

CBRE ECONOMETRIC ADVISORS Presents

NEW LANDSCAPE

CBRE AMERICAS RESEARCH CONFERENCE 2017

MYTHBUSTERS: PERCEPTION OR REALITY?

Alex Krasikov, CBRE Research
Julie Whelan, CBRE Research
Andrea Cross, CBRE Research
Mark Gilbreath, LiquidSpace

14 SEPTEMBER 2017

CBRE *Build on
Advantage*

CITIES ARE PREFERENTIAL TO THE SUBURBS AMONG CORPORATES



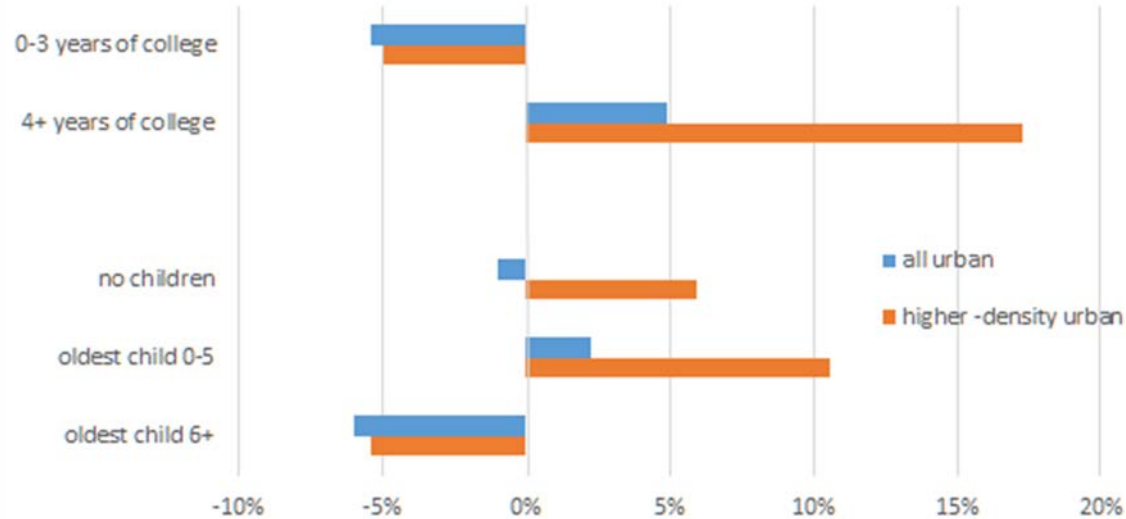
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POPULAR NEWS HEADLINES



WHERE IS THE TALENT?

% change in urban living, 2000-2014
by education and children
age 25-49



Source: Jed Kolko.com "Urban Revival? Not for most americans?"

MILLENNIALS ARE GETTING OLDER



“Millennial women age 30-34 now have the highest birth rate”

HIGH GROWTH MARKETS SINCE 2010

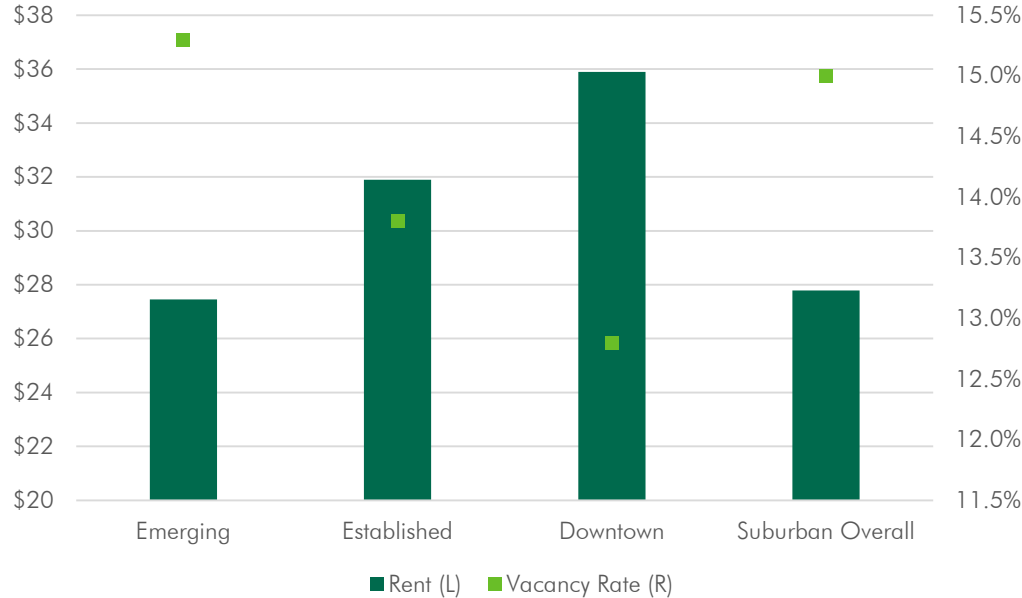
EMPLOYMENT GROWTH

1. Austin, TX (48%)
2. San Francisco, CA (48%)
3. San Jose, CA (46%)
4. Nashville, TN (35%)
5. Dallas, TX (26%)

POPULATION GROWTH

1. Austin, TX (23%)
2. Orlando, FL (18%)
3. Raleigh, NC (16%)
4. Houston, TX (16%)
5. Dallas, TX (15%)

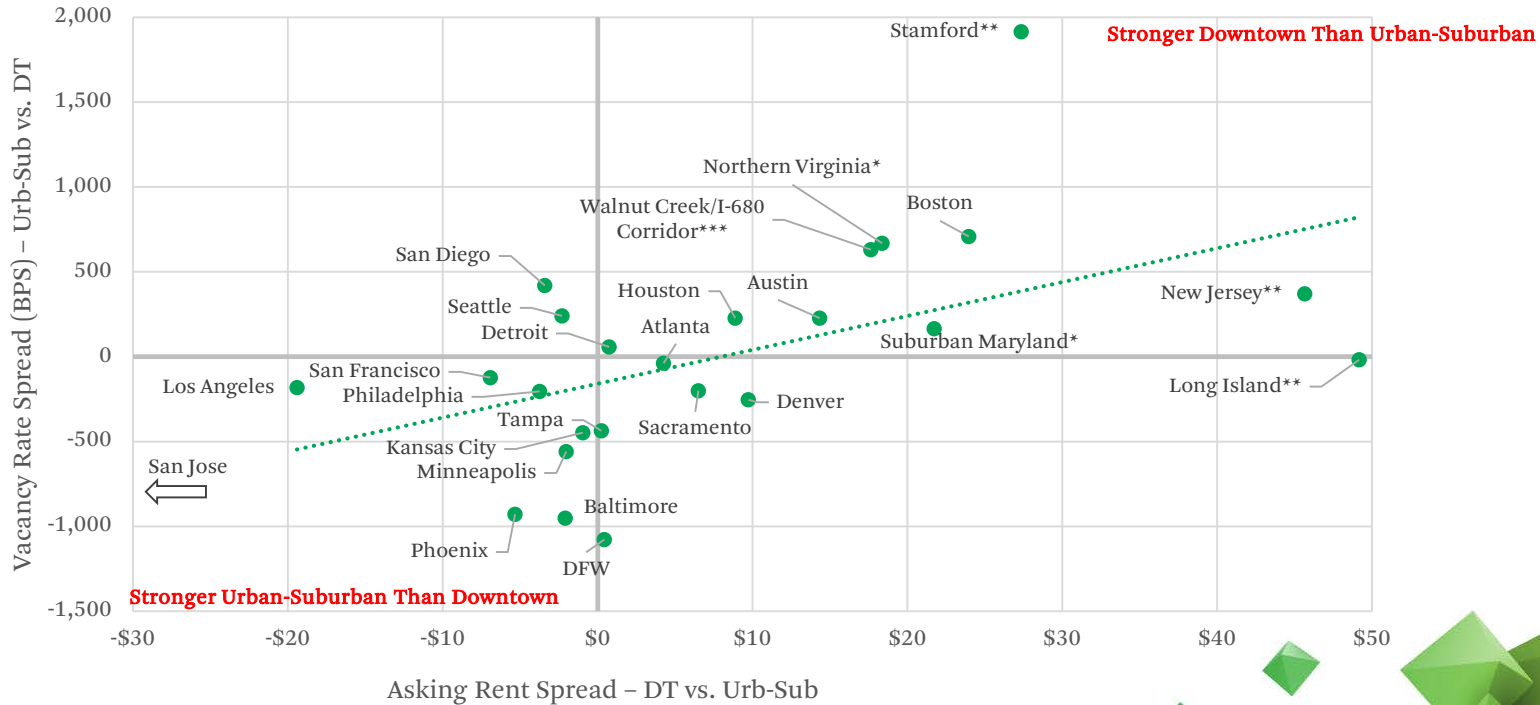
DOWNTOWN VS. URBAN-SUBURBAN OFFICE PERFORMANCE



Note: Overall suburban averages include only top 25 largest suburban markets; downtown averages include only the downtown submarkets of the same 25 markets.

Source: CBRE Research, Q1 2017.

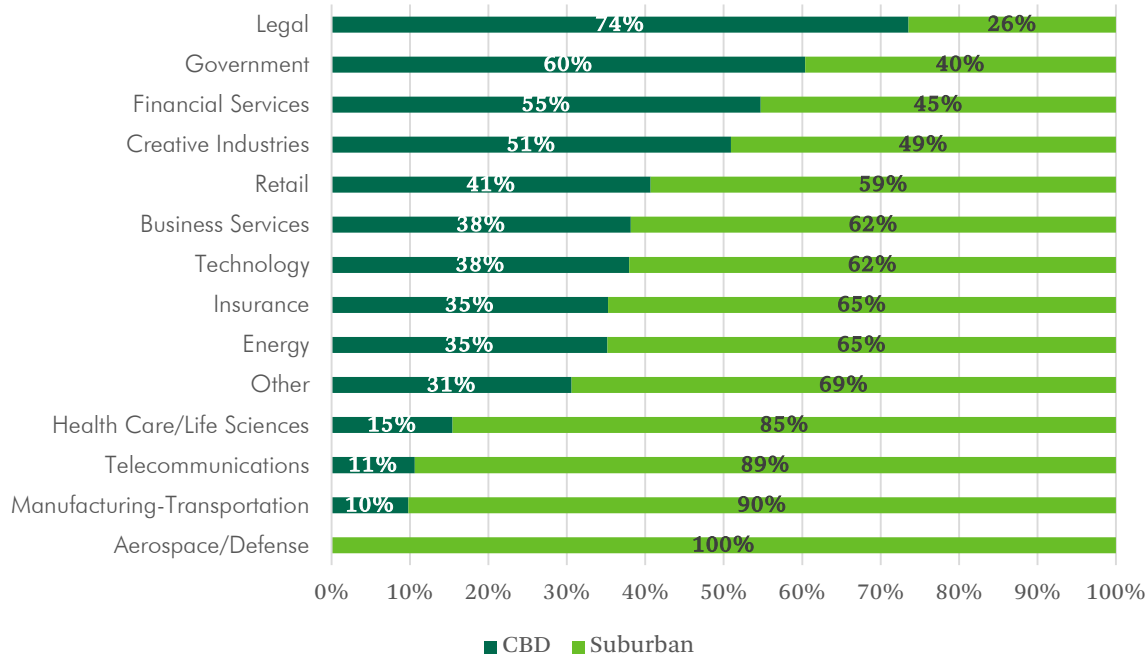
DOWNTOWN VS. URBAN-SUBURBAN OFFICE PERFORMANCE



Note: Slide compares rents and vacancy rates for primary “urban-suburban” submarkets with each metro area’s corresponding downtown market
 * Downtown rent is for Washington, D.C.; ** Downtown rent is for Manhattan; *** Downtown rent is for Oakland

Source: CBRE Research, Q1 2017.

