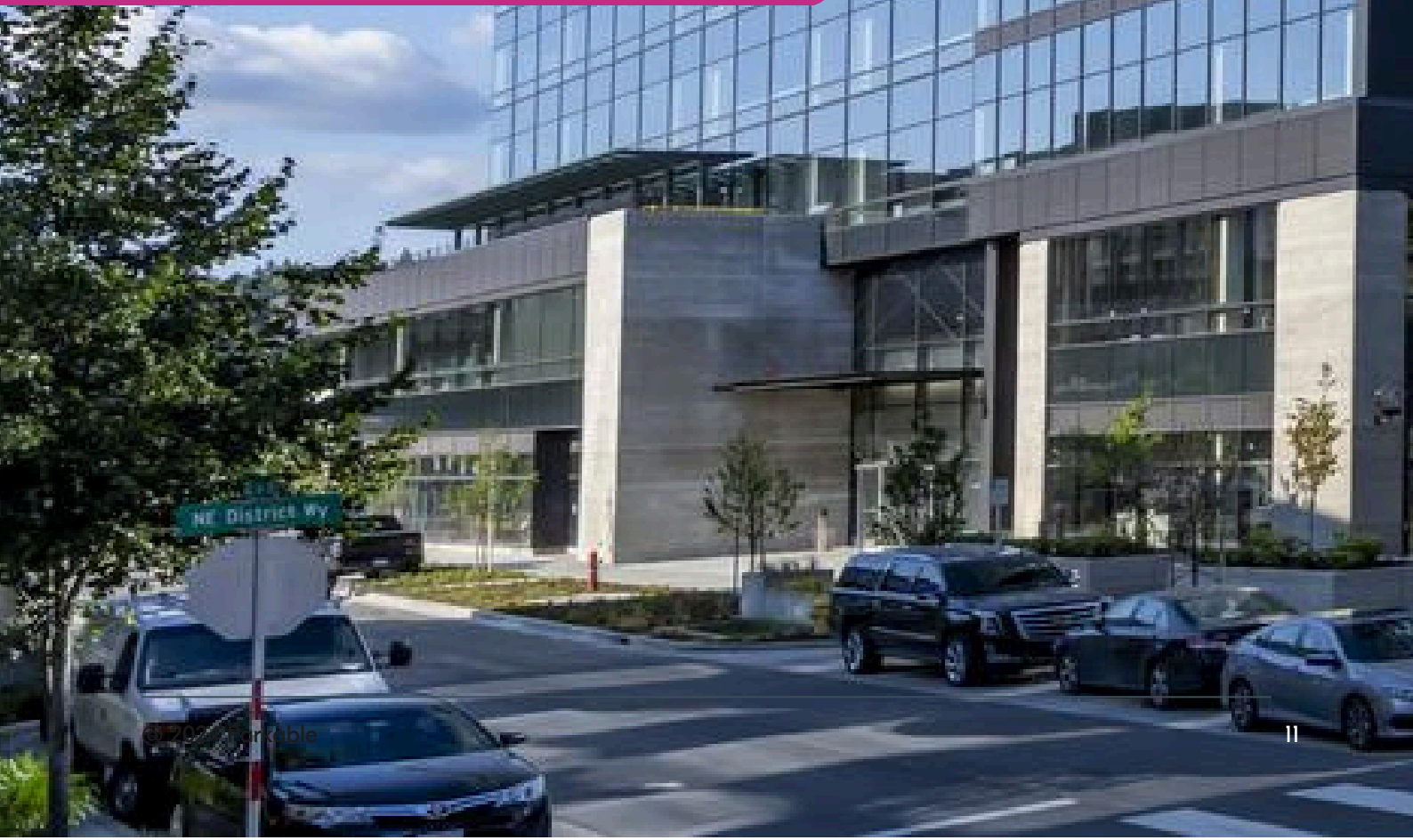
ISPT builds tenant amenity into their car parks

In every portfolio, there are buildings with lower occupancy. ISPT saw this challenge as an opportunity to create an additional resource for their tenants.

They do this by sharing and leasing spaces with their tenants' employees flexibly, effectively turning a non-revenue-generating asset into one that is fully flexible and monetised.

ISPT values tenant experience. To make managing and paying for parking for their tenants' staff even easier, the Parkable app has been integrated into the ISPT tenant amenity app, HOST.

Access control to the car parks is easily managed via integrations between the hardware and Parkable.



