Out of thin air: How the sharing economy is transforming office space

Following decades of consumerism, overproduction and manufactured obsolescence, a new kind of industry is transforming the way we spend. Focusing on the utilisation of untapped resources, the sharing economy is empowering consumers like never before. Fuelled by the explosion of digital technology, the rise in smartphones and accompanying apps has created a marketplace in every consumer’s pocket.

Bypassing traditional customer-vendor relationships, companies like Airbnb and Uber have transformed the hospitality and transport industries without owning a single vehicle or hotel. Acting as concierge, classified ad and cashier, many companies in the sharing economy use slick, sophisticated software to mediate between seller and buyer. According to Forbes, “The share economy blows up the industrial model of companies owning and people consuming.”

This means—in theory—a democratisation of the marketplace for individuals; the ability for anyone to rent out their home or their car to a stranger, with the hard work performed by an algorithm.

Making money out of otherwise wasted products is hardly a desire limited to consumers. Whilst advances in the business-to-business sharing economy have arguably lagged behind the consumer marketplace, the corporate world is starting to catch up. One example of this comes in the form of flexible, short-term office lets.

LiquidSpace, a Silicon Valley workspace network, has adapted the Airbnb model for business clients. Launched in 2010 as a platform linking companies and workers without a dedicated office to property owners with empty space, the company matches guests and hosts with by-the-hour or by-the-month rental services. Like holidaymakers on Airbnb, professionals can search for and book office space in cities around the world from their smartphones.

Offering everything from individual desks to entire warehouses, LiquidSpace boasts landlords from Australia to the USA, with New York City, San Francisco and Philadelphia offering over 400 spaces each. Fuelled by start-up culture, increasing ranks of freelancers and small business coworking, a recent company report argues that flexible workspaces can improve health, well-being and productivity.

The initial success of the company’s flexible model attracted the attention of the Marriott hotel group, who, in 2012, began a partnership with LiquidSpace to rent out underutilised conference rooms on-demand to business guests. Commenting on the high demand for the service, Marriott’s Chief Sales and Marketing Officer and initial brain behind the deal, Peggy Fang Roe told Harvard Business Review, “It wasn’t just hotel guests reserving spaces, but also locals—from lawyers to independent workers to consultants.” By 2014, the participating number of Marriott hotels had risen ten-fold, from 40 to 432 across the USA. For hotels losing customers to Airbnb, LiquidSpace could offer a way to harness the potential of the sharing economy in a traditional business setting.

Moving beyond the its software platform, the company launched the “altSpace” programme this February, by which tenants can order bespoke “office fit-outs”– low-cost, pre-fabricated kits to augment and furnish an empty workspace with stylish cubicles, chairs and even WiFi. True to the principles of the sharing economy, components of the kits are designed for reuse by multiple clients. Intended to attract a new set of landlords with blank commercial spaces, as well as tenants without the budget or permission for structural refits, altSpace “eliminates the costs and complexities of traditional leasing.”

Aiming to assure sceptical customers familiar with pitfalls of long-term leasing, LiquidSpace has branched out from day-to-day renting to monthly rolling agreements. Its trademarked “DASH” licensing rules must be signed by both host and guest in advance of tenancy. According to the company, this “standard” legal document is short, simple and balanced, “to protect both you as the host and your guests”. Offering cancellation and payment policies, independent deposit holding, defaulting guidelines and liability support, LiquidSpace argues that a DASH license is better than a traditional lease, offering inbuilt flexibility, and options to tailor agreements through easy-to-use online forms.

Seeking to win over landlords and tenants looking for flexibility and an easy way to make the most out of empty rooms, online rental marketplaces could be a dream-come-true for start-ups, freelancers and established companies alike. But, could the all-in-one estate agent, solicitor and interior designer face the regulatory hurdles that have dogged consumer-oriented Airbnb?

One of the biggest problems faced by Airbnb is the fact that many properties advertised through the service fail to comply with local housing laws. The company has been fined by authorities in Barcelona, with officials in cities such as San Francisco and New York expressing concern over failures to comply with existing regulations.

Adapting to the pressure, Airbnb has attempted to make users aware of local regulations, going as far as adding city taxes to guest’s bills in addition to pricing strategies set out by hosts.

Citing the impact of Airbnb on property prices and the hotel industry, Berlin introduced a ban on short-term residential rentals last year, even launching a tip-off website for those illegally using the platform. City judge Rautgundis Schneidereit commented: “The availability of affordable housing is severely threatened in the entire city of Berlin and the regulation is therefore justified.”

LiquidSpace’s terms and conditions require that hosts are “solely responsible for maintaining the space in safe condition and in compliance with all applicable laws, regulations and ordinances and any applicable building requirements.” However, the company’s hosts are nonetheless third-party landlords with relatively little vetting. There is no guarantee that an office will look like the pictures, let alone that it will meet local commercial property regulations and tax requirements.

While cities do not seem to have started cracking down on by-the-hour office letting, the business-to-business rental market could face Airbnb-style bans if local authorities believed that short-term commercial lets were, for example, inflating property prices.

It could also be argued that LiquidSpace has moved away from its original sharing economy roots, with both its foray into IKEA-style furnishings, and the progressive increase in available lengths of lettings. When the company started, a space could be hired for a maximum of two days. Now, bookings can be secured for two years, inching closer to traditional lease lengths.

Perhaps this is a sign that traditional models have endured for a reason. Or maybe, it’s a fluid response of the sharing economy to the differing demands of flexible workers. LiquidSpace’s expansions still follow the basic principles of collaborative consumption; utilising untapped resources and thriving in a market increasingly characterised by lending over ownership. Offering over 4,500 workspaces in the US alone, the appeal of LiquidSpace’s on-demand property market shows no sign of evaporating.