DOWNTOWN AND SUBURBAN INDUSTRY LEASING, H1 2017



Note: Includes the 25 largest transactions by sq. ft. each quarter for the 54 markets tracked by CBRE Research.
 Source: CBRE Research, Q2 2017.

CITIES

PP

CITIES

PLAUSIBLE

BUT NOT THE WHOLE STORY

$$\Delta v = v \beta \Delta t$$

$$2x \frac{1}{g}$$

$$L^2 R$$

$$Q$$



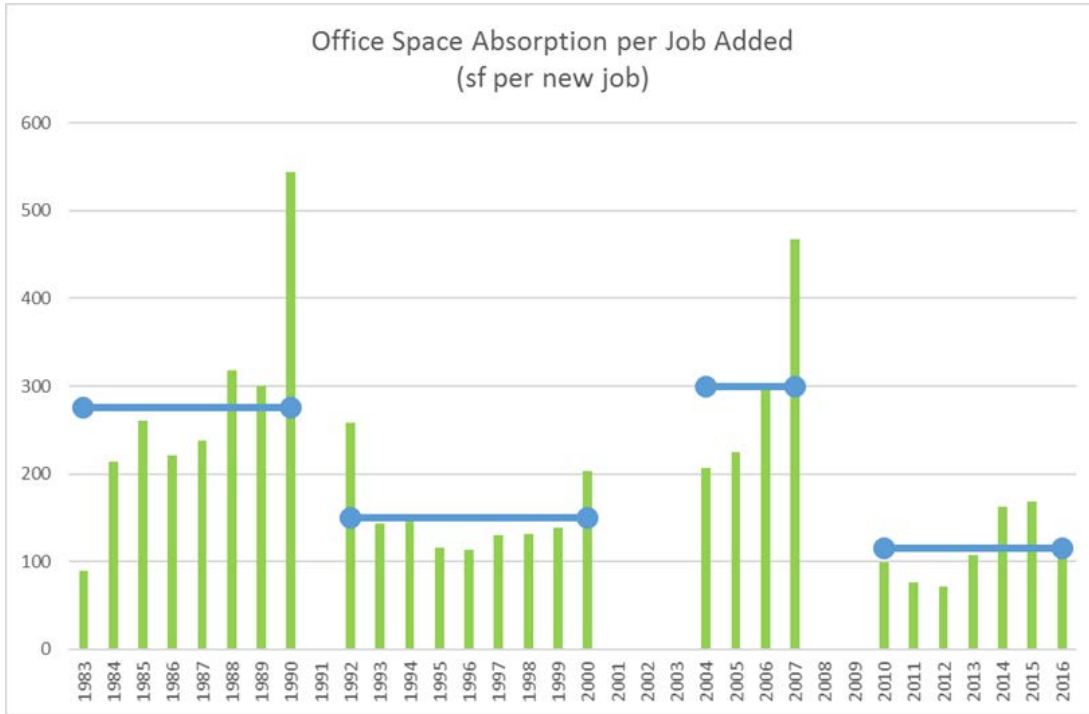
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**MODERN WORKPLACE
STRATEGY DELIVERS
ON COST
MANAGEMENT.....
AT THE EXPENSE OF
EMPLOYEES**



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THE INCREDIBLE SHRINKING OFFICE



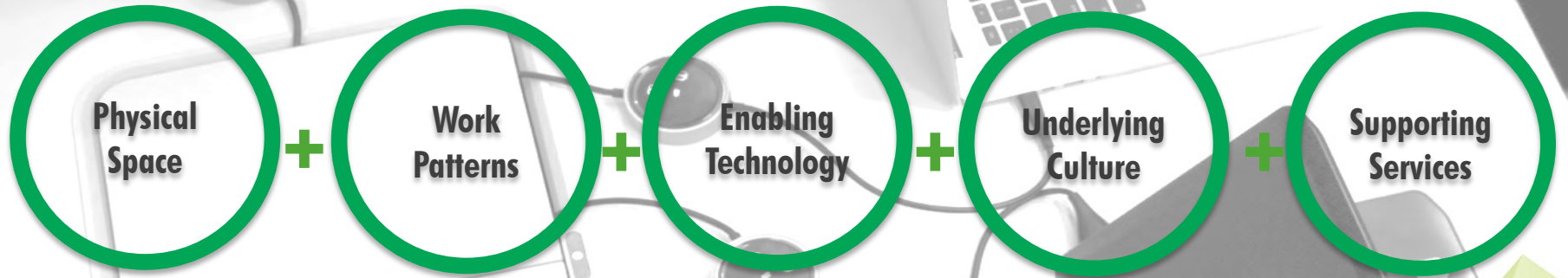
WHY ARE WORKPLACES BEING REINVENTED

Employee Attraction & Retention | Better Collaboration | Cost Savings



WORKPLACE STRATEGY DEFINED

The art and science of creating a work environment that supports how people *actually* work by 5 key factors as part of the overall real estate decision:



OUR PORTFOLIO RESULTS

19

SITES IN THE U.S.

14

SITES IN THE EMEA
AND APAC

15+

SITES IN THE
PIPELINE

7,000+

EMPLOYEES
IMPACTED

1.2M

SF IMPACTED

\$13M

SAVED IN
OPERATIONAL RENT
COSTS

8%

INCREASE IN CAPEX
PSF COST LEASE

25%

LESS SPACE
(APPROXIMATE)

20%

AVERAGE COST
SAVINGS OVER LIFE
OF A LEASE

\$7.7M

STORAGE SAVINGS
(BASED ON SF)

OUR EMPLOYEE RESULTS

71% say they feel healthier in the new environment

80% say they are able to more easily collaborate

83% say Workplace360 has enabled them to work anywhere, anytime

92% say it reflects an investment in our people

93% say they would not go back to the "old" way of working

94%

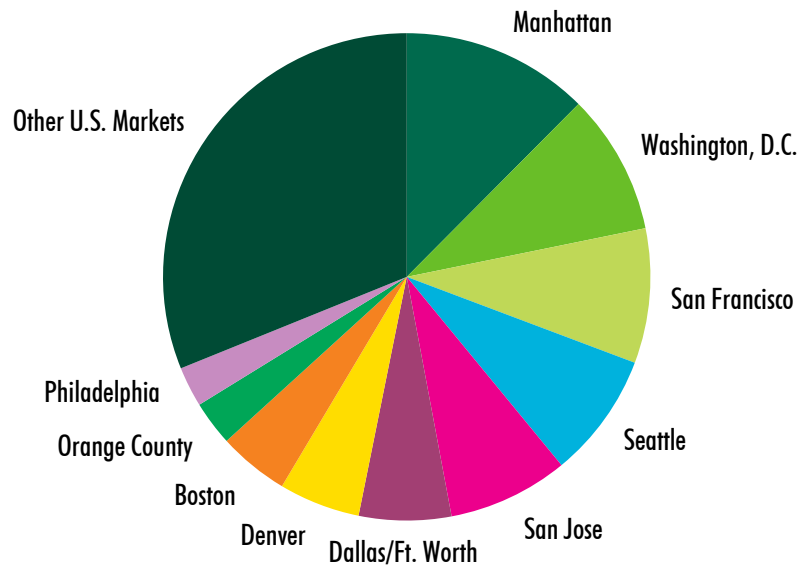
say they are highly satisfied
with the new
work environment

