



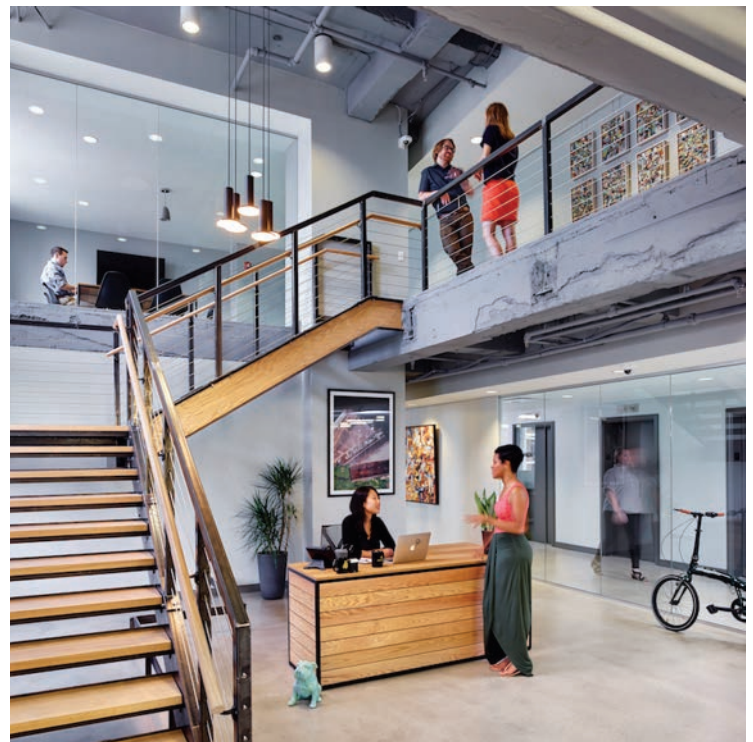
CENTER CITY REPORTS:
**PHILADELPHIA'S
INDEPENDENT ECONOMY:
IMPLICATIONS FOR OFFICE SPACE**

SEPTEMBER 29, 2015

CENTER CITY DISTRICT &
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

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IT IS NOT MILLENNIALS WHO DOMINATE THE WORLD OF THE SELF-EMPLOYED, IT IS THE MIDDLE-AGED WHO VENTURE OUT ON THEIR OWN BY BUILDING UPON NETWORKS AND RELATIONSHIPS THEY ESTABLISHED WITHIN THE WORLD OF "TRADITIONAL" WORK.

Since 2000, there has been growing interest, particularly within cities, in the economic activity of self-employed individuals, freelancers and entrepreneurs operating alongside salaried workers in traditional firms. Termed the project, on-demand, 1099, or gig economy, its participants include independent proprietors, start-up entrepreneurs, as well as salaried workers with side engagements for which they are compensated as independent contractors.

The most comprehensive overview of this trend was offered by *The Economist* in a January 3, 2015, article titled, "The Future of Work." Structural changes to the economy, the magazine noted, driven largely by digital technology, powered by apps like Airbnb, TaskRabbit, Handy and Uber, have untethered workers from employers, diminished the role of the traditional firm and salaried-employee structure and unleashed a new wave of start-up businesses and independent workers. Lightweight tablets, hand-helds and cloud storage have also increased the mobility of traditional employees and made possible open-office and common-area space plans, reinforcing worker flexibility.

The greater facility of younger workers with digital platforms and social media lead many to conflate these diverse trends into predictions of millennial-led transformational change.¹ The most exuberant suggest that 40% of the workforce could be independent within 15 years, leading to a total restructuring of the economy that emerged in the late 19th century, built around large firms employing wage and salary workers.²

1: In a commentary essay in the *New York Times* on September 7, 2015, the executive director of the Freelancers Union makes the extraordinary assertion that 38% of millennials are freelancers.

2: One major source for these projections is an April 20, 2015, U.S. Government Accountability Office (GAO) report, *Contingent Workforce: Size, Characteristics, Earnings, and Benefits*, which included an estimate, based on 2010 data from the depths of the recession, that as much as 40.4% of the labor force were "contingent workers." They arrived at this number by combining contract workers, on-call workers, independent contractors, self-employed workers and part-time workers, including those who may have also had full-time jobs. The 40.4% figure was up from 35.3% in 2006, with almost all the gain coming from growth in part-time workers.

If we are experiencing a paradigm shift, then many existing business structures will have to adapt, including the commercial real estate office market. Most commercial office buildings are owned by institutional investors and real estate investment trusts that need to deliver a return to investors. Leasing is built around stable and growing firms that can make long-term contractual commitments for space. But neither independent workers nor small start-ups are likely to contract for large blocks of traditional office space, nor do many have the financial credit or track record to secure a long-term lease.

But, independent proprietor activity can be aggregated by intermediaries. Within the last decade, locally grown coworking spaces have emerged in Philadelphia to meet the space needs of mobile and untethered workers, largely in older buildings, often owned locally, and not usually counted in the inventory of commercial office space. Recently, a series of multi-city national groups have opened spaces in more traditional office buildings, joining local coworking operators in a market that currently occupies approximately 200,000 square feet in 16 different locations throughout Greater Center City and University City. Several major players are about to announce new locations. But at the same time, the recent closure of some coworking establishments suggests that ambitious predictions of workplace transformation might be overstated.

This report was undertaken to estimate the size and potential for growth of Philadelphia's independent economy, to understand better the makeup of the untethered workforce, some of whom are occupying coworking space, and to explore the potential relationships between coworking and traditional office space in Center City. The report looks first at national and local publicly available data; it offers a more fine-grained analysis of

Philadelphia trends, enhanced by information provided by the managers of four major coworking spaces in Center City and by an online survey of independent workers conducted by CCD/CPDC in the summer of 2015. It concludes with the implications of these trends for economic and business development in Center City.

SIZING THE INDEPENDENT ECONOMY

NATIONAL INDICATORS: Most measures of employment focus on the traditional economy in which firms employ workers on a salaried basis. Routine reports from the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) are compiled either by surveying firms and government agencies or by counting the number of jobs in administrative records — relying primarily on state unemployment insurance programs, so-called “covered employees.” If a worker receives a salary and a W-2 form, they are counted. If a self-employed individual is incorporated as a business, then they are counted as a wage and salary worker. Otherwise, they are off the radar screen.

To attempt to capture the world of workers who exist outside traditional salaried relationships, the Bureau of Labor Statistics also publishes estimates of labor force characteristics based on the Current Population Survey (CPS), a monthly survey of households conducted by the U.S. Census Bureau. When BLS focuses more narrowly on just the self-employed, those holding multiple jobs, and part time-workers, they come up with a much smaller number and find no long-term trend towards self-employment.

Instead, they find that while the proportion of workers who are self-employed rose modestly in the recession, it has been slowly waning since. In July 2015, 10.2% of the workforce was self-employed, four-tenths of a percent lower than it was in January

