



LIQUIDSPACE®

The Future of Office is Flexible

US Flexible Office Report
Q4 2016



The Yard: Herald Square

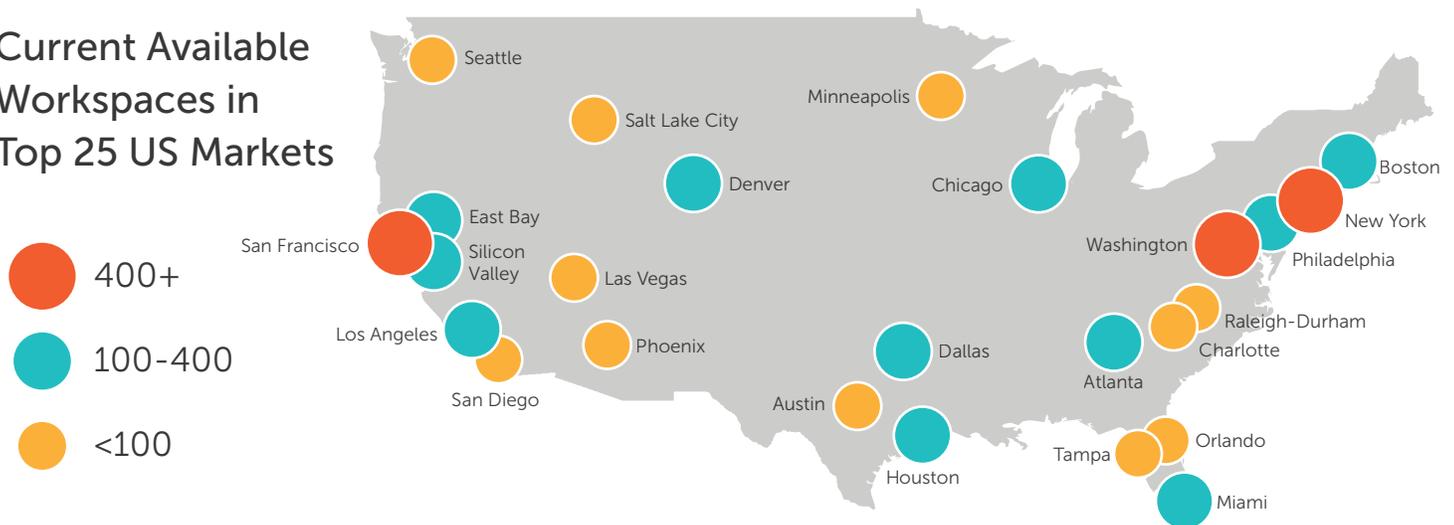
The Future of Office is Flexible

Flexible office space has been one of the hottest topics in the commercial office market. The rise of Coworking has dominated headlines but activity and supply of flexible office space includes much more than just Coworking.

Over 30% of the public listings on LiquidSpace come from private businesses, who are sharing their extra space, while building owners have also jumped into the mix. The amount of Direct Landlord space doubled in the last year and now account for 7% of the publicly available supply, a number we expect to continue to grow rapidly as more owners begin entering the LiquidSpace network.

The flexible office market is clearly taking off. Read on to understand what, and who, is driving the growth and where this category is headed over the coming year and beyond.

Current Available Workspaces in Top 25 US Markets



LiquidSpace is the largest network for flexible office space. Built to simplify the discovery and transaction of commercial real estate, our network has facilitated over 2.9 million transactions and connected over 64K teams and companies to more than 2,800 office locations. LiquidSpace allows parties to connect and transact online to rent space for durations between an hour and up to 3 years.