WASHINGTON, D.C. CASE STUDY

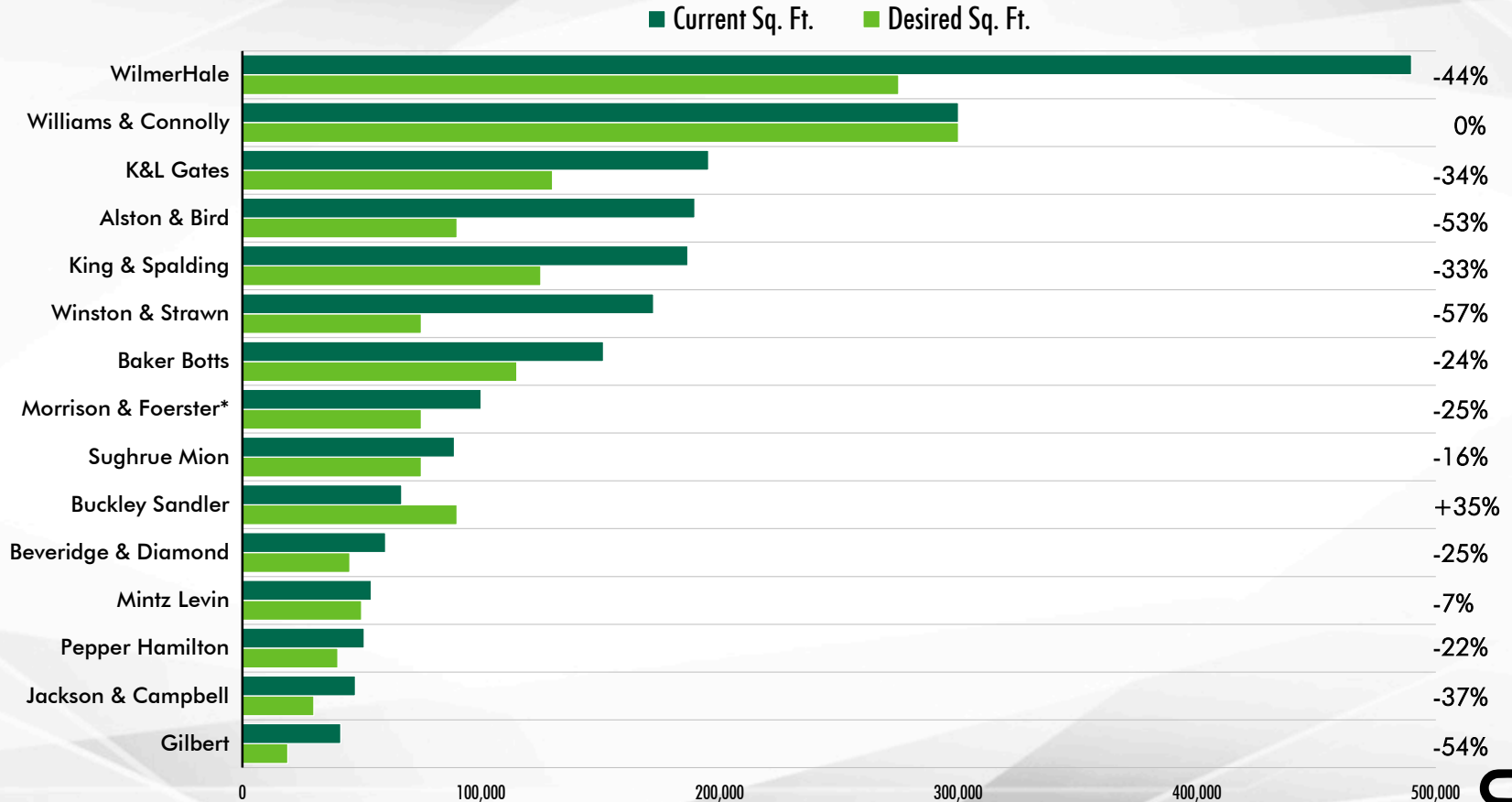


WASHINGTON, D.C. METRO RANKS 2ND FOR OFFICE CONSTRUCTION; 68% OF TOTAL IN THE DISTRICT

Share of U.S. Office Sq. Ft. Under Construction – Q2 2017

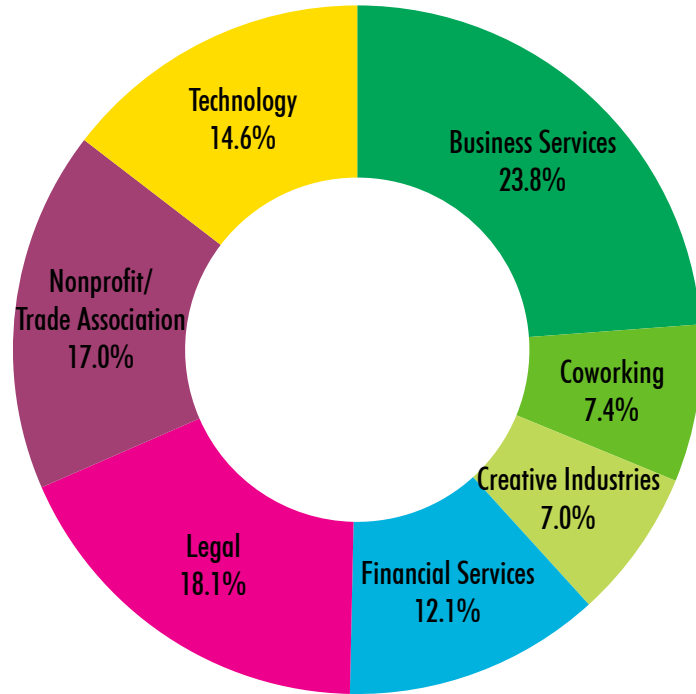


D.C. LAW FIRMS CURRENTLY IN THE MARKET ARE LOOKING TO REDUCE THEIR OVERALL OCCUPANCY BY 30%, SHEDDING A TOTAL OF 660,000 SQ. FT.



* Tenant has signed letter of intent

SINCE 2015, 82% OF SECOND-GENERATION D.C. LAW FIRM SPACE HAS BEEN BACK-FILLED BY TENANTS FROM OTHER INDUSTRIES



Recent Examples of Law Firm Vacancy Back-fills

Tenant Name	Address	Sq. Ft. Leased
Confidential Tech Tenant	575 7 th St, NW	73,840
Confidential Tech Tenant	575 7 th St, NW	52,703
Financial Services Institute	1201 Pennsylvania Ave, NW	12,433
FiscalNote	1201 Pennsylvania Ave, NW	38,411
Quinn Emanuel	1300 Eye St, NW	71,931
MacFadden	555 12th St, NW	175,467
The Aspen Institute	2300 N St, NW	91,395
JLL	2020 K St, NW	68,958
FTI Consulting	555 12th St, NW	93,507

WHAT HAS BEEN ATTRACTING TENANTS?

LOBBY RENOVATIONS/UPGRADES



FITNESS CENTERS & BIKE ROOMS



ROOF DECKS/TERRACES



CONFERENCE FACILITIES



MODERN W
STRATE
ON
.....
A
ENSE OF
EM
LES

BUSTED



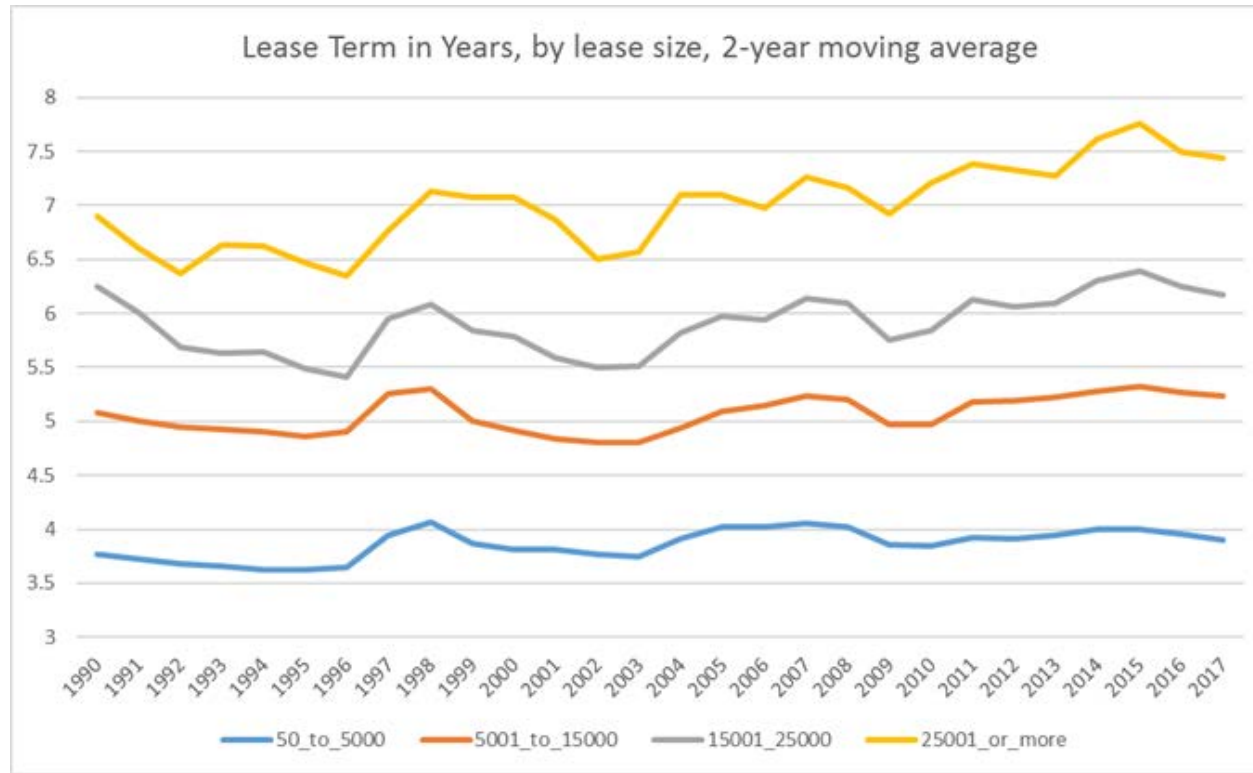
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**REAL ESTATE IS A
LONG TERM LIABILITY
NOT EASILY ADAPTED
TO CHANGING
BUSINESS
CONDITIONS**



CBRE *Build on
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HISTORICAL LEASE TERMS



The background of the slide features a complex financial chart. The top portion shows a candlestick chart with red and green bars, overlaid with several colored lines (green, cyan, red, blue) that represent different data series or moving averages. The x-axis is labeled with months from 'may' to 'oct'. The bottom portion of the chart shows a series of overlapping lines in various colors (green, yellow, red, blue) that fluctuate across the horizontal axis. The overall aesthetic is dark with a grid pattern.

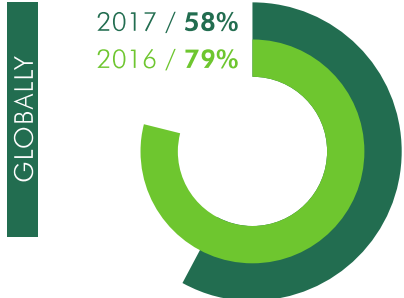
**THE 33-YEAR AVERAGE
TENURE OF COMPANIES
ON THE S&P 500 IN 1965
NARROWED TO 20 YEARS
IN 1990 AND IS FORECAST
TO SHRINK TO 14 YEARS
BY 2026**

Source: Innosight, executive briefing Spring 2016

SPACE EFFICIENCY GIVING WAY TO SPACE AGILITY

Space efficiency strategies still key to cost management...

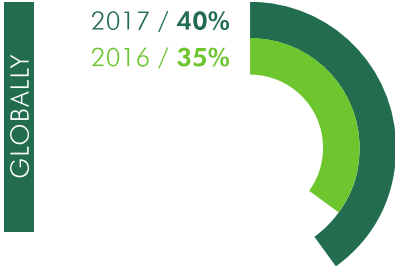
% Of respondents citing space efficiency strategy as a top three cost-reduction initiative



Source: CBRE Global Occupier Survey, 2017.

...But business agility is gaining importance in workplace strategy

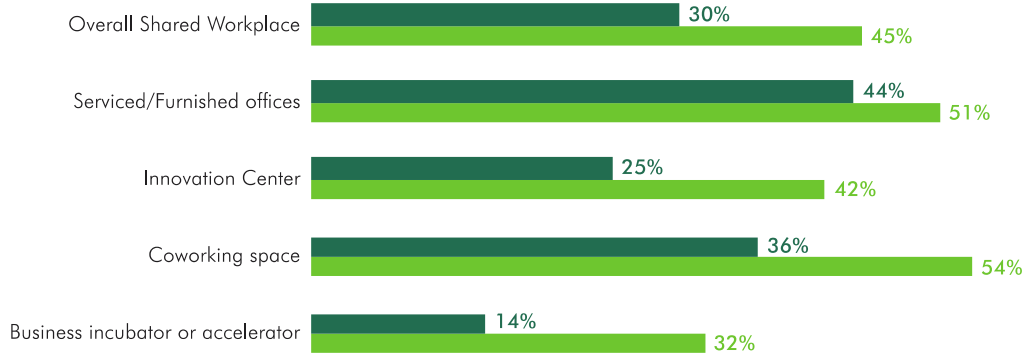
% of respondents that cited business agility as a top three driver of workplace strategy



THE SHARED WORKPLACE SUPPORTS AGILITY

What type of Shared Workplace do you use today? By 2020?

TODAY 2020



SHARED WORKPLACE STATS*

374 Unique
Operators

1,234
Locations

28 M
Sq. Ft.

**across 27 US Markets*



REAL
BUSINESS
CONDITIONS

UNLIMITED



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The Flexible Office Revolution

CBRE Econometric Advisors

September 2017

Real Estate is a long term liability not easily adapted to changing business conditions



Flexible office is a strategic asset enabling occupier agility and investor returns in the face of changing business conditions.