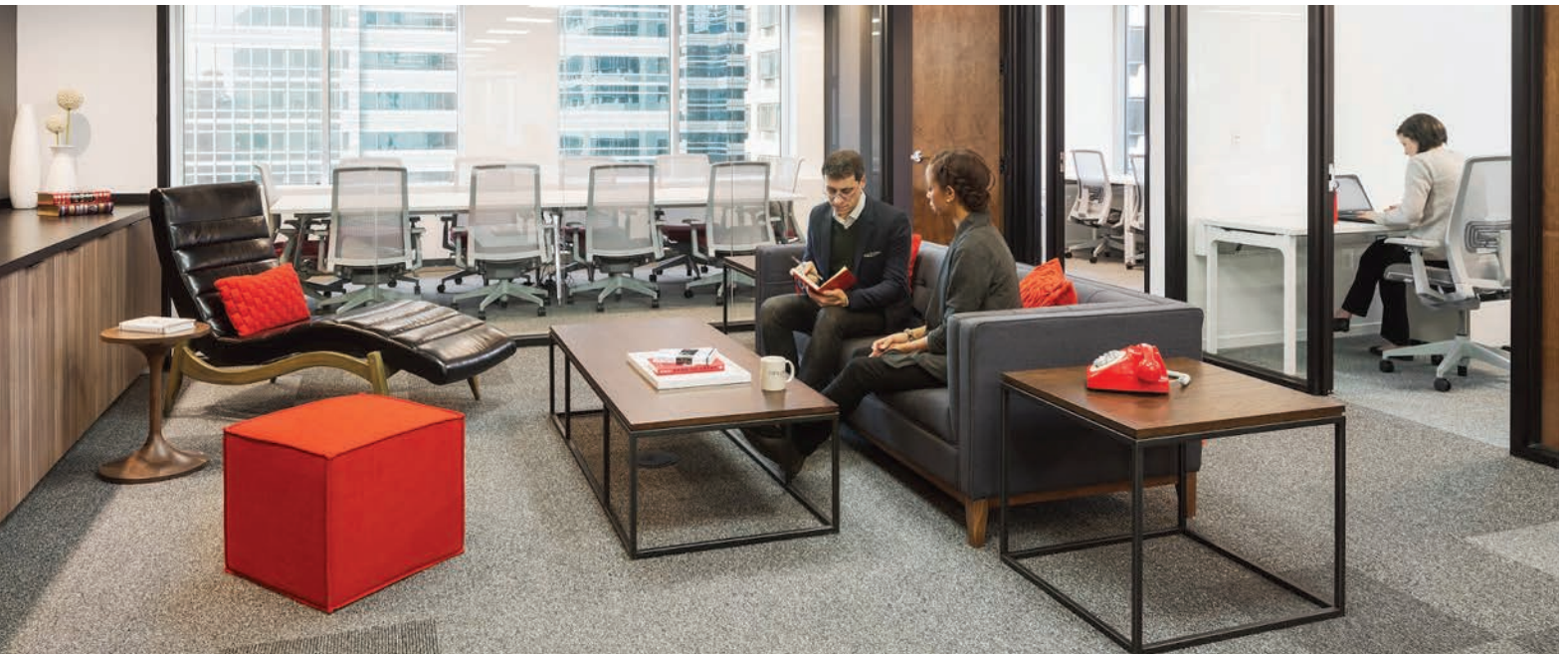
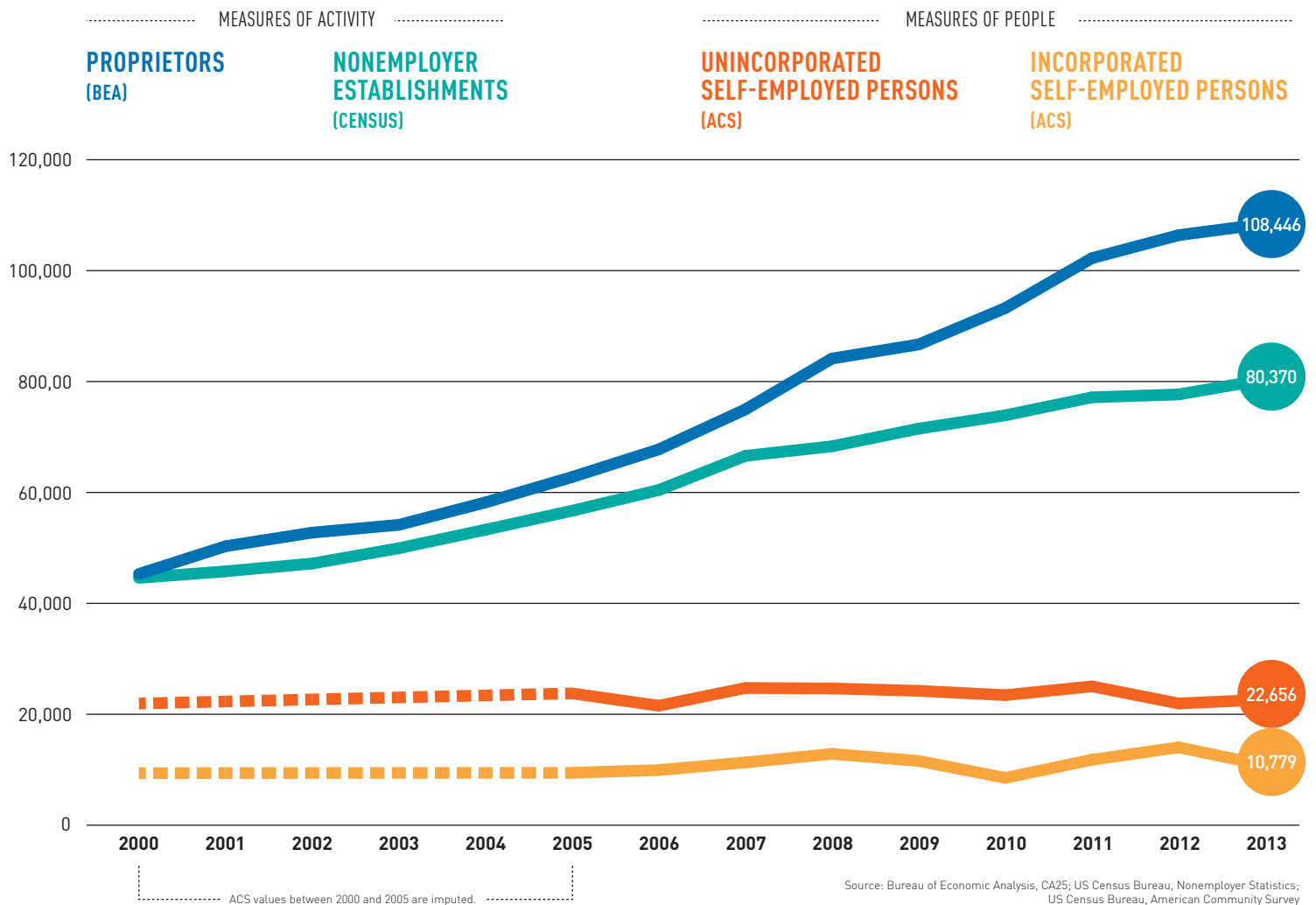


FIGURE 1: MULTIPLE MEASURES OF PHILADELPHIA'S INDEPENDENT ECONOMY



2000. Another telling indicator is that the percent of employed persons reporting they work multiple jobs is trending downward. As of July 2015, just 4.7% of workers worked more than one job, down from 5.6% in January 2000. Finally, while the percent of employed persons whose jobs are part-time surged during the recession, the share of workers laboring part-time is only 1.3% higher now than it was 15 years ago and has been steadily declining since 2011. Taken as a whole, these three measures do not suggest that there is a major macroeconomic shift underway. Nonetheless, there is a sizable group of people who are working independently and some of them could have a disproportionately large impact on new technology and business development.

LOCAL INDICATORS: The BLS data drawn from population surveys are only available at the state level. At the local level, nearly all other official reports focus on “covered workers” in traditional salaried positions. To address this shortcoming, BEA supplements local area job numbers by reporting on proprietor activity, the

total number of unincorporated businesses and partnerships active at any point during the year, as measured by tax filings. This measure is similar to the Census Bureau’s Nonemployer Statistics, which are gathered via survey and also include incorporated businesses with no employees.

Both the BEA counts of proprietors and Census Nonemployer Statistics show a significant increase since 2000 (Figure 1); however, both are measures of *activity*, not people. These tallies count among “proprietors” professionals compensated as partners by law firms, those supplementing salaries with consulting, teaching or coaching jobs on the side, as well as truly self-employed individuals with multiple clients.

So a single consultant providing multiple services to different clients might be counted multiple times. Similarly, a salaried individual at a web design firm, moonlighting as an illustrator and also selling antiques on eBay, would be counted once as a wage worker and twice as a proprietor, based on separate tax filings.

Proprietor counts and nonemployer statistics clearly suggest something is happening outside traditional salaried channels, but they don't measure how many people are involved, or why.

Is the independent staying up late, preparing to launch the next Facebook? Or are they a laid-off retail worker driving a cab, while looking for a full-time job? Is the salaried worker moonlighting to meet changing household needs? Has their income, or spouse's income, from a primary job stagnated or contracted? Are they laying the foundation to launch on their own? All these activities are important. The last one holds the greatest potential for future growth. As one economist has noted, particularly in the high-tech sector, jobs that may emerge from these start-ups have a very high multiplier effect, creating five additional jobs around them.³

The only local data source that does measure people is the Census Bureau's American Community Survey (ACS); it is drawn from household surveys. What ACS data show for both incorporated and unincorporated self-employed individuals is that the trend lines in Philadelphia *have been flat* for the last 15 years (blue and green lines in Figure 1), findings comparable to national trends.

ACS data thus help unravel the apparent paradox of growing independent economic activity with little to no growth in the total number of individuals engaged. ACS surveys ask respondents to self-identify as either:

- Employee of private for-profit business
- Employee of private non-profit business
- Local government employee
- State government employee

- Federal government employee
- Self-employed in own not incorporated business, professional practice, or farm
- Self-employed in own incorporated business, professional practice, or farm
- Working without pay in family business or farm

Individuals with more than one position are instructed to answer for the job at which they worked the most hours. The ACS data differ from most other local employment indicators in that it is a count of people, not jobs; it is based on where the individual lives, not where they work; it counts the incorporated self-employed separate from wage and salary workers; it covers all employment types, including unincorporated self-employed and unpaid family workers; and it is available at levels smaller than the county.⁴

CHARACTERISTICS OF THE SELF-EMPLOYED IN PHILADELPHIA

ACS data suggest the self-employed population of Philadelphia has remained stable around 30,000 to 35,000 since 2000, even when wage and salaried employment has trended downward. Approximately one-third of the self-employed are working in their own incorporated businesses. In Center City, the numbers have been similarly steady — around 7,000 individuals with approximately 40% to 50% reporting incorporation (See Figure 2). Individuals working in their own incorporated businesses are customarily left out of the data on self-employment, primarily because they are already captured in wage and salary counts and to include them would be double counting. However for this analysis — an inquiry into the nature of self-employment and the potential demand it might drive for real estate use — their inclusion is warranted.

