



ON-DEMAND WAREHOUSING PRICING & USAGE

2016 SUMMARY



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INTRODUCTION



Welcome to the 2016 Summary: *On-Demand Warehousing Pricing & Usage Report*

Smart businesses are looking at ways to do things differently. Digital transformation initiatives, employing leaner methods, and investing more time and money into innovation is what's keeping these forward-thinking businesses ahead of the competition.

Innovation in logistics and the supply chain isn't any different. For the vanguard enterprise, this means transforming logistics into a dynamic component of the business. That's where on-demand warehousing comes in. Just as Airbnb turns extra bedrooms into a commodity, on-demand warehousing

connects temporarily available warehouse space and services with companies that need a short-term (warehouse) solution.

It's warehousing when, where, and for how long you want it without costly long-term leases and service fees. Warehouse operators earn revenue on otherwise dead space; eCommerce retailers, brand manufacturers, and shippers overcome traditional challenges like inventory overflow while also gaining access to solutions for improving and augmenting distribution strategies.

HOW DO I USE THIS REPORT?

This report reviews two main sets of data based on the FLEXE on-demand warehousing network:



Pricing



Usage & Volume

By comparing quarterly trends and year-over-year metrics, supply chain and logistics professionals can make better business decisions. The data in this report enables supply chain professionals—both those in need of space and those who have it—to improve logistics strategies. Pricing and usage trend data can help establish a baseline that supports the growth and maturity of the on-demand warehousing industry.



WHERE DID WE GET THE DATA?

Founded in 2013, FLEXE is the first and largest on-demand warehousing marketplace. The information in this report is based on data from its marketplace, which consists of more than 500 warehouses across North America. This report provides a summary of activity in 2016 as well as year-over-year comparisons between 2015 and 2016.

WHAT ARE THE KEY FINDINGS?

In this report, we analyze regional and quarterly differences in on-demand warehousing rates. Some of the key findings are:

- 1** In 2016, dynamic warehousing rates remained steady from Q1 to Q3 with a surge in Q4.
- 2** Racked pallet storage continued to decrease in popularity across the network, however the average paid rate for racked pallet storage between Q3 and Q4 had the largest increase at 46%.
- 3** Pricing for stacked and floored pallet storage increased across the network throughout 2016.
- 4** Floor pallet storage had the highest popularity in Q1 and Q2 with an average utilization rate of 59%.
- 5** Stacked pallet storage had the highest popularity in Q3 and Q4 with an average utilization rate of 68%.
- 6** In Q4, the central region of the U.S. had the highest paid rate for floor pallet storage at \$11.19 and the eastern region had the highest for stack (\$7.09) and rack (\$9.71) storage.



TYPES OF WAREHOUSE SPACE

Stack

Depending on the product and packaging, pallets can also be stacked. Stacked space is the most cost-effective.

\$

Rack

Many warehouses have sophisticated rack storage systems and software that make their storage space highly efficient. Rack storage often enables providers to store a higher volume of pallets.

\$\$

Floor

Pallet storage on the floor allows inventory to be more accessible, floor space is usually the most expensive of the three and may be required for large items, like mattresses.

\$\$\$

MOST FREQUENT REASONS FOR USING ON-DEMAND WAREHOUSING

- 1 Expanding the warehouse network to get merchandise closer to customers
- 3 Ramping up inventory for new product launches and promotions
- 5 Ramping up a new business without making long-term lease commitments
- 7 Long-term storage of materials or static inventory
- 2 Handling unforeseen, temporary overstock situations
- 4 Testing viability of a new warehouse location
- 6 Managing a high volume of returns
- 8 Seasonality



2016 MARKETPLACE

PRICING



2016 Marketplace Pricing for Pallet Storage by Type

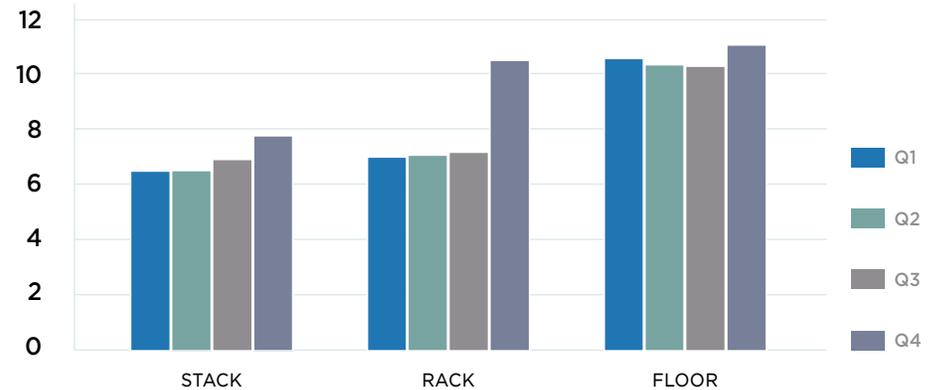
THE FIRST THREE QUARTERS

In the first three quarters of 2016, average paid rates stayed about the same. Rack and stack pallet storage increased steadily. Floor storage pricing decreased between Q1 and Q3, and experienced the smallest spike in Q4.