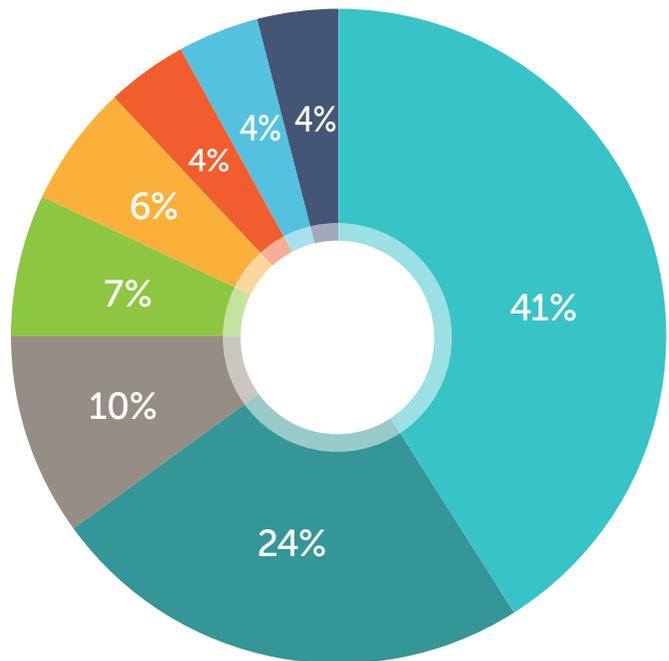
Companies Want Flexibility

Nearly Every Type of Business Needs Flexibility

In this new era of shortened business cycles, contract assignments, and as-needed staffing, regional sales teams, consultants, and distributed workforces have begun to embrace flexible office space. The need for flexibility, to position teams close to customers or a key partner, or to tap another market for talented workers are just some of the underlying factors motivating companies to book flexible space. Not surprisingly, technology companies lead the category of companies currently demanding flexible space, followed by consulting, financial services, and a wide range of other sectors.

Rising construction costs and a challenging environment for new development have also pushed tenant improvement costs to record levels making the cost for committing to long-term space more burdensome. As goods such as cars, food, hospitality and even employment embrace the flexibility afforded in an on-demand marketplace, tenants are increasingly demanding flexibility in their office space.

Flexible Office Use by Sector





An Increasingly Mobile Workforce

The ubiquity of cellphones, laptops, fast wifi, video conferencing, cloud computing, and collaboration software has freed many office workers from the need to drive to a central office each day. Many companies have realized that in the competitive battle for skilled workers, workplace flexibility is a potent weapon to attract talent. Giving back several hours of commuting time each day is an attractive incentive.

Yet working from home or the proverbial coffee shop are not ideal options for many workers. Teams still need office space to meet customers, to collaborate with teammates, or to simply have a place to focus without distractions. These benefits, as well as many more, are driving demand for flexible alternatives.

A Variety of Suppliers are Providing Space

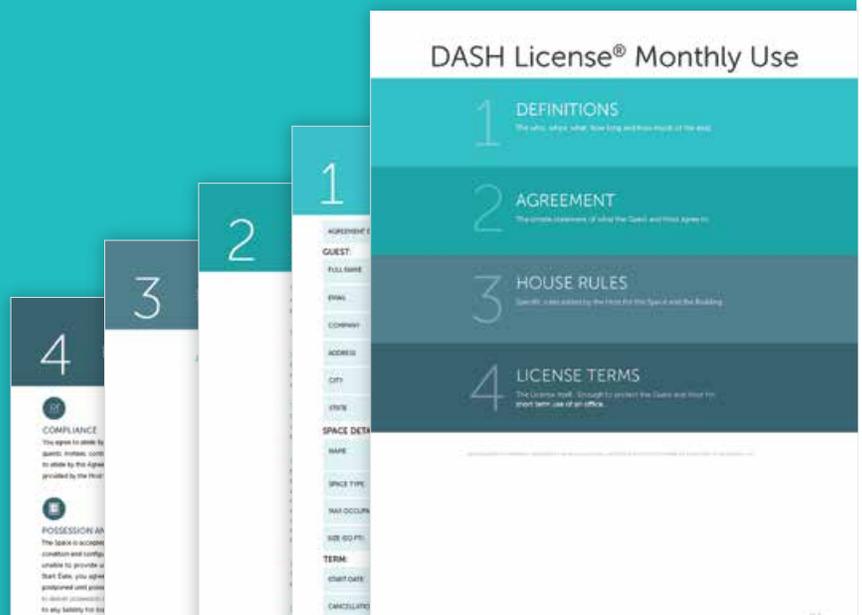
Traditional owners now see flexibility as a tool to fill spaces where traditional 5-year deals don't fit. They also realize that providing flexible alternatives attract fast-growing companies that could be the anchor tenants of the next cycle.