FIGURE 2: CHARACTERISTICS OF SELF-EMPLOYED PERSONS

AREA	COUNT	MEDIAN AGE	BACHELOR'S OR MORE*	MEDIAN EARNINGS	AVERAGE EARNINGS
CENTER CITY	7,604	48	77%	\$44,332	\$103,384
NOT INCORPORATED	3,897	50	71%	\$33,753	\$73,359
INCORPORATED	3,707	48	82%	\$76,030	\$134,954
ALL OF PHILADELPHIA	34,810	47	42%	\$26,382	\$53,134
NOT INCORPORATED	23,463	46	35%	\$20,151	\$37,860
INCORPORATED	11,346	47	54%	\$41,030	\$84,719

* Population 25 and older only.

Source: US Census Bureau, American Community Survey

3: Enrico Moretti, *The New Geography of Jobs*

4: The BEA proprietor series is also based on place of residence, however, the wage and salary counts are by place of work.

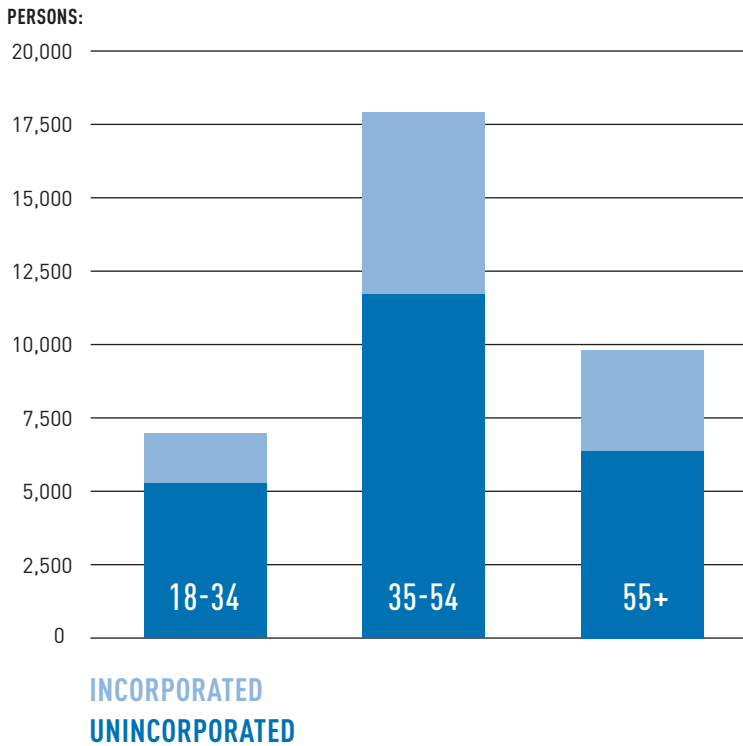


THE SELF-EMPLOYED POPULATION OF PHILADELPHIA HAS REMAINED STABLE AROUND 30,000 TO 35,000 SINCE 2000, EVEN WHEN WAGE AND SALARIED EMPLOYMENT HAS TRENDED DOWNWARD.

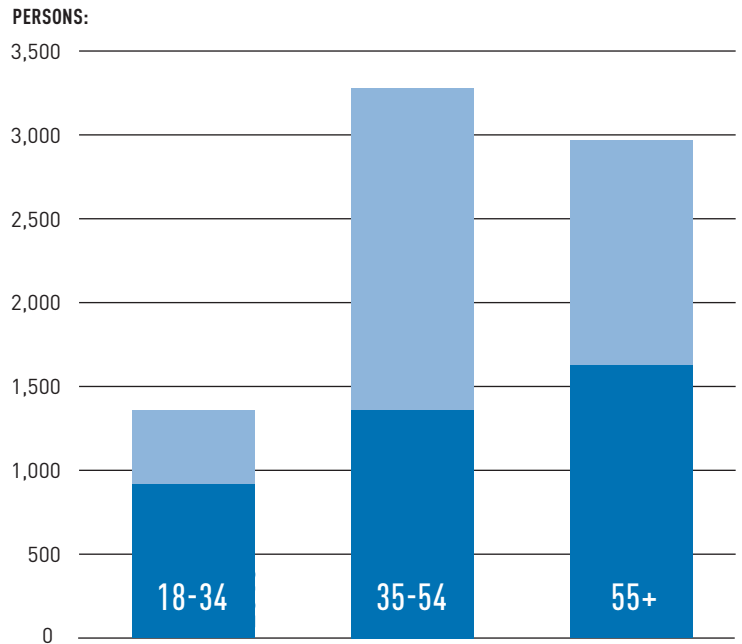


FIGURE 3: AGE DISTRIBUTION OF SELF-EMPLOYED PERSONS

PHILADELPHIA



CENTER CITY



Source: US Census Bureau, American Community Survey

The characteristics of self-employed workers are summarized in Figure 2, noting the differences between those with incorporated businesses and those with non-incorporated businesses. Figure 3 contains additional details.

AGE: The first thing that jumps out in the data is the median age of 48 in Center City and 47 citywide. This is considerably higher than for the workforce as a whole, which has a median age of 33 in Center City and 38 citywide. So, it is not millennials who dominate the world of the self-employed, it is the middle-aged who venture out on their own by building upon networks and relationships they established within the world of “traditional” work. Figure 3 shows that both in Center City and Philadelphia as a whole, self-employed millennials (here defined as 18 to 34) are outnumbered more than two-to-one by the 35 to 54 set. Millennials also lag the over-55 set, particularly in Center City. Only 3% of millennials in the workforce are self-employed in both Center City and Philadelphia as a whole, whereas 13% of mid-career workers living in Center City are self-employed and 7% citywide. (The obligation of student loans and the absence of acquired professional networks are probably major factors in the preference of most millennials for stable, salaried employment.)

MEDIAN AGE OF A SELF-EMPLOYED WORKER IN CENTER CITY:

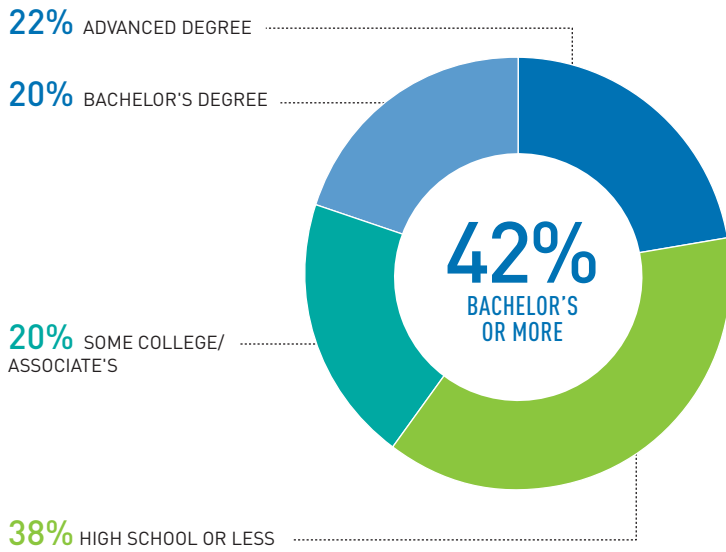
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MEDIAN AGE OF A SELF-EMPLOYED WORKER CITYWIDE:

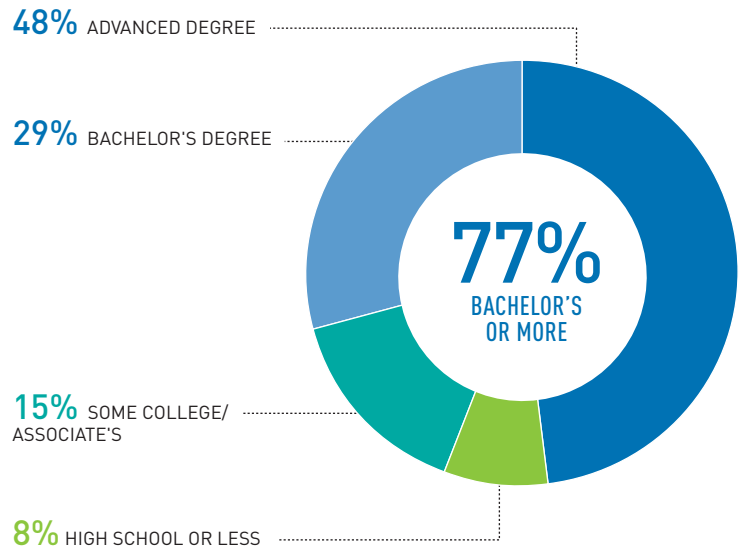
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FIGURE 4: EDUCATIONAL ATTAINMENT OF SELF-EMPLOYED PERSONS 25 AND OLDER