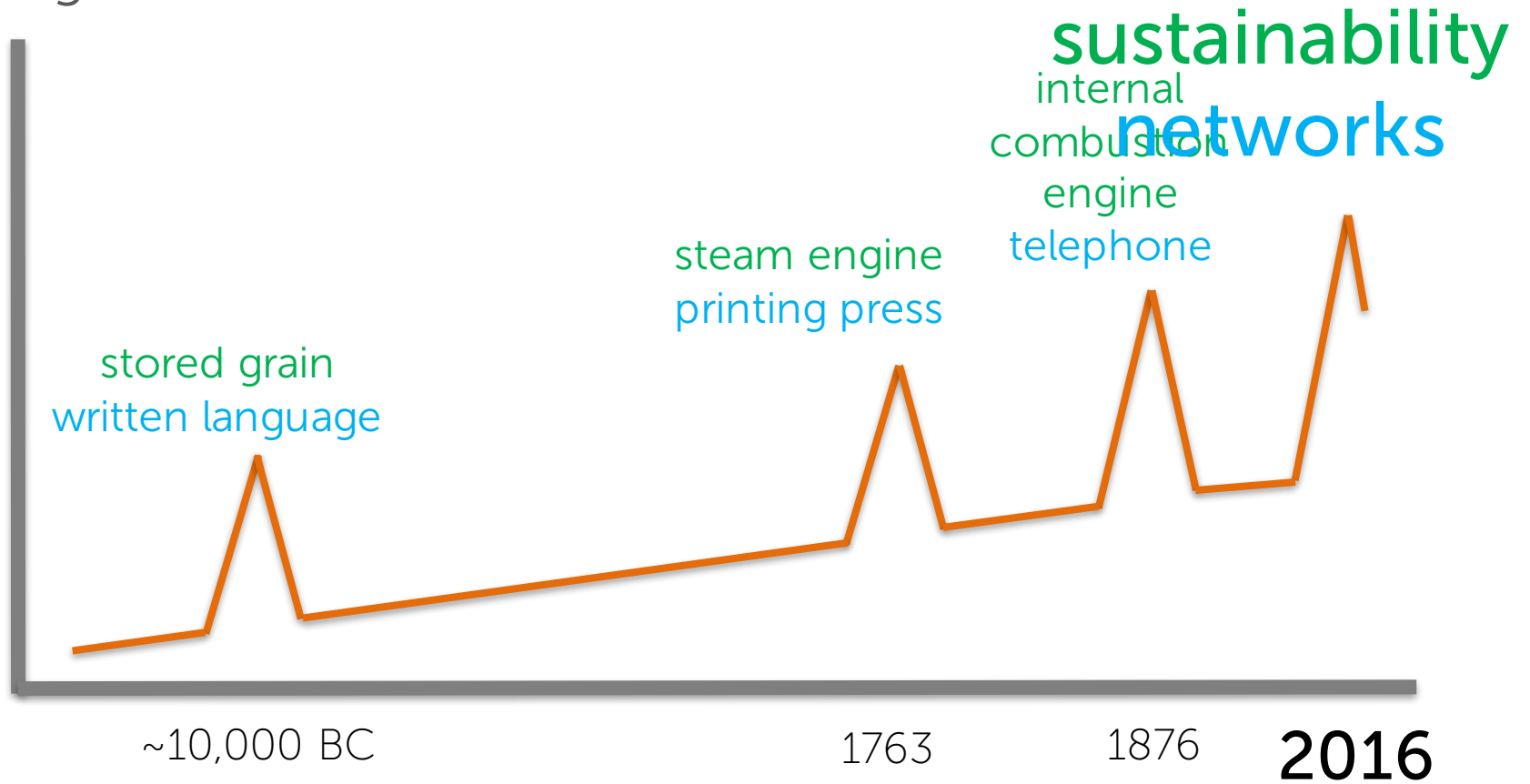
Ages of Revolution

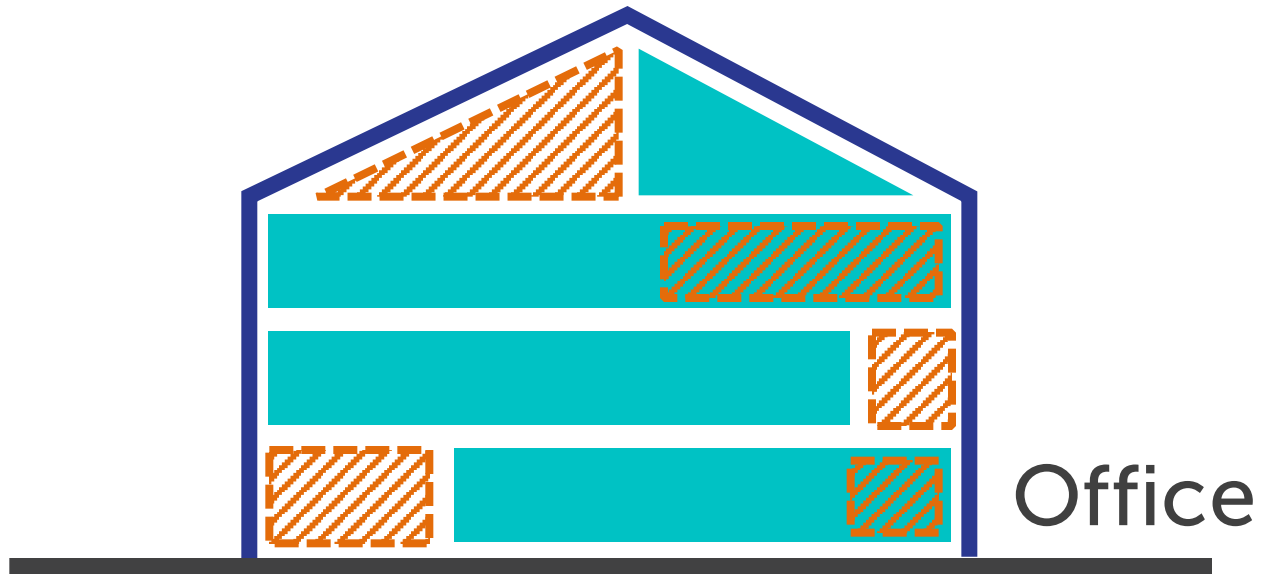
- Government
- Commerce
- Transportation
- Wealth
- Construction
- Work

Change

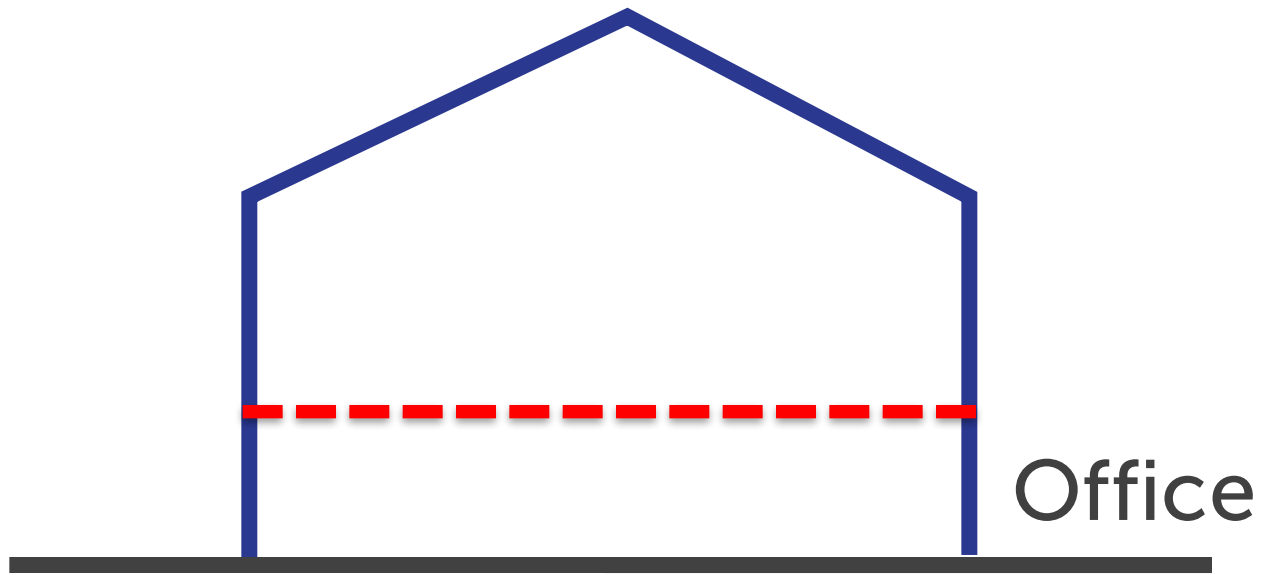


Change





Office



79%

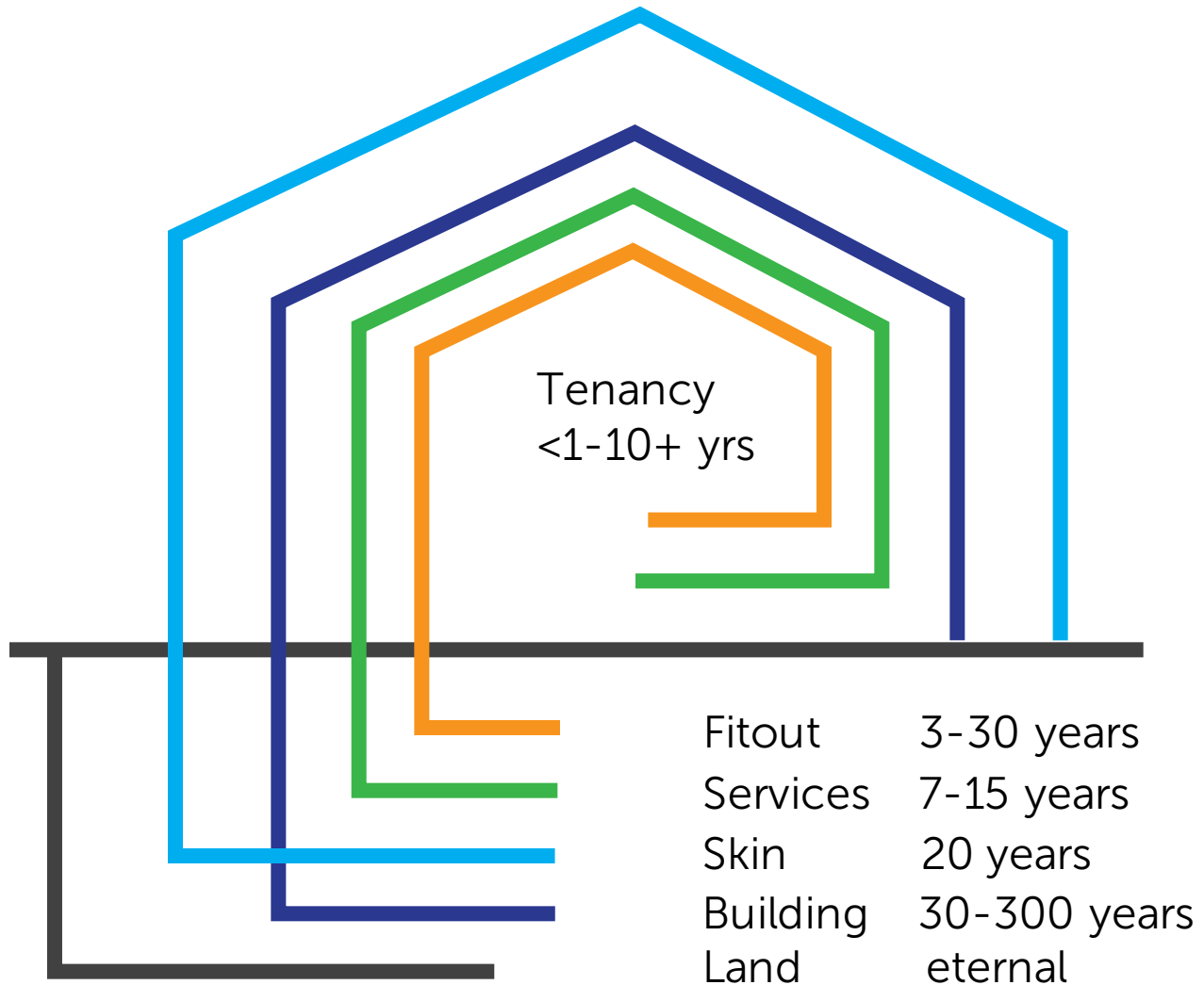
of electricity
consumption

39%

of carbon
footprint

30%

typical
utilization



The New Dimensions of Tenancy

Core + Flexible

Core

Flexible



HQ

1000s
employees
Decades



Satellites

10s-100s
employees
Years



Projects

10s
employees
Months



Mobility

1
employee
Hours

- Workplace mobility
- Startups & SMB job creation
- Rise of the contingent workforce
- Accelerating business cycles
- New accounting standards
- Sharing economy sensibilities



