

Where Did All the Used Office Furniture Go?

“2008 was the worst year for layoffs and job losses in the United States since World War II and 2009 is expected to be even more devastating.” Source: www.nowpublic.com

It is impossible to avoid the torrent of bleak headlines and breaking news stories. With every report about another “1,000 jobs lost”, the expectations regarding the availability of quality used office furniture increases exponentially. Of course it makes logical sense... jobs lost, empty cubes, available used office furniture... Just like 2001 there should be Aeron chairs lining the streets – but where are they?

Anyone who has recently tried to source used office furniture can tell you that similar to the early part of this decade, there is a lot of product available, however unlike that time, the quality of the current product leaves much to be desired. Drill down inside how office furniture becomes used and we can find the answer.

Y2K – Peak Office Furniture Consumption

Office furniture consumption (defined as all new office furniture sold in the U.S.) peaked in the year 2000 at \$14.8BN. At that time,

- Cubicles accounted for nearly 36% of all products sold
- Imported products accounted for 11% of total consumption
- Most imported products were high quality and did not originate from China

Fast forward to 2001

The combined effects of the dot-com crash along with the tragic events of September 11th wreak economic havoc on the U.S., and a tsunami of top quality used furniture floods the market, resulting in nearly 3 YEARS worth of supply (this is the Aeron by the road side period). This oversupply of product cycled through the system until it was finally absorbed by the end of 2004.

- **From 2001 to 2003 Office Furniture Consumption contracts nearly 36%**
- Minimal quantities of new furniture enter the market
- Furniture demand is satisfied by top quality used furniture

Housing Boom of 2005 to 2007

Hello housing boom... Office furniture consumption grows at a compounded rate of 23% during the 2005 to 2007 time period. But the furniture that drives this growth is much different from the high-tech / high-end cubes of the late 1990's. Riding the housing boom; mortgage brokers, real estate agents, and title companies, opened offices up as fast and as cheap as possible. Usually this meant a cheap desk and task chair versus a cube.

- **Imports (mainly inexpensive and from China) grow to 19% of total office furniture consumption**
- Cubicle sales fall to under 30% of the total market
- Trend towards cheap desks and chairs (remember Ikea office furniture)

Where are we today:

Today's client expects to find high quality used furniture readily available, and is usually confronted with the following general types of used inventories;

- The Mortgage Company – generally consisting of rows of imported peeling laminate desks, tables, and \$99.00 task chairs with missing arms.
- The Survivor – generally a conservative company that is taking advantage of the times and moving up in both space and furniture. The products they are leaving behind are **generally pre-1998, and may have been purchased used originally**. It's serviceable life is well over by now.
- The Plug-and-Play – With the recent wave of mergers and consolidations (specifically in the financial services and banking industry) we are seeing a resurgence in large office spaces coming onto the market fully furnished. In an ultra-competitive leasing market, landlords realize that a fully furnished space can offer a perceived higher value than an unfurnished space, and are opting to keep the office furniture versus liquidating it. The effect of this trend is to reduce the available

supply of used furniture, while creating a “shadow-furniture” inventory (product unused but not available for re-sale).

Summary

With the dramatic contraction in the U.S. economy over the past 18 months, one would expect that the market place would be flooded with quality used furniture. However, the lack of new furniture purchases between 2001 and 2004, combined with the changing trends away from quality domestic products towards lower quality imported products, combined with the most recent trend of Plug-and-Play office spaces, has created the lack of available quality used inventories in today’s market.

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