PHILADELPHIA



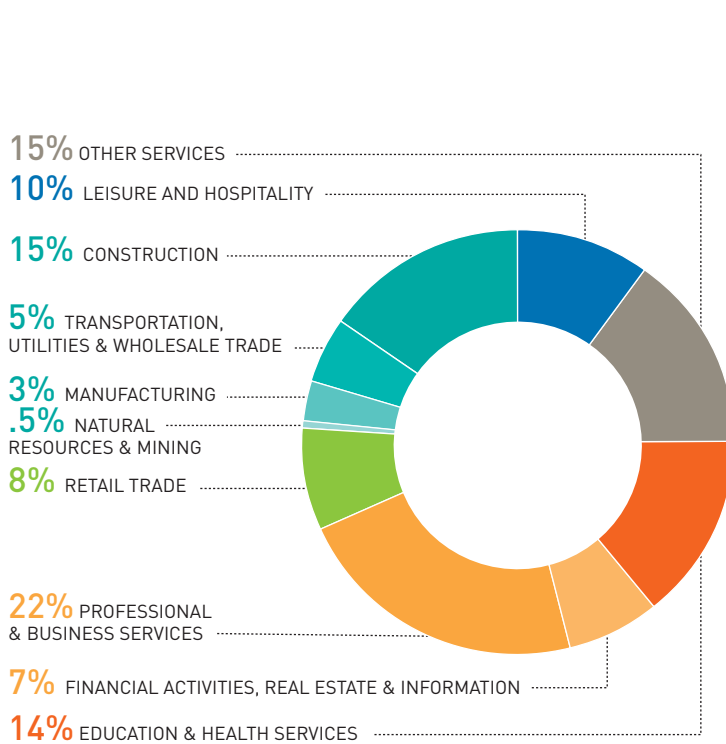
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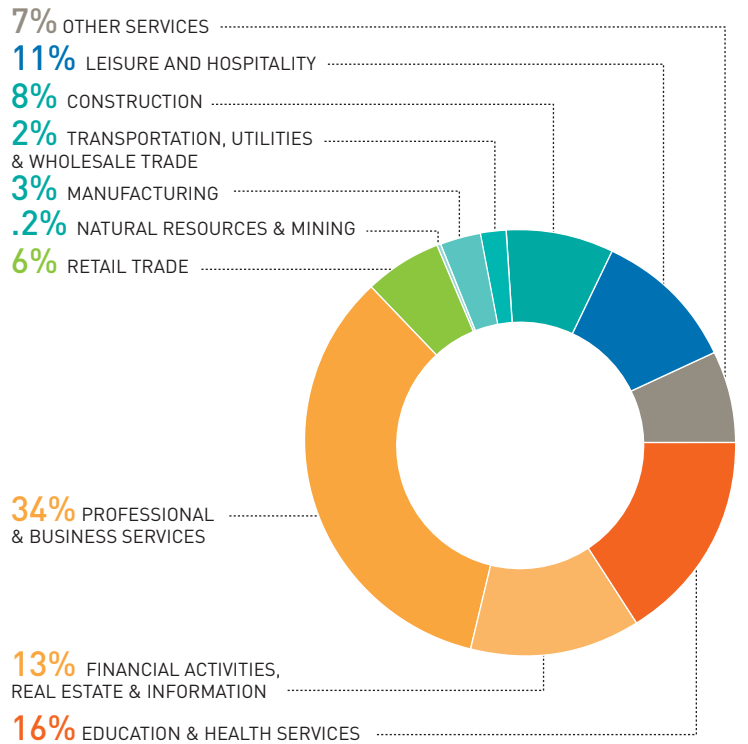
Source: US Census Bureau, American Community Survey

FIGURE 5: SELF-EMPLOYED PERSONS BY INDUSTRY

PHILADELPHIA



CENTER CITY



Source: US Census Bureau, American Community Survey

FIGURE 6: TOP 20 INDUSTRIES FOR THE SELF-EMPLOYED, PHILADELPHIA

RANK	DETAILED INDUSTRY	COUNT
1	CONSTRUCTION	5,272
2	LEGAL SERVICES	1,792
3	RESTAURANTS AND OTHER FOOD SERVICES	1,780
4	PRIVATE HOUSEHOLDS	1,662
5	REAL ESTATE	1,534
6	CHILD DAYCARE SERVICES	1,425
7	PERFORMING ARTS, SPECTATOR SPORTS, AND RELATED INDUSTRIES	1,337
8	BEAUTY SALONS	1,098
9	MANAGEMENT, SCIENTIFIC, AND TECHNICAL CONSULTING SERVICES	1,097
10	SERVICES TO BUILDINGS AND DWELLINGS	853
11	AUTOMOTIVE REPAIR AND MAINTENANCE	791
12	SPECIALIZED DESIGN SERVICES	777
13	OFFICES OF OTHER HEALTH PRACTITIONERS	749
14	OFFICES OF PHYSICIANS	639
15	COMPUTER SYSTEMS DESIGN AND RELATED SERVICES	623
16	ARCHITECTURAL, ENGINEERING, AND RELATED SERVICES	570
17	NAIL SALONS AND OTHER PERSONAL CARE SERVICES	550
18	LANDSCAPING SERVICES	495
19	TAXI AND LIMOUSINE SERVICE	467
20	OTHER PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES	455
	ALL OTHER	10,843
TOTAL		34,810

Source: US Census Bureau, American Community Survey

EDUCATION AND INCOME: Figure 4 shows that 77% of Center City's self-employed hold a bachelor's degree or more, compared to 42% citywide. Both in Center City and citywide a higher percentage of individuals working in their own incorporated businesses has a college degree than those whose businesses are not incorporated. In Center City, 48% of the self-employed hold advanced degrees, another 29% have a bachelor's, and 15% have at least some college education or an associate's degree; just 8% have a high school education or less. Citywide, 22% of the self-employed have an advanced degree, another 20% hold a bachelor's, but fully 38% of self-employed Philadelphians have an education level of high school or less. These educational levels mirror those in the salaried workforce both in Center City and citywide.