LiQUIDSPACE®

my personal
office



UBER

my personal
driver

Upwork

my personal
workforce



amazon.com
Prime

my personal
store

 airbnb

my personal
castle

What customers want



SIMPLE

\$

SPEED

aspirational experience

reduces complexity

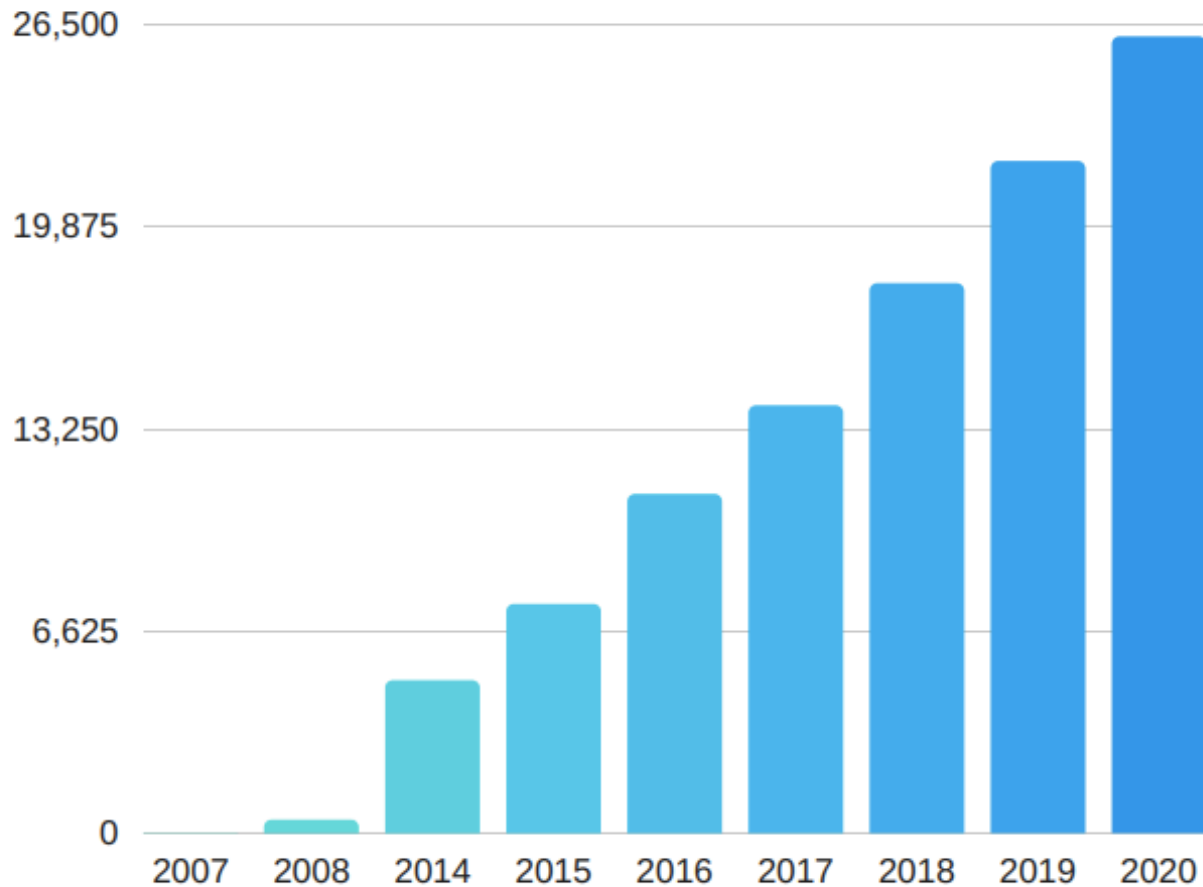
economic

anywhere, anytime



Coworking supply growing rapidly

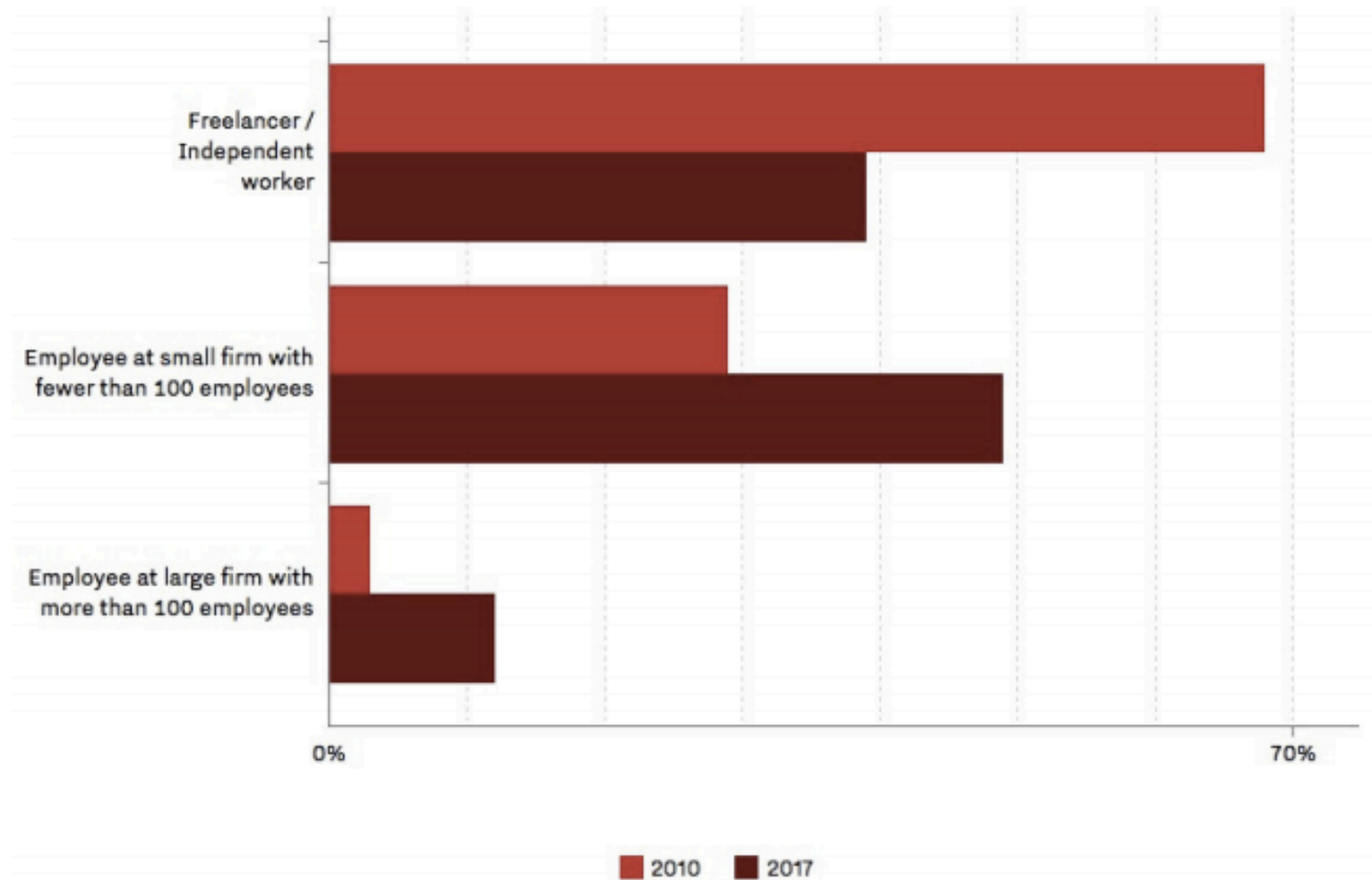
Global locations



Source: Emergent Research 2016
Coworking Forecast



Corporate demand a major driver of Coworking growth



Source: Emergent Research

Flexible Office

Rise of a new asset class



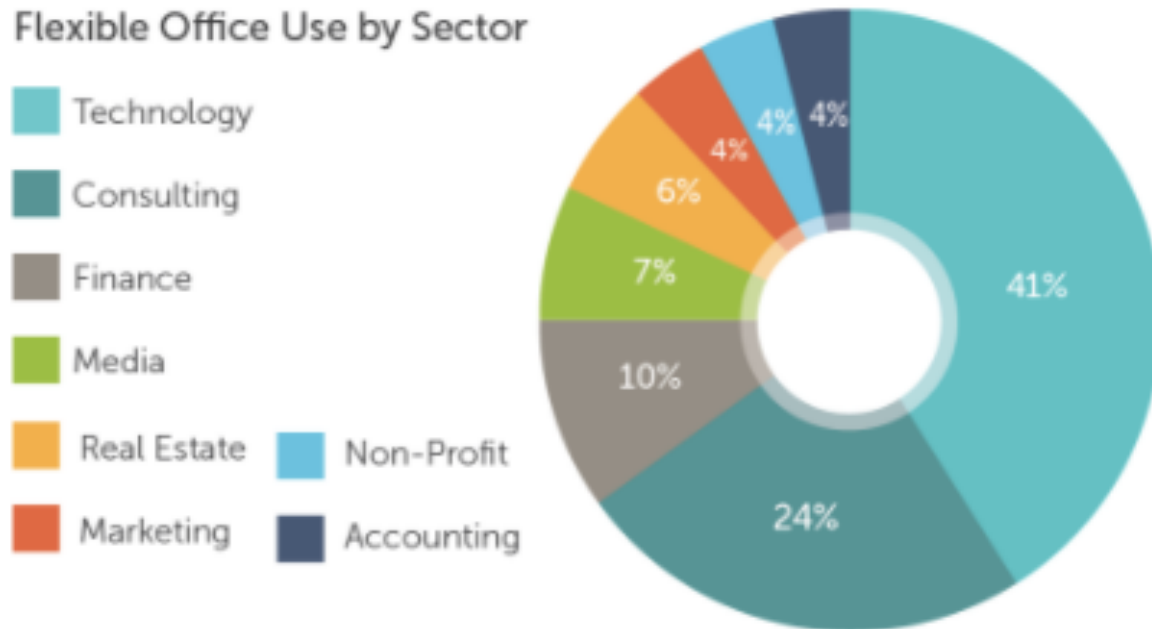
Coworking spaces,
Serviced Offices and
Hotel operators providing
space on demand

Tenants with extra space,
sharing space with other
companies

Landlords renting space
on flexible terms.