Private businesses are also getting in on the action, recognizing the opportunity to monetize their unused space they are sharing everything from an extra desk to an unused floor.

What Makes Flexibility Possible?

The emergence of digital networks that connect and transact office space as well as legal frameworks like LiquidSpace's DASH License® allow companies to book spaces on flexible terms.

Learn more at liquidspace.com/dash



Defining “Flexible”

Office Space on a Variety of Terms

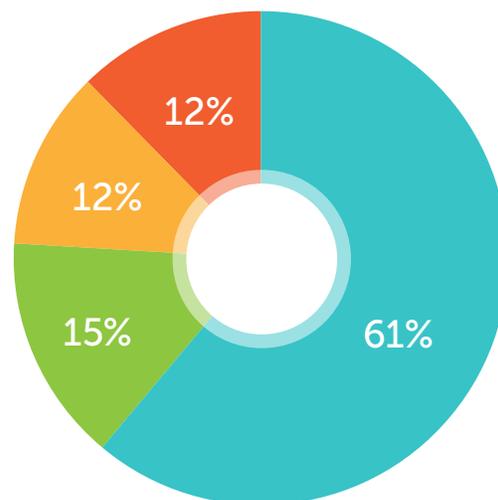
Flexible office space is defined to be any space that can be rented on a term that is shorter than the standard 5 or 10 year deal. Within the LiquidSpace network, supply providers can offer and transact spaces with a **minimum term of an hour, a day, a month or any term up to 3 years.**

This report focuses on spaces available to rent by the month. That classification includes spaces that have minimum terms ranging from one month up to three years. Flexible office space includes space that is both furnished and unfurnished.

Demand for Flexible Office Options Spans Sizes

Rapid growth and changing business conditions are pushing businesses and teams of all sizes to seek out flexibility in their office space. Nearly 40% of the demand we see in our network is for spaces to accommodate teams of 5+. 12% of teams are looking for space for 15+, and numerous companies are searching to accommodate 100+ employees.

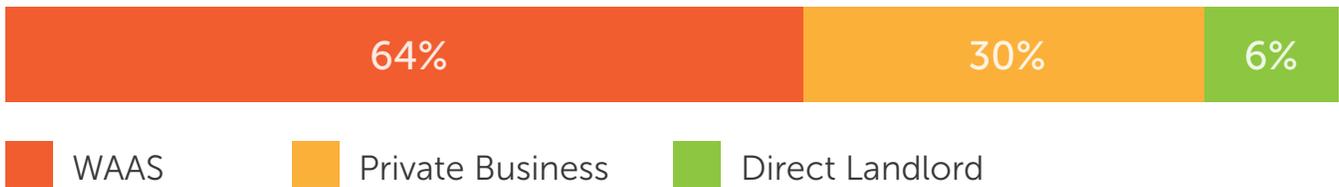
Demand for Space by Team Size



Supply from Multiple Sources

Coworking is just the start...

Share of Supply by Source



WAAS - Business Centers and Coworking

Traditionally, the Workspace-as-a-Service (WAAS) category was the dominant provider of flexible options in the market. However, with private business and traditional landlords beginning to offer their spaces on flexible terms, WAAS providers have started to see increased competition. WAAS comes in two general categories, Business Centers and Coworking spaces.