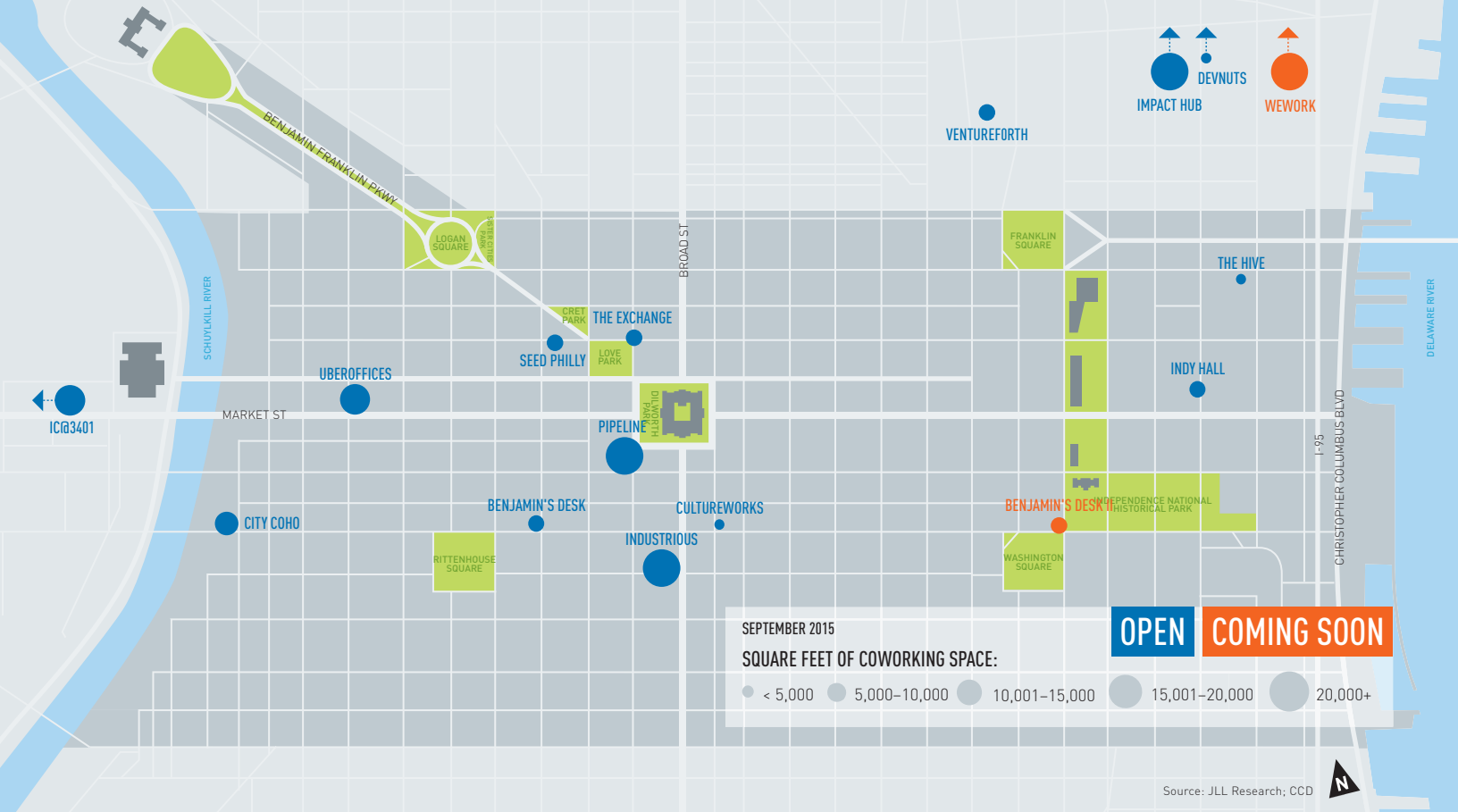
Levels of educational attainment are reflected in earnings. In Center City the median income is approximately \$44,000 with the average over \$100,000. Citywide the median is approximately \$26,000 with an average elevated by high-earners to \$53,000. Earnings for the incorporated outpace those who are not incorporated, probably because they have been in business longer.

INDUSTRY: Self-employed individuals work in all sectors of the economy (Figure 5). In both Center City and Philadelphia as a whole, the largest sectors for the self-employed are Professional and Business Services at 34% and 22%, respectively. In Center City, the next two largest sectors are Education and Health Services (16%) and Financial Activities, Real Estate, and Information (13%). In Philadelphia as a whole, the next largest sectors are Construction and Other Services (tied at 15%), followed closely by Education and Health Services (14%). Taken together, office-using industries (Financial Activities, Real Estate, and Information and Professional and Business Services) account for nearly half of the self-employed in Center City (approximately 3,600 people) and about one-third citywide (approximately 10,000 people).

The top 20 industries for self-employment citywide are shown in Figure 6. At the top is construction, in part because construction is not disaggregated into smaller segments by ACS as are the other sectors pictured in Figure 5. The list shows the diversity of self-employment — including doctors, lawyers, management consultants, and other professionals, as well as childcare workers, those who operate beauty salons, auto mechanics and landscapers.

THE INDEPENDENT ECONOMY AND DEMAND FOR REAL ESTATE

Since 2007, 16 coworking spaces, occupying approximately 200,000 square feet have opened in Greater Center City and University City. But with 43 million square feet of commercial office space, it is important to note that coworking facilities represent less than one percent of the supply of formal



16 COWORKING SPACES OCCUPYING **200,000 SF**

workspace. It is also difficult to draw a straight line from the number of self-employed to the demand for real estate in coworking spaces. Many independent workers in industries like automotive repair, beauty salons, building trades, childcare services, landscape services or food services are not likely to use office space. Many office-using independent workers are very comfortable in home offices; others may be working as contract employees at work stations within traditional firms.

But if one took the total number of self-employed in office-using professions citywide (roughly 10,000 in total) and used a factor of 50 square feet per person (factoring in multiple users of the same space), that would add up to 500,000 square feet (assuming that all citywide independents in office-using professions would want to work downtown). This is one simple way to set the far upper limit on the amount of coworking space that might be absorbed by the self-employed.

However, the potential market for coworking space is broader. There are also many wage and salaried employees who may be working for firms in the region or who come to Philadelphia from other cities periodically and who need to use workspace in Center

City on the flexible, hourly basis afforded by many coworking facilities.

SURVEY OF COWORKING SPACE MANAGERS IN CENTER CITY

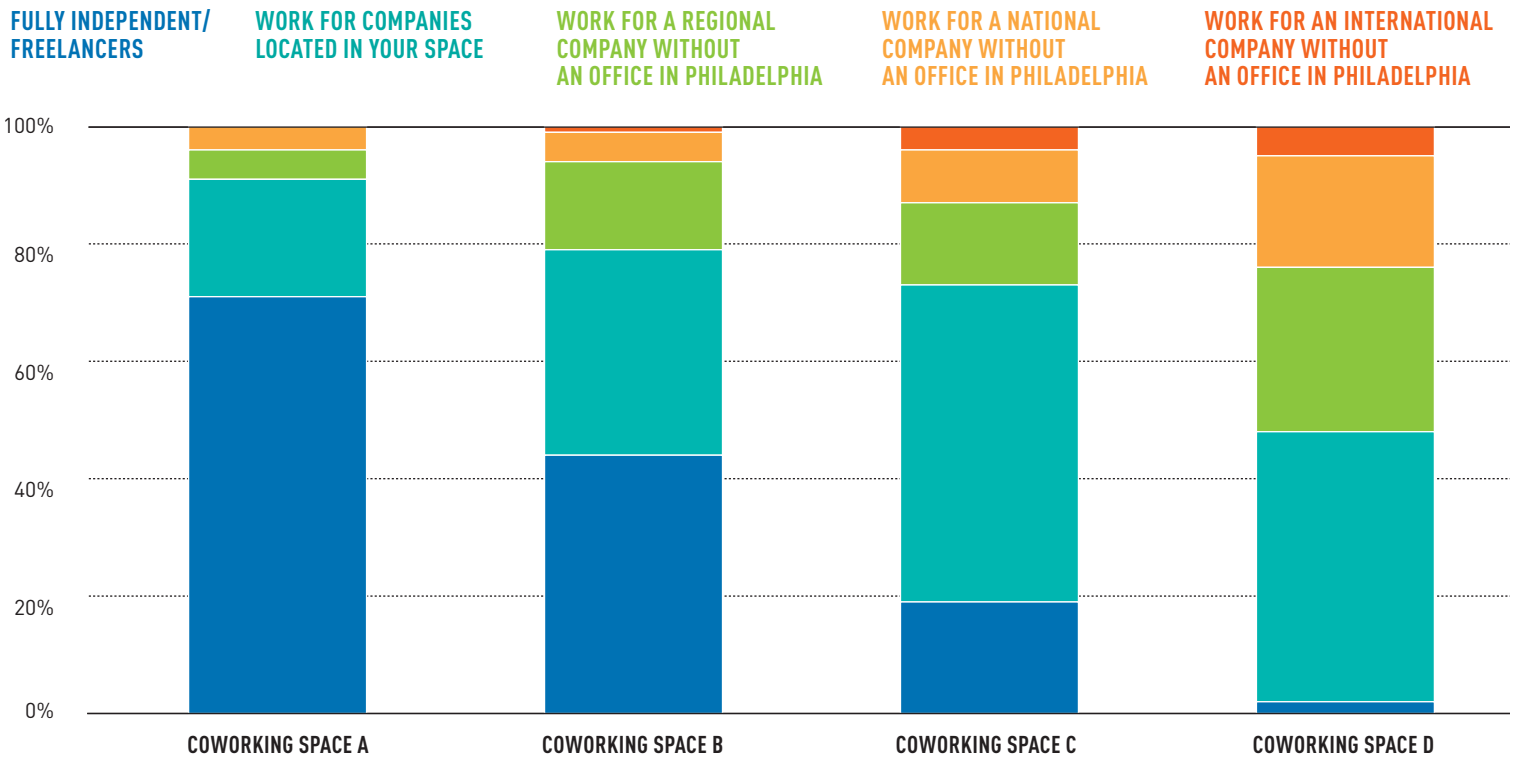
To better understand the occupancy of coworking spaces, CCD/CPDC enlisted the help of the managers of four major coworking spaces located in the core of downtown. They were asked to sort their occupants into one of five categories: fully independent/freelancers; individuals who work for companies located in their space; individuals who work for regional companies without an office in Philadelphia; those who work for national companies without an office in Philadelphia and those who work for international companies without an office in Philadelphia.