Flexible Office has broad demographic appeal



Source: LiquidSpace



Flexible Office has broad geographic reach

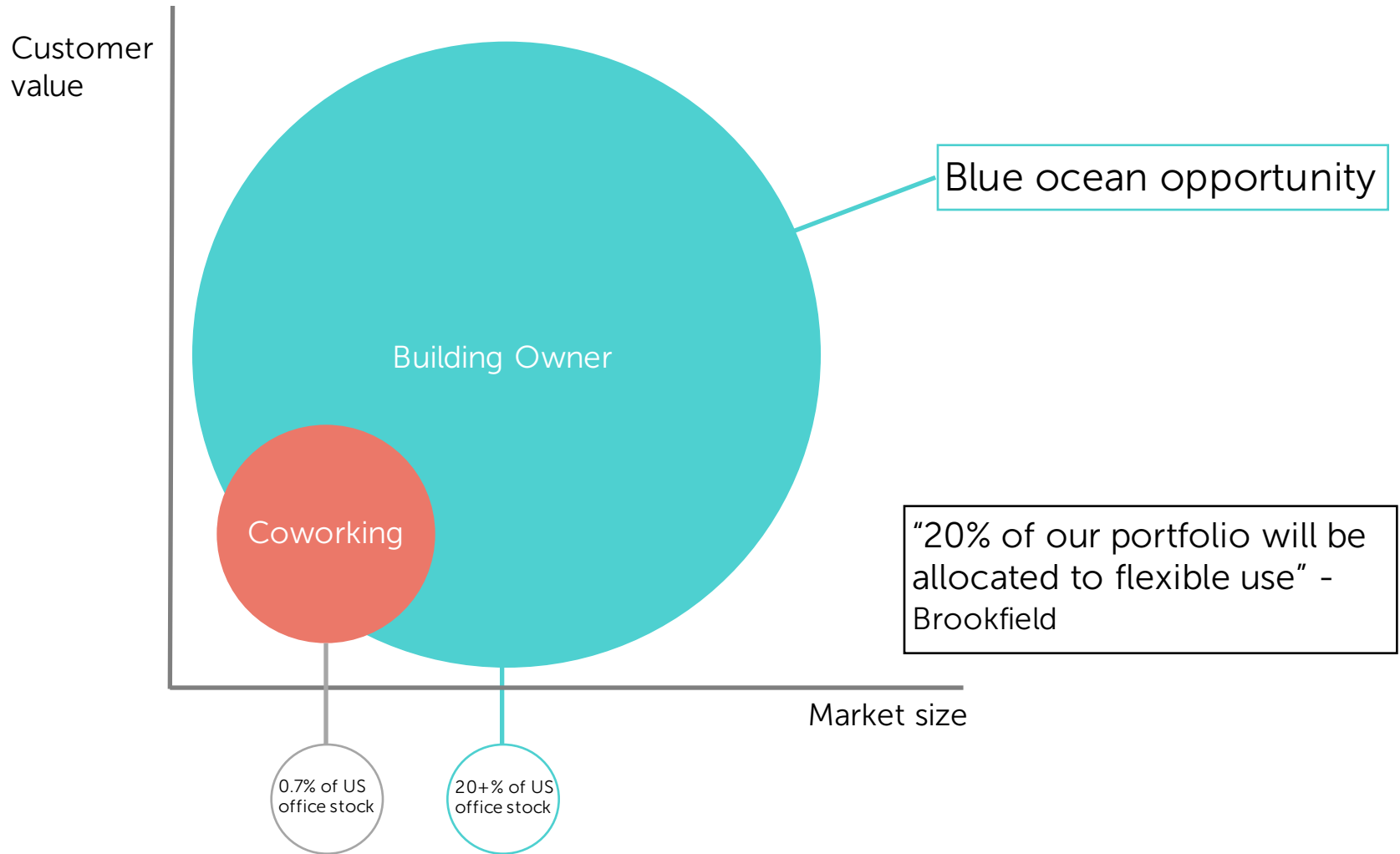
Current Available Workspaces in Top 25 US Markets



Source: LiquidSpace

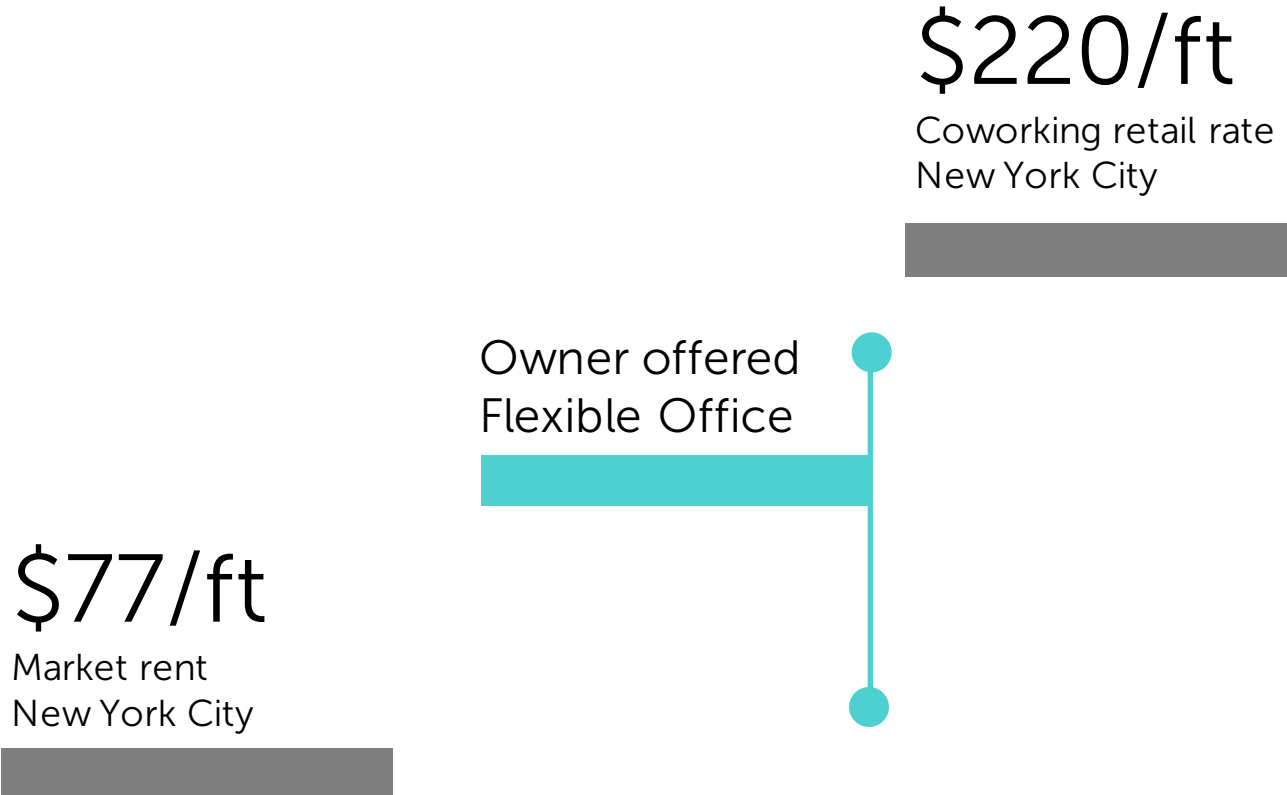


Why should owners care?



Why should owners care?

The Flexible Office premium



\$77/ft

Market rent
New York City

Owner offered
Flexible Office

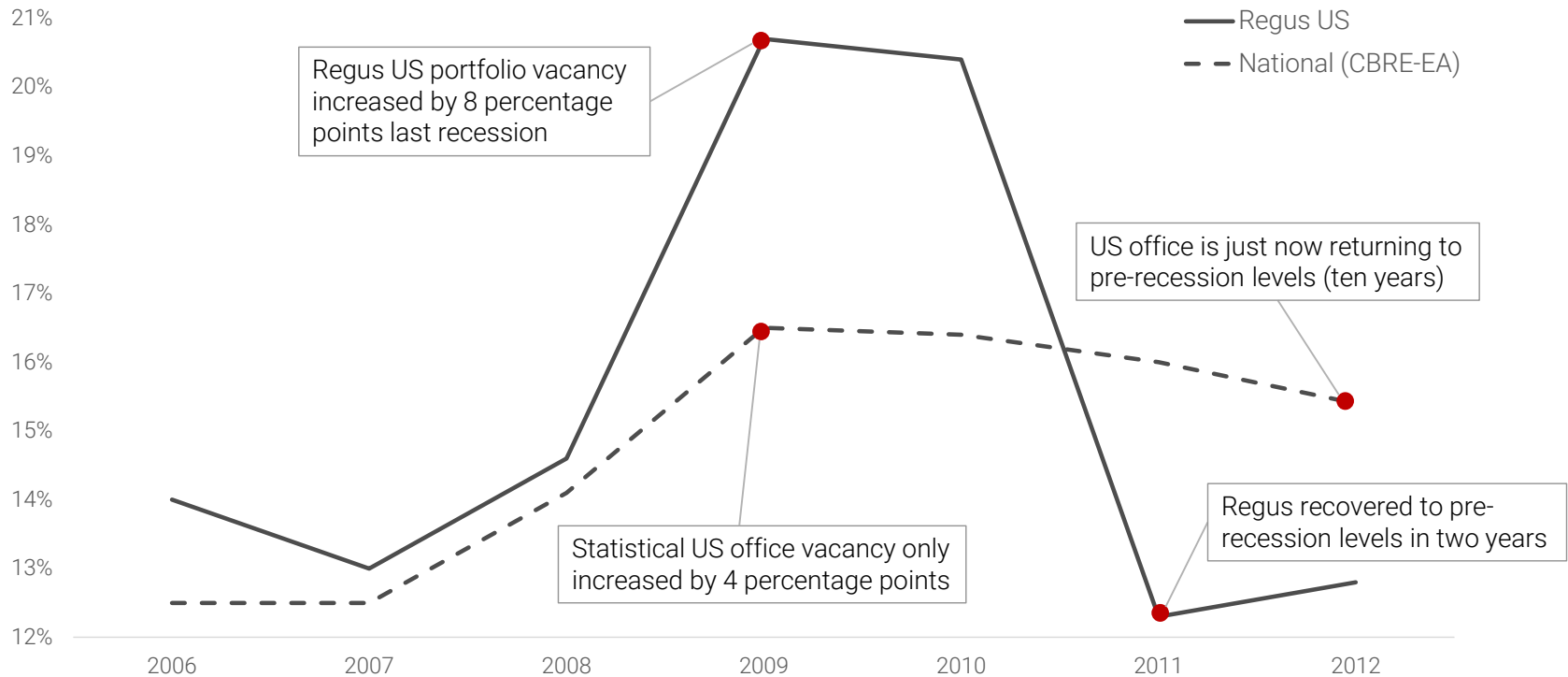
\$220/ft

Coworking retail rate
New York City



Why should owners care?

Performance through cycles



Will capital markets value Flexible Office?

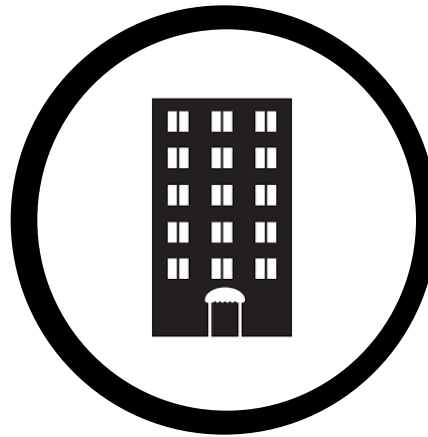
There is precedent for flexible term asset classes that produce durable revenue streams and yield strong investor returns