How to monetise excess spaces during periods of high vacancy

Asset performance during periods of high vacancy is challenging. When building utilisation drops and the property's overall attractiveness to potential tenants diminishes, it creates a vicious cycle of declining interest and occupancy.

Using Parkable, landlords flexibly rent vacant spaces to existing tenants, local businesses, or the general public. This virtual marketplace generates returns from otherwise unused spaces. It's important to note that this isn't to the detriment of future leasing opportunities, as Asset managers can remove the parks from the parking pool at any time when a new lease is starts.



Major business hub earns revenue from unleased spaces

When the Sydney-based business park's long-term anchor tenant's lease finished and vacated the site, the business park owner started refurbishing the building before seeking another tenant.

However, instead of leaving the parking spaces unused and empty (124 in total), they've flexibly opened them up to parkers from their other nearby tenancies. The move to offer casual parking to their other tenants means they've created a small revenue stream and given their tenants' employees better parking options than they would have previously been able to access.

How to improve processes with better data and tools

The time it takes to manage parking can easily blow out when you're responsible for the day-to-day in larger buildings. Each day, the property and facilities teams field calls from disgruntled parkers about wrongly parked cars. In turn, they must email or phone tenants to identify who the owner is.

Chasing these answers whilst balancing the unenviable task of finding another park for those that have a booked space for the day (as well as soothing the

unhappy parker). It's often a time-consuming and fraught process.

Asset and Property Managers looking to upgrade their parking processes and associated tenant experience can easily do so with Parkable. The tools provide a simple and easy way for tenants to manage their own parking without the need for daily

Securing car park access & subscriptions

Before Parkable, monthly parking subscribers accessed this Sydney-based car park with swipe cards. When the original car park management company moved on, the Property Manager became responsible for all aspects of parking.

One of the first things they noticed was that swipe cards had been widely shared with subscribers and non-subscribers alike. Managing this situation was sometimes tense as they worked to control who was parking on-site.

Integrating Parkable with their car park access system removed the need for all swipe cards and improved physical site security. Also using Parkable to manage monthly subscriptions, including payments, secured their car park revenue stream.



intervention from the Property manager. When Parkable is integrated with car park gates, access is limited to only those with a booked park. This dramatically reduces the risk of bad parkers and improves the parking and access experience.

Additionally, Parkable has a built-in problem-resolution feature that further reduces administrative management.



DATACOM

Datacom removes the admin headache from managing parking at 4 sites

Traditionally Datacom's receptionists in Brisbane, Sydney, Melbourne, and Perth had a manual system for allocating and managing car parks. Parkers had to coordinate amongst themselves and then inform reception, where it was recorded and managed in a spreadsheet. This approach was cumbersome and time-consuming. It had become a distraction for this technology-first company.

Using Parkable, Datacom parkers self-manage their own bookings and payments and the receptionists have very little to do with it. The improvement in the parker experience has also influenced the return to work movement. Senior executives now release their parks for others to use when they're not in the office.

DATACOM

2.4 What's the future outlook

Future spotlight

Early indicators suggest that a growing number of tenants are reluctant to commit to leases that include a fixed number of parking bays. With the fluctuating daily demand for car parks, they're understandably reluctant to pay for an amenity that isn't fully utilised.

Whilst this can cause concern, there are avenues to plug this gap so that both the tenant's and landlord's needs are met - a win-win.

Using Parkable, all tenants can flexibly book and pay for parking spaces as needed. Either the tenants pay on their employees' behalf, or the employees themselves can pay via the app. Thus retaining revenue from the car park.

“By implementing our new multi-tenant platform, property owners can finally make parking a flexible resource that meets tenant needs, maximises the utilisation of parking spaces and adds new streams of parking revenue, typically achieving 1000% ROI.”

Toby Littin, CEO, Parkable

Now is the time to rethink commercial real estate parking

As organisations adopt permanent flexible working arrangements, building tenant preference is more complex than rolling out additional tenant amenities. Upgrading existing amenities like parking is often a more straightforward win that has an immediate people impact. Extending the use of vacant spaces to other tenants grows tenant preference further and starts to plug a revenue gap that the vacancy drives.

We've seen a movement among commercial real estate leaders to be more intentional about their parking. This includes offering tenants and their parkers flexibility, thinking about new ways to support better processes and reduce administrative time, and gaining additional revenue streams.

Let your parking be the very best version of itself.



Find your best route to better parking

Visit parkable.com/commercial-property

Or speak to your Parkable Account Manager.