The results are remarkable not only for the diversity of workers who have chosen to use coworking spaces, but also in the dramatically different mix of occupants in different coworking spaces (Figure 7). Only one of the four participating spaces reported that a majority of their users were fully independent (Coworking Space A with 71% independent/freelance).

SUBURBAN FIRMS SEEKING TO ATTRACT URBAN RESIDENTS, OR RETAIN DOWNTOWN DWELLERS TIRING OF THEIR REVERSE COMMUTE, CAN FIND A FLEXIBLE OPTION IN COWORKING SPACE.



FIGURE 7: TYPES OF USERS OF COWORKING SPACES



Source: CCD Survey of Philadelphia Coworking Managers

On the opposite end of the spectrum, Coworking Space D reported just 2% of their users were independent workers. At every coworking space other than A, employees of companies outnumbered fully independent workers. Coworking Space D was unique in that a majority of users worked for regional, national, or international companies without an office in Philadelphia. Both Coworking Spaces B and C also reported sizable numbers of users working for companies without Philadelphia offices.

Coworking spaces thus have a significant appeal that reaches beyond the self-employed, freelancer or entrepreneur. Suburban firms seeking to attract urban residents, or retain downtown dwellers tiring of their reverse commute, can find a flexible option in coworking space. Under the right conditions, these spaces might also be a transitional step for suburban firms before entering into a longer-term lease for more traditional commercial space. So, too, firms from outside the region, seeking to test the market, can make effective use of coworking space.

SURVEY OF INDEPENDENT AND UNTETHERED WORKERS

To gain more insight into the preferences and motivations of the self-employed and those who work outside of traditional office space, an online survey was conducted in the summer of 2015. The survey focused on those who might be potential users of office space. It was publicized through an informational flyer distributed by managers of coworking spaces to their members. It was also placed in Center City coffee shops and public spaces where people gather to work, distributed through the technology news website Technical.ly Philly, via the Free Library of Philadelphia’s Entrepreneur’s Business newsletter and on the Freelancers Union’s Philadelphia message board. The survey garnered 268 complete responses.⁵ While an effort was made to reach a broad and diverse audience, there is no assurance that those who responded constitute a representative sample.

⁵: A total of 302 people initiated the survey, but 34 dropped out after the first question and were excluded from the analysis entirely.

FIGURE 8: SURVEY RESPONDENTS BY TYPE & WORK LOCATION

CLASS OF WORKER	USES COWORKING	DOES NOT USE COWORKING	TOTAL
SELF-EMPLOYED	78	72	150
SALARIED/PARTNER	80	38	118
TOTAL	158	110	268

Source: CCD Survey of Philadelphia's Independent Economy

SURVEY RESULTS

Fifty-six percent of survey respondents identified as self-employed; 44% were either a salaried worker or partner in a firm; 59% reported that they primarily or occasionally used coworking space; 41% indicated they never use coworking space.

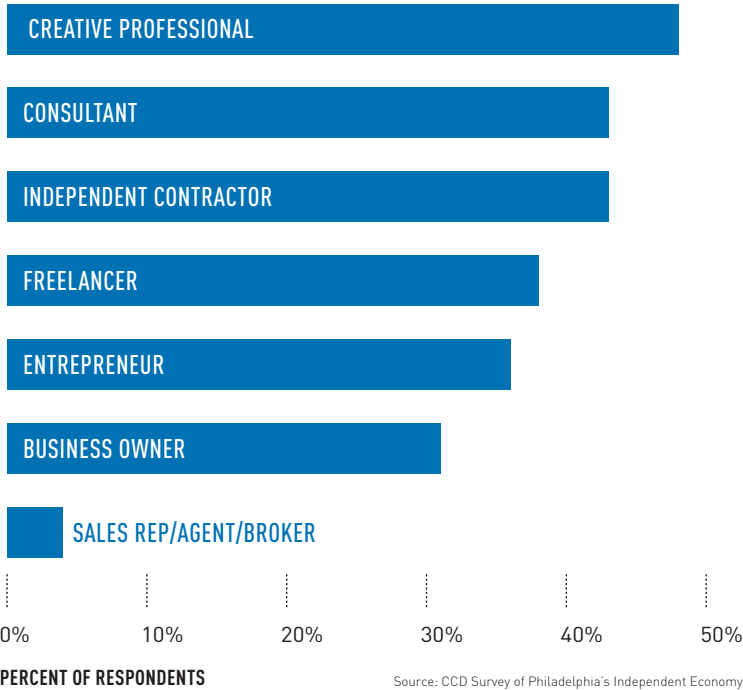
DEMOGRAPHICS: Respondents to the survey were younger than the profile that emerges from ACS data: 7% were under 25; 42% were 25 to 34; 27% were 35 to 44; 13% were 45 to 54; 8% were 55 to 64 and 3% were 65 and older. Slightly more than half of the respondents were women; 85% were Caucasian. Greater Center City was home to 42% of respondents; 34% listed Zip codes in the remainder of Philadelphia (with strong representation from Fishtown, West Philadelphia, and Manayunk); 22% listed suburban Philadelphia Zip codes; 2% listed Zips outside the region.

All respondents were highly educated, with 90% having a BA or higher and 48% holding a graduate or professional degree, which tracks higher than Greater Center City's workforce as a whole (70% and 40%, respectively). While some respondents reported high earnings, with 22% making \$100,000 or more a year, a similar percentage reported making less than \$35,000 a year. Twice as many self-employed workers (28%) make under \$35,000 as do salaried respondents (14%). A majority of respondents were part of the creative or technology economies: 18% worked in Arts and Entertainment, 15% in Advertising and Public Relations; 12% in Computer Systems Design.

PROFILE OF THE SELF-EMPLOYED: The 150 self-employed respondents were concentrated in arts, design and business consulting; 40% indicated they had been independent five years or more, 18% indicated being self-employed for less than a year; with the remaining 42% falling somewhere in between.

The self-employed were provided with a range of options of how they self-identified. The ranges of responses in Figure 9 attest to the evolving vocabulary for this form of work.

FIGURE 9: SELF-EMPLOYED SELF-DESCRIPTION



Source: CCD Survey of Philadelphia's Independent Economy

Forty-four percent of the self-employed indicated that they were incorporated as a business. When asked to indicate the type of incorporation in an open-ended format, the responses speak to the uncertainty surrounding the term “incorporation.” Technically, incorporation means establishing a legal entity distinct from the individual. A Limited Liability Company (LLC) is not formally a corporation. However 74% of those indicating that they were incorporated listed LLC as their type of incorporation. Only 17% indicated that they were structured as either a C Corporation or as an S Corporation.⁶

BUSINESS PROSPECTS AND ATTITUDES ABOUT THE FUTURE: Self-employed respondents were positive about their business and their prospects for the future: 73% reported increased volume within the past year with almost 89% stating their income was derived from multiple clients; 77% predicted revenues would increase in the next six to 12 months. Only 7% reported declining demand and just 3% predicted declining revenues in the next six to 12 months.

While 77% of self-employed respondents said they expected increased revenue in the near future, only one-third of respondents indicated they were planning to add employees in the next six months to a year. In fact, half of the respondents said they did not currently support or engage any employees or subcontractors. Typically those who did reported just one or two employees, underscoring that many independent workers have no immediate desire to build bigger businesses. However, 12% reported supporting five or more employees.

Respondents seemed satisfied with their status. When asked if they would prefer a traditional, salaried full-time position, 85% of respondents responded *no*. Among the 15% who preferred a salaried job, there was no significant correlation with age, years in business, annual income, use of coworking, or indicators of past and future performance.

SALARIED RESPONDENTS: Thirty-six percent of respondents identified themselves as salaried employees and 8% as partners in firms. For the purposes of this analysis salaried employees and partners in firms are grouped together as one and will be referred to as partner/salaried employee respondents.

The top sectors of work reported by this group are Computer Systems Design (16%), Advertising and Public Relations (14%), and Arts and Entertainment (13%). Compared to self-employed respondents, there are a larger proportion working in technology (16% compared to 9%).

