

ACCOUNTING in the headlines

How did State Street Corp. achieve cost savings from its co-working building design in Boston?

“Co-working” is a term to describe a work environment where coworkers share the same office but not necessarily the same boss. Co-working centers feature large, central open spaces with couches, coffee tables, and casual furniture. Some private, traditional offices typically are available for occasional use. The spaces are designed to foster socializing and exchanging ideas with other professionals.

State Street Corp. in Boston’s Seaport District has designed its 500,000-square-foot building on A Street to feature a co-working style layout, resulting in multi-functional spaces, less individual space, and more collaborative space. State Street has experienced the following benefits from this co-working layout:

1. Cost per seat has decreased by 35% (from \$8,500 to \$5,500)
2. Square footage per seat has decreased by 36% (from 170 to 108 square feet)
3. Seat occupancy has increased to 90% (from 65%)
4. Annual cost per employee has decreased by 53% (from \$13,000 to \$6,100)

In total, State Street Corp. is saving approximately \$2.6 million per year from this co-working design.

Questions

1. List as many costs as you can think of associated with a traditional office building.
2. Now list as many costs as you can think of associated with a co-working style office building.
3. Which of these costs (both lists) are fixed costs with respect to the number of occupants? Which are variable costs with respect to the number of occupants?
4. How do the costs associated with a traditional office building differ from the costs associated with a co-working style office building? How are the costs of the two types of building work design similar?