Business Centers got their start in the 1970's and are typically professional, full-service spaces that cater to those looking to do private work in a shared environment with office amenities and services. Coworking spaces began showing up in the last decade and come in a range of flavors but often have an entrepreneurial, creative, "techy" vibe to their shared environments. They tend to include a mix of open floor space and some private offices and often emphasize community and networking among their users.



Direct Landlord Space

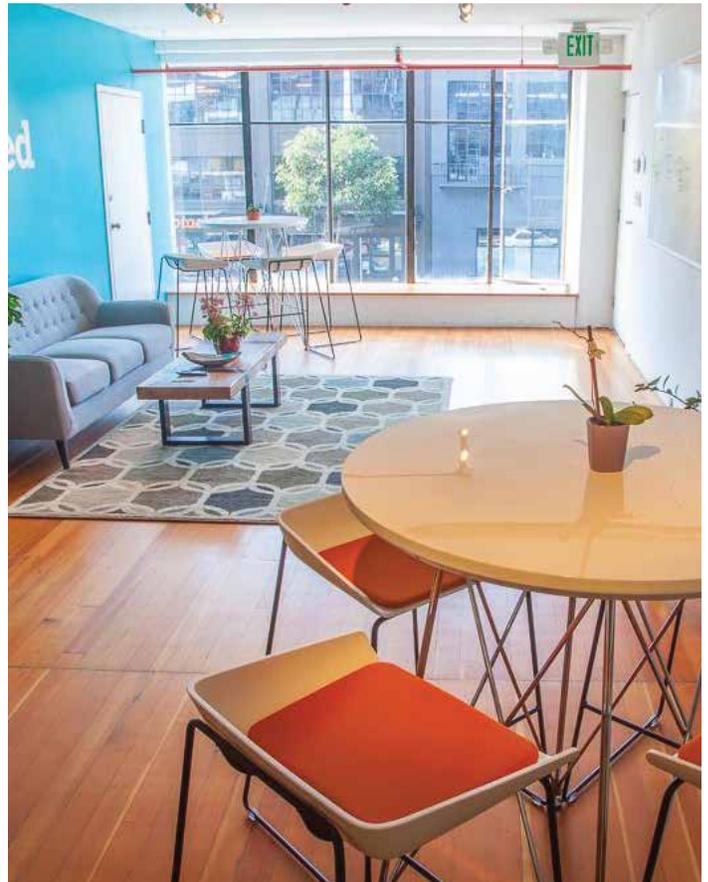
Increasingly, traditional building owners are listing their spaces on flexible terms. Within the LiquidSpace network, direct landlord space has doubled in just the past year.

Direct Landlord space on our network includes private furnished and unfurnished spaces available on flexible terms, direct from building owners. For unfurnished spaces in particular, LiquidSpace offers fitout-as-a-service to furnish spaces, available on flexible terms to tenants and no cost to landlords.

Private Businesses

Private Businesses are providing spaces in a range of space types including extra desks, offices, suites and full floors.

Historically, Private Businesses who had extra office space were limited in the ways they could monetize that space, primarily through subleases. The emergence of the flexible office space category has greatly increased private businesses' ability and willingness to share their space. The flexible structure of these deals is particularly appealing because it gives these companies freedom to monetize extra space when empty and reclaim that space when they need it for their own use. Additionally, marketing the space is simple. Transactions, negotiations, and contract negotiations are quick and easy, when done on the LiquidSpace platform.



A Range of Options

A variety of flexible office space is typically offered. These include Open Desks, Dedicated Desks, Offices, and Office Suites.



Desks

Desks are available in two main types open desk or a dedicated desk.

Open Desks allow access to communal desks in a shared environment, which desk an individual uses can change day to day, and some agreements may limit the total number of days per month that can be use.

Dedicated Desks are a specific reserved desk that is part of a shared environment.



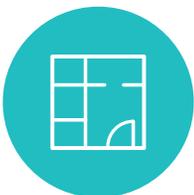
Private Office

Private office for an individual with the option to set up equipment. A private office is accessed and part of a shared environment.