Flexible Office



Hotel



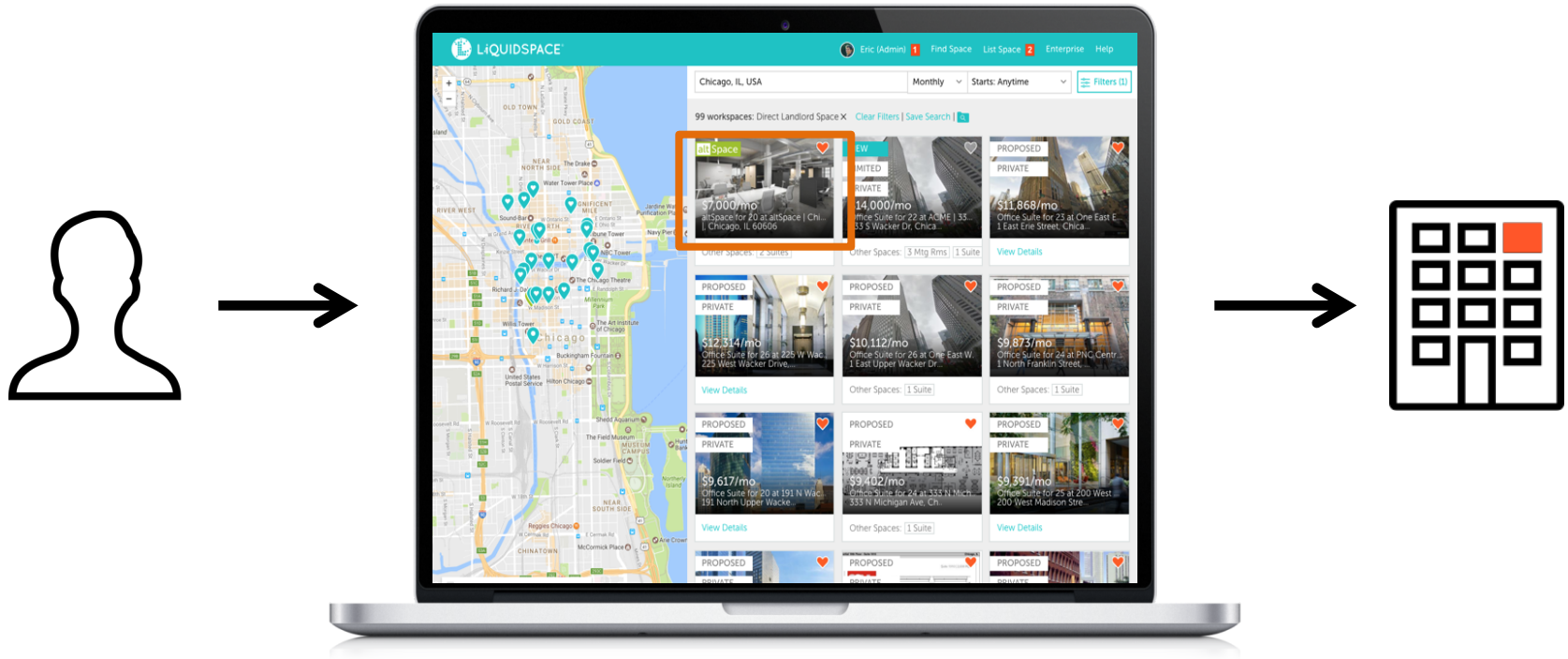
Apartment



Self Storage



The LiquidSpace platform



Rent space on flexible terms, directly from landlords, coworking spaces, serviced offices and private businesses.

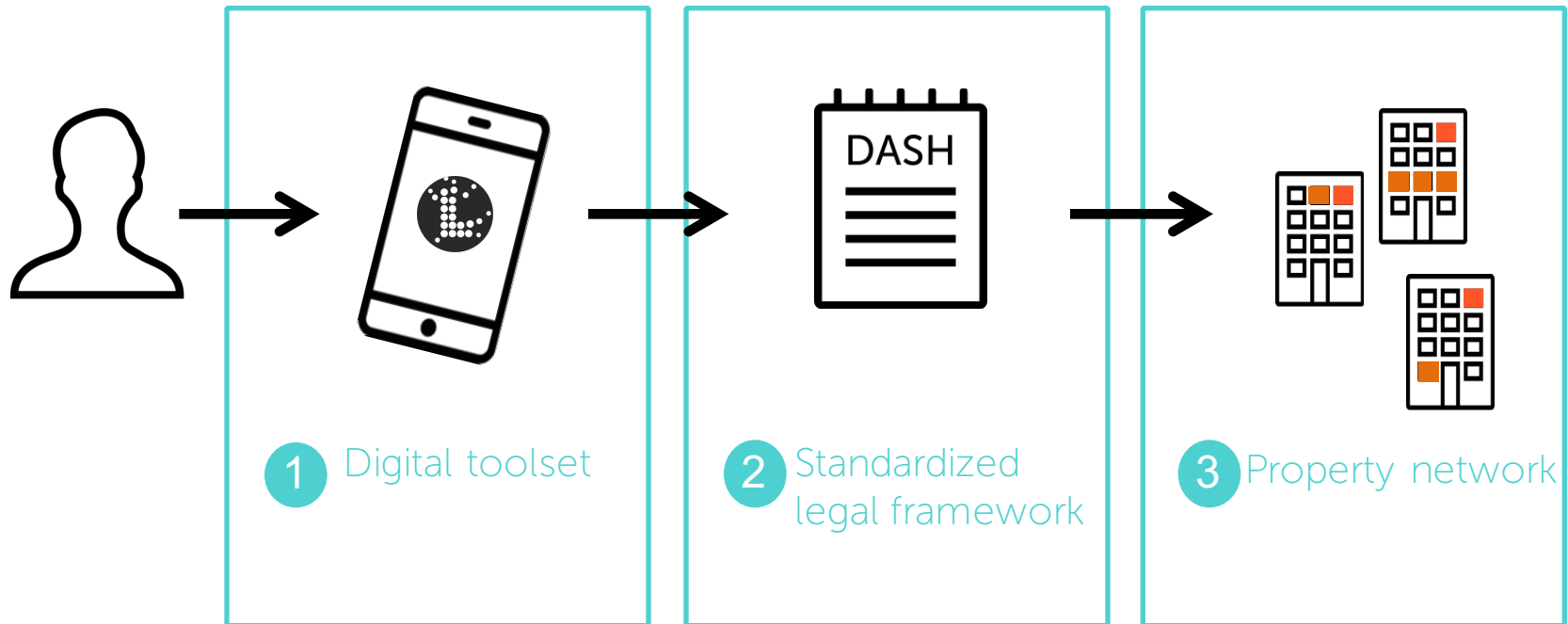
70,000
Companies

3M+
Transactions

2,400
Locations



Three critical innovations



Online. Simple. End to end.