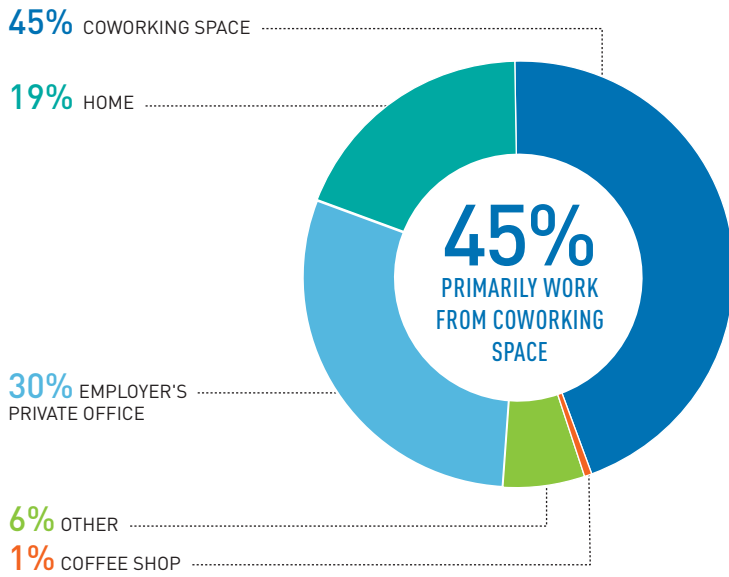
One-third of the partner/salaried employee respondents said they work for organizations without an office in Philadelphia. The geographic locations of these firms were evenly split among regional, national and international organizations. For the respondents with offices in Philadelphia, 71% said their firms are headquartered in coworking space. Since several technology firms that started in coworking space in Center City have subsequently moved into more traditional commercial office space, this points toward the incubator function that can be played by coworking spaces.



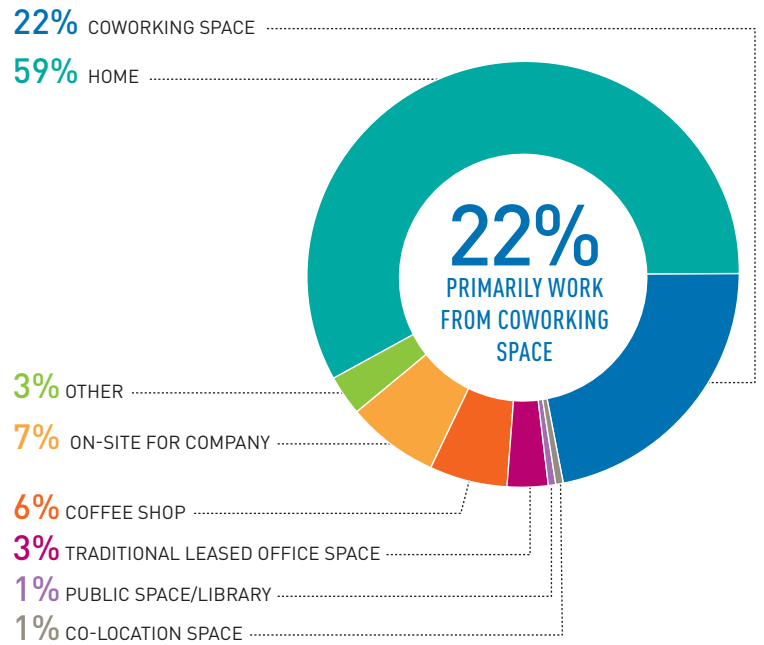
⁶ This finding helps partially explain the divergence in data discussed on page 4 of this report between the number of *self-employed* and the number of reported *proprietors*. A self-employed person's LLC would be counted a *proprietorship* in most circumstances, whereas an individual who incorporated their business as a traditional C Corporation would likely be counted as a wage-and-salary employee of that corporation. In Pennsylvania, the LLC structure was authorized in 1994 but did not come to prominence until the 2000s. According to the Pennsylvania Department of Revenue's *Statistical Supplement for the Pennsylvania Tax Compendium Fiscal Year 2013-2014*, between 2000 and 2012, the number of LLCs in Pennsylvania increased from 9,028 to 147,026. During that time the number of *proprietors* recorded in the BEA data has skyrocketed, while the number of individuals reporting that they are self-employed in the American Community Survey has remained flat.

FIGURE 10: PRIMARY WORKPLACE

SALARIED/PARTNER



SELF-EMPLOYED



Source: CCD Survey of Philadelphia's Independent Economy

THERE APPEARS TO BE A SUBSTANTIAL VARIATION BETWEEN FREELANCERS AND EMPLOYEE/PARTNERS AS TO THEIR PRIMARY OR OCCASIONAL USE OF COWORKING SPACE. SO THERE CLEARLY ARE OPPORTUNITIES FOR COWORKING SPACES TO ATTRACT MORE INDEPENDENT WORKERS.

A majority of respondents in this group work at firms with less than 20 employees, with 32% working for firms with five to 19 employees and 30% at firms with less than five employees. Still, 15% reported working for firms of 20 to 99 employees and some reported they are part of firms with more than 100 employees, giving credence to the outpost function that coworking spaces also play. In this regard, it is interesting to note that only 12% of employees/partners in coworking space indicated a preference to go out on their own as freelancers, which might provide comfort to retention-minded employers considering positioning workers in a coworking space.

OPPORTUNITIES FOR COWORKING SPACES

At least three distinct groups use coworking space: freelancers, small and start-up companies, and employees and partners of firms without current offices in Philadelphia. Of the self-employed respondents to the survey, 59% indicated that they primarily work from home, 6% indicated that they primarily work from coffee shops with just 22% using coworking space. Of the salaried/partner respondents, 45% reported working primarily from coworking space, 30% from an employer's private office, and 19% from home.

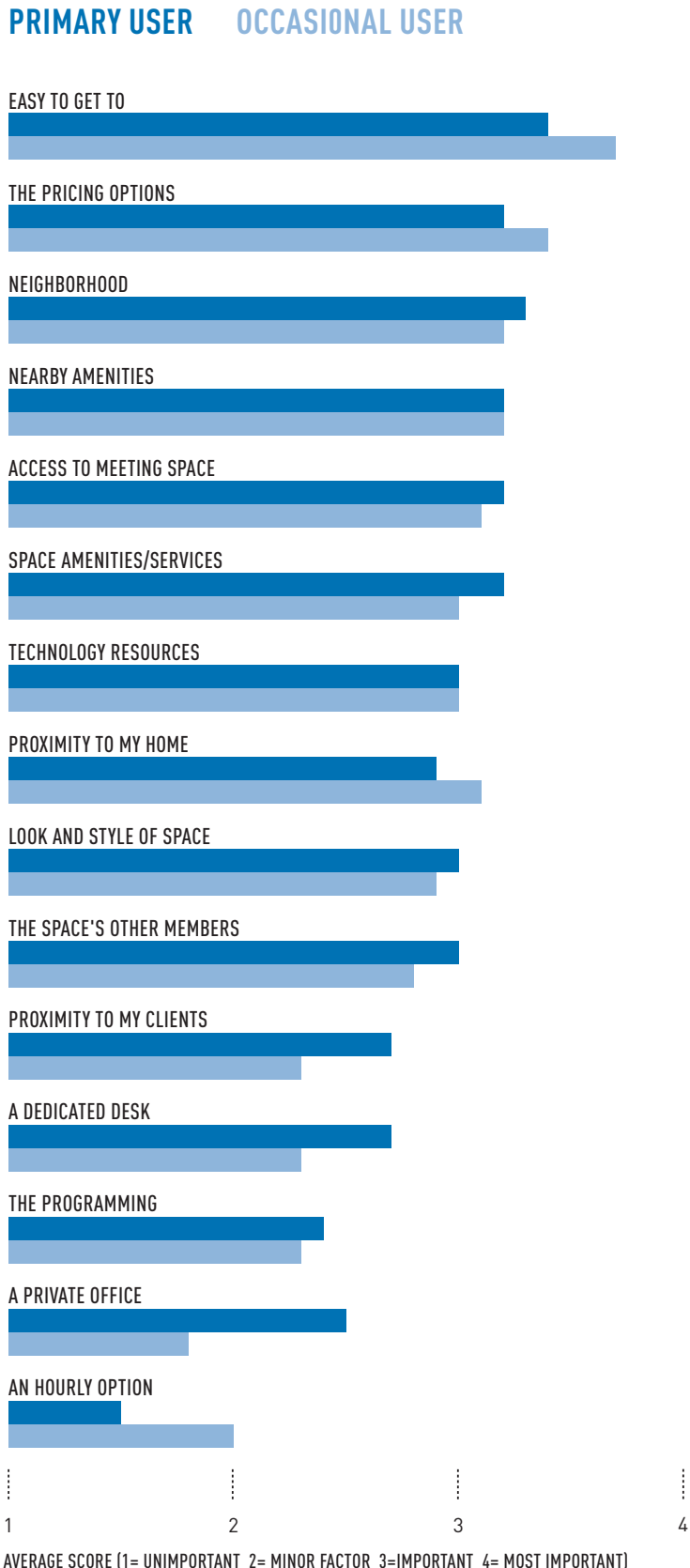
THE APPEAL OF COWORKING SPACES

People are drawn to coworking spaces based on their accessibility, pricing options and the neighborhood and its surrounding amenities. This underscores the advantages of those spaces that are transit-accessible and located in mixed-use places like Center City and University City.