Team Office

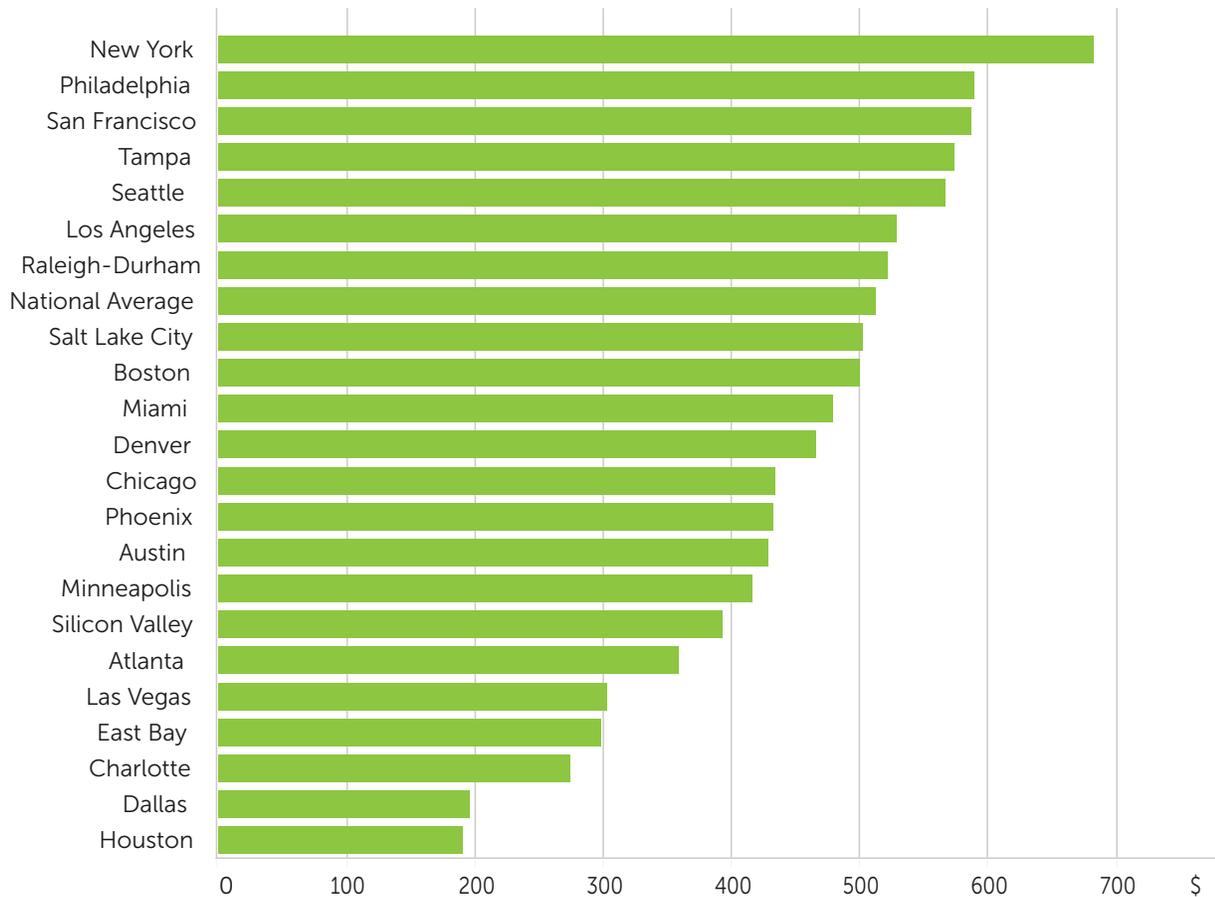
A larger private office but to accommodate a group.



Office Suite

An office suite is a private multi-use space for a team. Often a combination of private office(s), meeting room space and open seating team areas.

Average Monthly Rent per Person



Average Rental Rates are calculated by dividing the asking rental rate by the maximum capacity of each space. When no spaces are available, prices are based on historical averages.

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