Property in the LiquidSpace Network

Offering unrivaled workplace choice and preferential terms

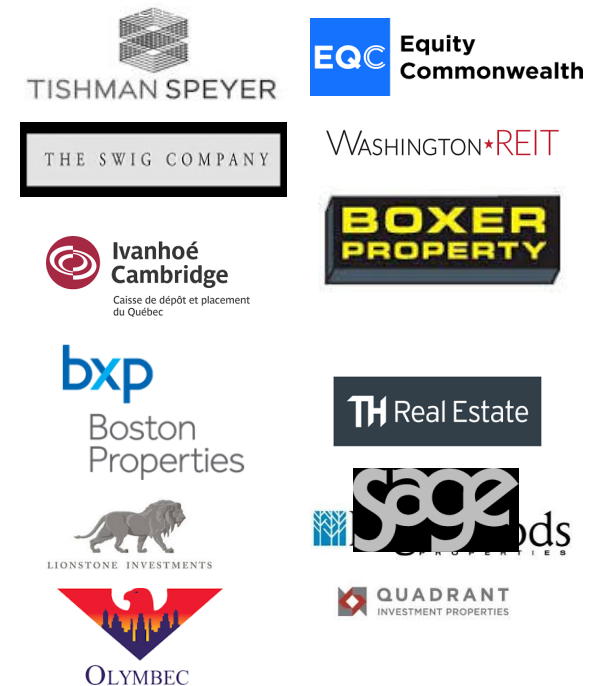
Workspace-as-a-Service



Private Businesses



Landlords

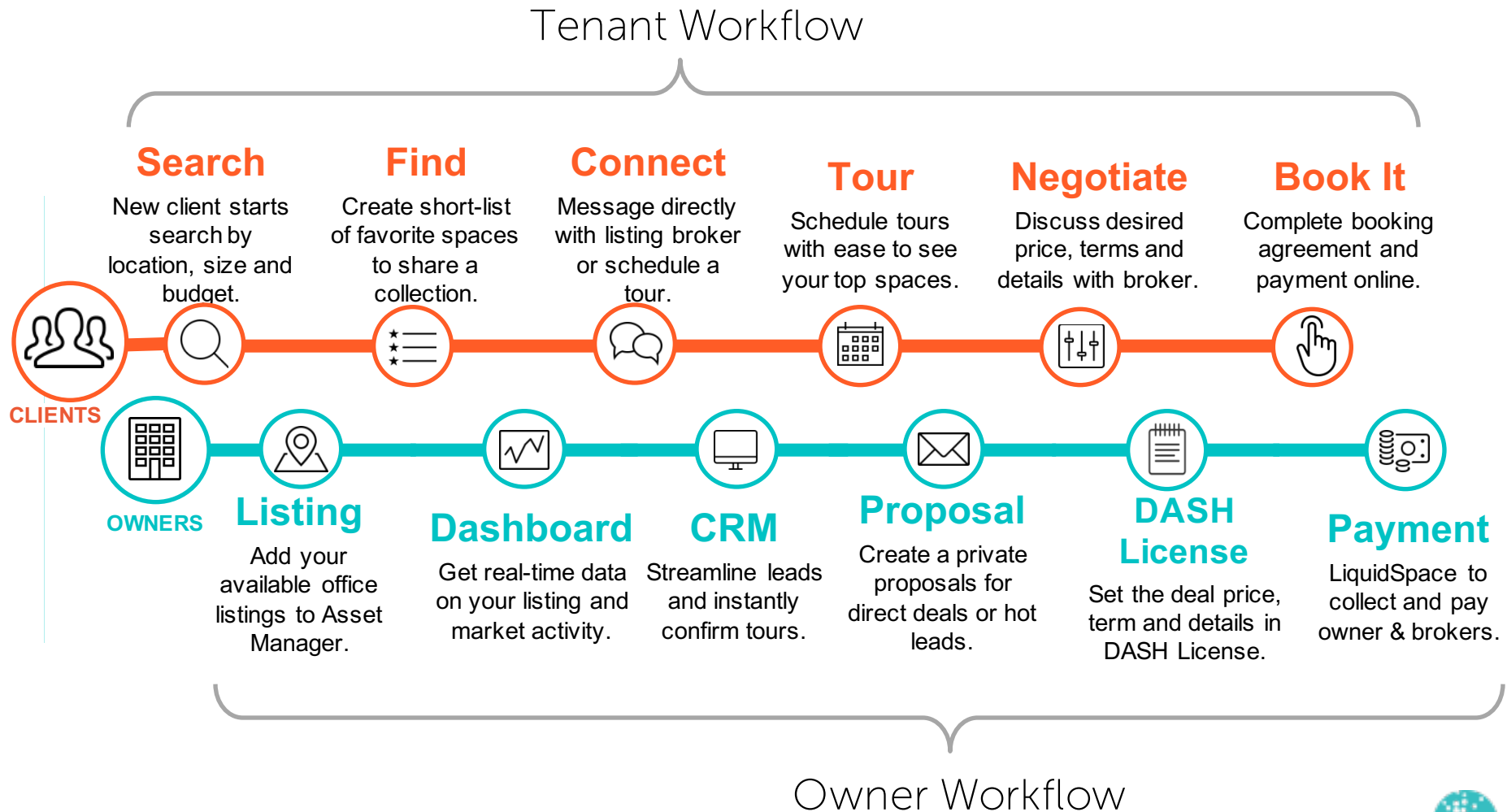


And many more



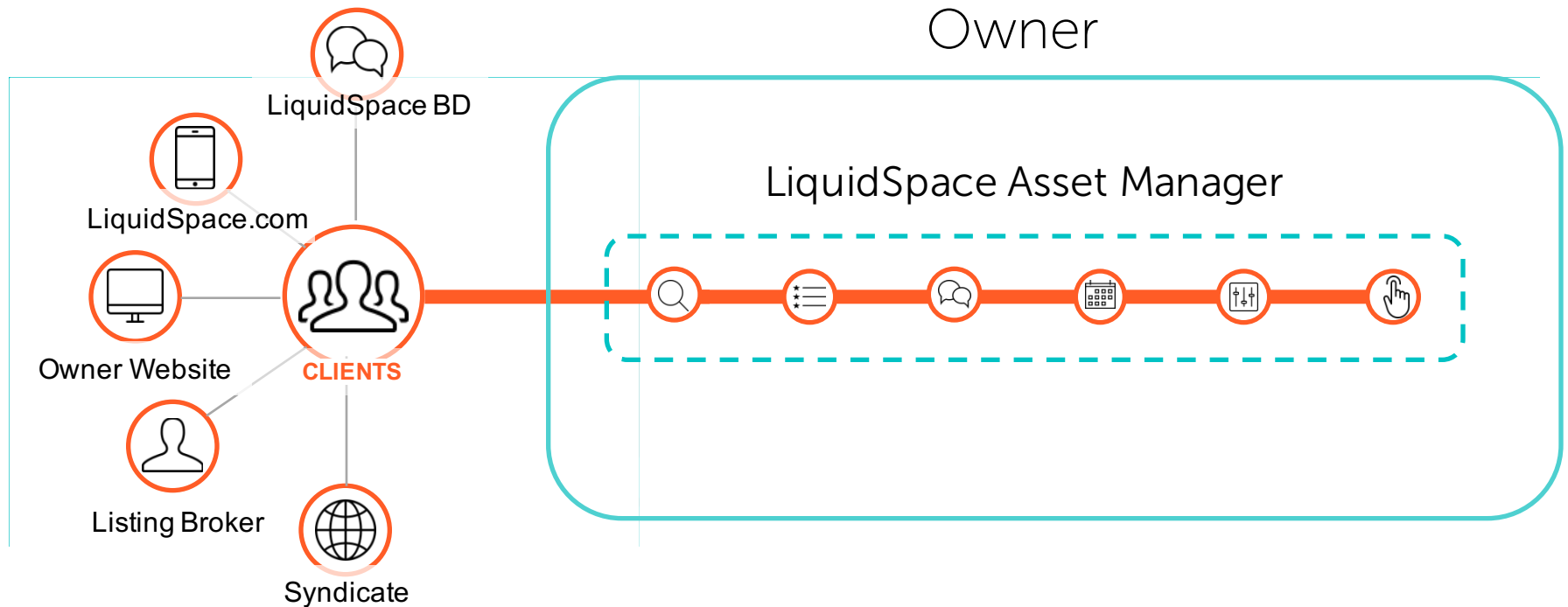
LiquidSpace Asset Manager

Automating office leasing, end-to-end



Expanding Owner Reach

Omni-channel engagement with your end-to-end online leasing workflow



Owner Direct

Online leasing workflow at your front door



View Available Spaces



220 Montgomery Street
San Francisco, California

THE SWIG COMPANY ABOUT PORTFOLIO INNOVATION CONTACT

- 399 West El Camino Real Mountain View, CA
- 444 Castro Street Mountain View, CA
- 300 Lakeside Drive Oakland, CA
- 901 Battery Street San Francisco, CA
- 501 Second Street San Francisco, CA
- 555 De Haro St San Francisco, CA
- 350 Treat St San Francisco, CA
- 369 Pine Street San Francisco, CA
- 220 Montgomery Street San Francisco, CA
- 500 Pine Street San Francisco, CA
- 350 Bush Street San Francisco, CA
- 1 Beach Street San Francisco, CA
- 274 Brannan Street San Francisco, CA
- 115 Sansome Street San Francisco, CA

THE MILLS BUILDING

Stunning open-plan creative spaces and traditional professional space

- Abundant telecom/fiber infrastructure
- LEED Gold Certified
- Onsite parking for tenants and visitors
- Onsite bicycle parking

[Property Website](#)

View Available Spaces

POWERED BY LIQUIDSPACE

Location

220 Montgomery Street
San Francisco, California

Use
Office/Retail

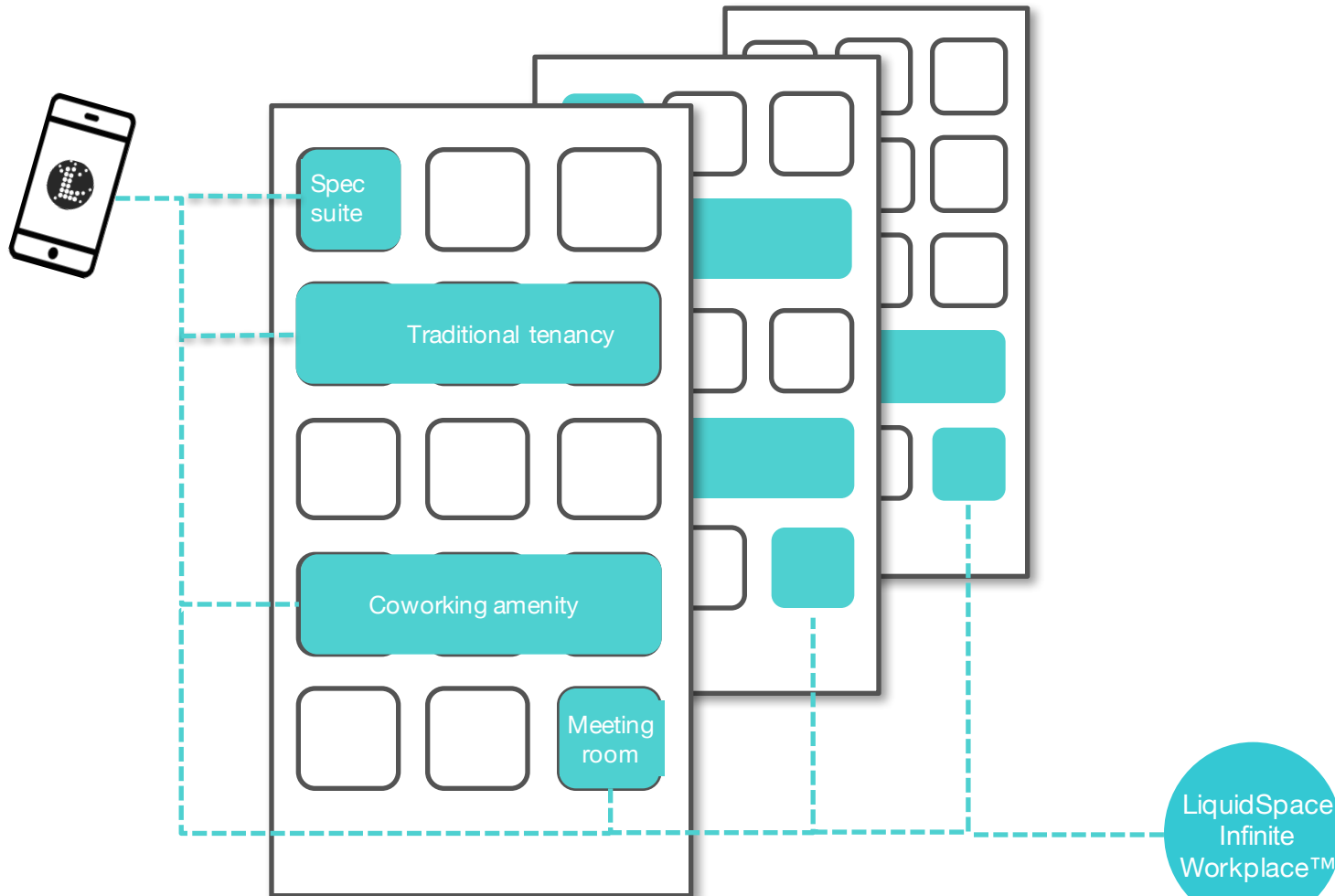
Year Built/Renovated
1891 & 1931 (Mills Tower) /2002 -2003

Architect
Burham & Root



Whole building activation

Reimagining the building as a network/community

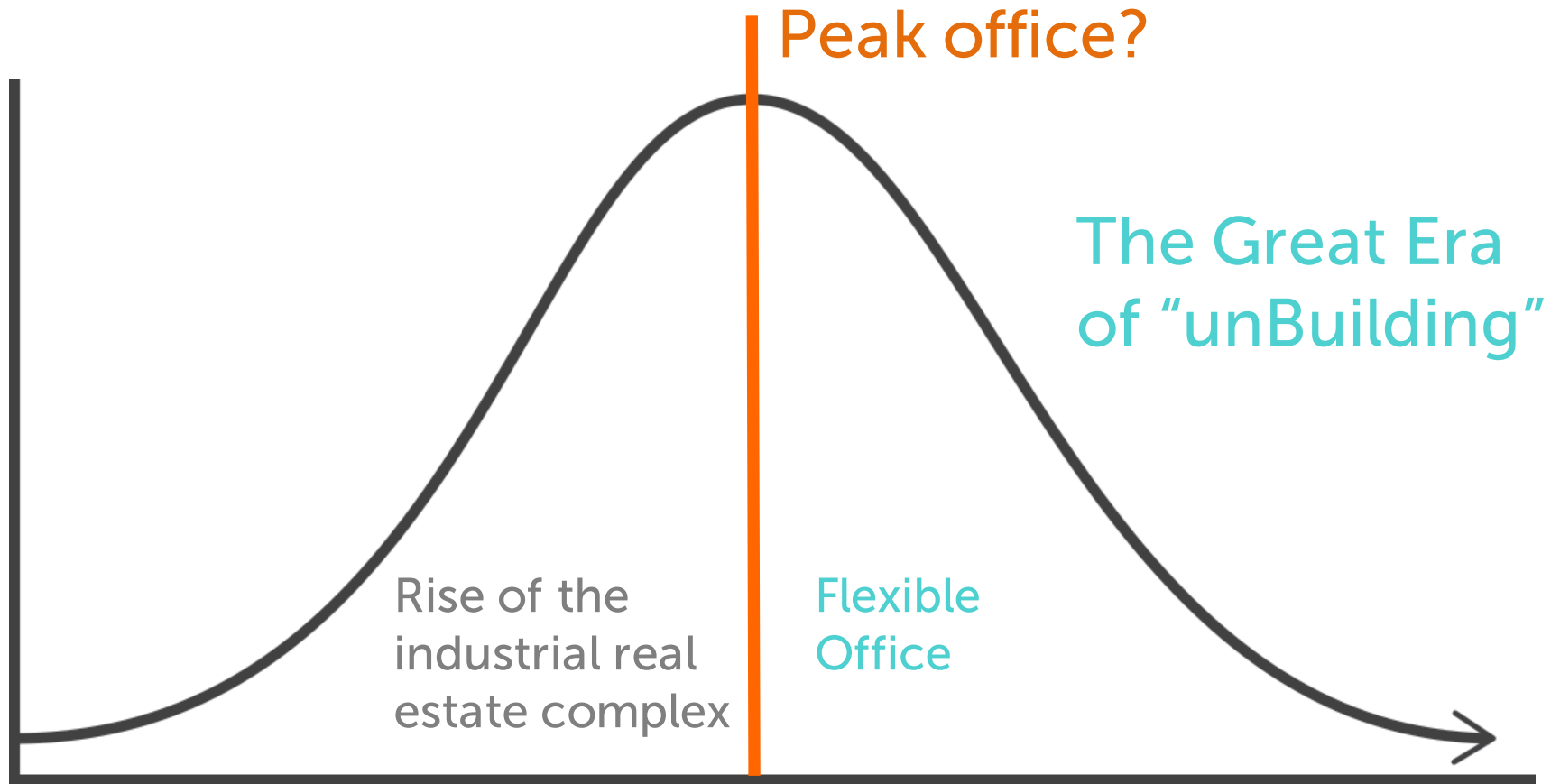


Whole portfolio activation + Extended tenant privileges



"Alexa, add 500 seats in Chicago.
Release 200 seats in Houston
and 300 seats in Miami"

"Done."



THANK YOU

MYTHBUSTERS: PERCEPTION OR REALITY?

ALEX KRASIKOV | Economist

JULIE WHELAN | Americas Head of Occupier Research

ANDREA CROSS | Americas Head of Office Research

MARK GILBREATH | Founder & CEO, LiquidSpace



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