While the image of coworking space for some may be a large open, flex space with desks available on a first-come, first-served basis, most of the newer spaces that have opened in Philadelphia offer a mix of dedicated desk and dedicated office options. This has strong appeal to those for whom coworking space is their primary workplace, with 64% indicating their membership includes a dedicated desk or office.

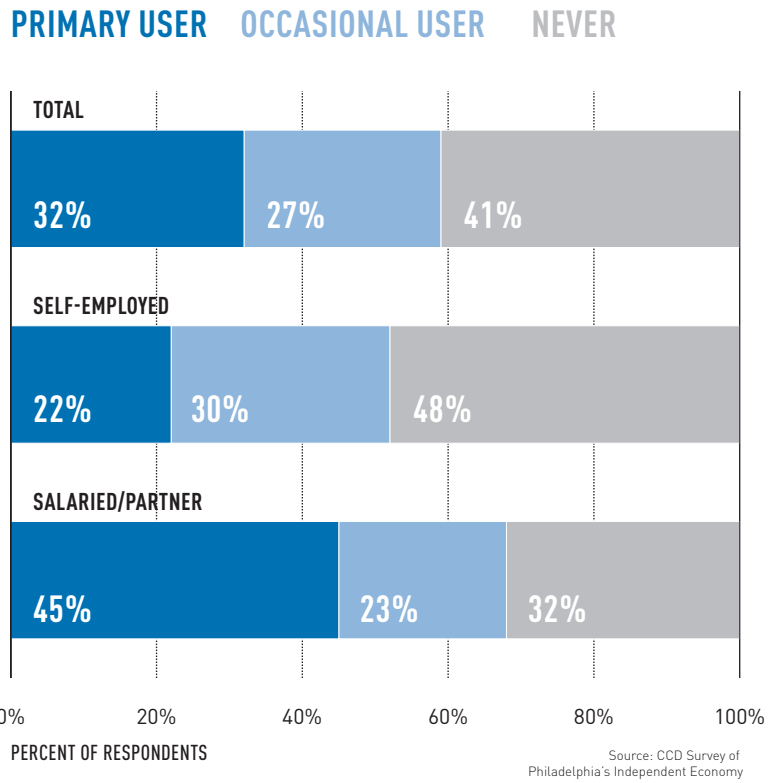
For self-employed respondents who said they never use coworking space, 51% thought it was too expensive, while 54% blamed lack of privacy or noise levels as reasons they do not use coworking space. Twenty-six percent said they did not know much about coworking spaces, which presents a marketing opportunity for coworking managers.

FIGURE 11: RATING OF IMPORTANCE



Source: CCD Survey of Philadelphia's Independent Economy

FIGURE 12: USE OF COWORKING SPACE



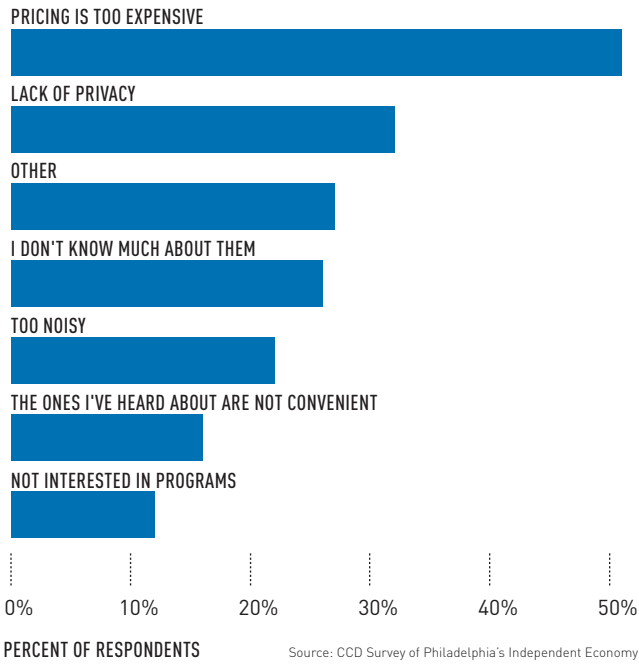
Source: CCD Survey of Philadelphia's Independent Economy

FIGURE 13: TYPE OF COWORKING MEMBERSHIP

	PRIMARY USER	OCCASIONAL USER	TOTAL
A DEDICATED DESK	26%	10%	19%
A DEDICATED OFFICE	38%	9%	25%
ACCESS TO FLEX SPACE	25%	56%	39%
ACCESS TO NETWORKING	1%	11%	6%
OTHER	10%	14%	12%
TOTAL	84	70	154

Source: CCD Survey of Philadelphia's Independent Economy

FIGURE 14: WHY NOT COWORKING?



The same group of self-employed respondents who do not use coworking space expressed strong interest in services that would connect them to firms seeking services from freelancers as the most useful (71%), followed by a “one stop” shop for information on how to grow your business in Philadelphia (51%) and networking events (47%). When respondents who never use coworking space were asked whether they would consider joining in the next six months, almost 50% said yes. This, too, presents an opportunity for coworking spaces in Philadelphia to attract more members.

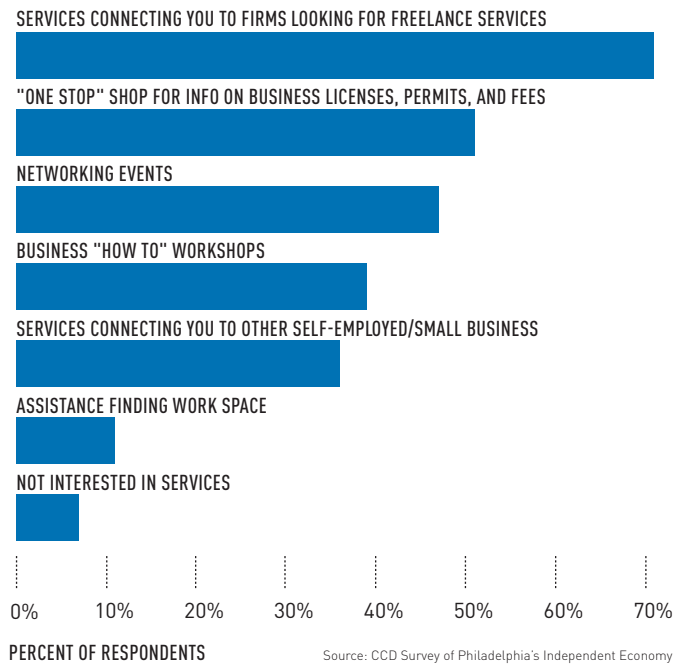
IMPLICATIONS FOR ECONOMIC DEVELOPMENT

Since the passage of the 10-year tax abatement in 1997 more than 50 buildings in Center City, representing almost 7 million square feet of space, have been converted to residential or hotel use. While this has added to the diversification of downtown land-use, increased the downtown population and substantially contributed to the vitality of Center City during evenings and weekends, it has also eliminated much of the incubator space for small, start-up firms.

Starting primarily with Goldman Properties’ renovation on South 13th Street and with several buildings in Old City, an increasing number of local developers have been repurposing the upper floors of older buildings for creative economy, start-up and technology firms. The emergence of coworking spaces, organized first by local entrepreneurs, and now increasingly by national firms, creates a new opportunity for economic and business development.

First, as the survey results and the data from coworking managers strongly indicate, a majority of the occupants of coworking space are not freelancers, but rather members of

FIGURE 15: SERVICES USEFUL TO YOU?



start-ups or employees of firms. As Center City’s talent pool of educated workers who enjoy an urban lifestyle continues to grow, more companies seeking these workers can consider coworking space as part of their retention and attraction strategies and a way to test the viability of creating a permanent presence in Philadelphia. Coworking space can be seen as a pipeline for companies seeking to open “gateway” offices in the downtown.

But coworking space can also play a role in helping local firms connect with independent and freelance workers. Self-employed survey respondents who do not work in coworking space indicated that the service that would be most useful to them would be a means to connect to larger corporations looking to engage independent workers. Business leaders in Milwaukee, a city that has recently gone through significant downsizing, are actively seeking ways to connect to independent workers who possess significant skills and work experience. Some of Philadelphia’s coworking spaces that cater more to freelancers might choose to play that intermediary role.

Finally, while the independent economy in Philadelphia is a small fraction of the overall labor market and economy, new trends in how people work and use office space are impacting commercial real estate development and creating new uses for the upper floors of many buildings. Fifteen years ago, nearly all office growth in Center City was coming from the expansion of existing firms with little evidence of start-up firms from older buildings graduating into Class A office space. Today, circumstances are different. The presence of independent and untethered workers in Center City and the growth of coworking and creative office space both provide fertile ground for new firm creation and a new pipeline for demand that can grow into more traditional office space.