Q4 AND THE HOLIDAY RUSH

Not surprising, higher paid rates in Q4 reflect the holiday season supply and demand. All three types of pallet storage options experienced a spike in pricing. Floor storage increased by 7%, stacked storage by 12%, and racked storage by 46%.

2016 QUARTERLY PAID RATE AVERAGES



AVERAGE QUARTERLY RATE PAID

	STACK	RACK	FLOOR
Q1	\$6.49	\$7.00	\$10.58
Q2	\$6.51 +.3%	\$7.07 +1%	\$10.35 -2%
Q3	\$6.91 +6%	\$7.17 +1.4%	\$10.30 -.4%
Q4	\$7.76 +12%	\$10.50 +46%*	\$11.07 +7%

*Note: it is unclear if the spike in Q4 racked paid rates reflects market trends or is due to the project pipeline in the network.



2016 VS. 2015: A YEAR-OVER-YEAR ANALYSIS

Across all three storage types, paid rates increased in 2016 compared to 2015. This data reflects an increase in the network, as well as supply and demand for the 2016 holiday season. Stacked storage offers the most economic pricing to shippers and remained comparable with a 3% increase. Rack and floor storage increased significantly, denoting a higher competitive value for those storage types during peak seasons.

AVERAGE QUARTERLY RATE PAID			
	STACK	RACK	FLOOR
Q4 2015	\$7.48	\$7.24	\$9.48
Q4 2016	\$7.76 +3%	\$10.50 +45%	\$11.07 +17%

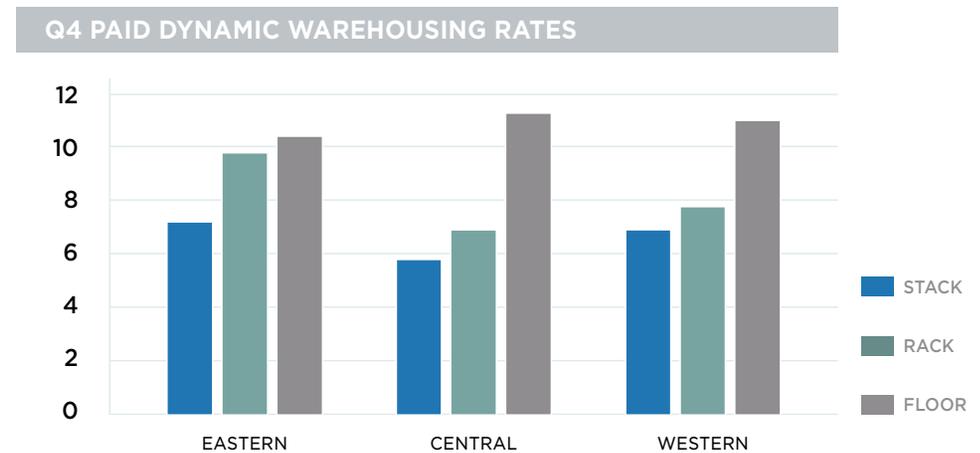


Marketplace Pricing by Region at End of 2016

The Q4 Paid Dynamic Warehousing Rates graph depicts how rates varied across pallet types in Q4 2016 and is broken down into three U.S. regions: western, central, and eastern. The east coast had the highest rates for stacked (\$7.09) and racked (\$9.71) storage, while central facilities had the highest rate for floor storage at \$11.19.

WHY PRICES VARY ACROSS REGIONS

Pricing is primarily driven by supply and demand of available space. More consistently, the eastern and western regions have higher paid rates due to regional proximity to ports. Additionally, the holidays, as the busiest season for retailers, impact Q4 metrics and directly affects warehouse pricing.



Consider this:

Depending on where your customers are located, it may be more strategic to pay higher rates for short-term storage and pop-up fulfillment centers. The east coast prices were generally higher in Q4, but the proximity between facilities and customer base could reduce the cost of shipping for your business when it comes to the last mile of delivery.



PAID VS. LISTED PRICES

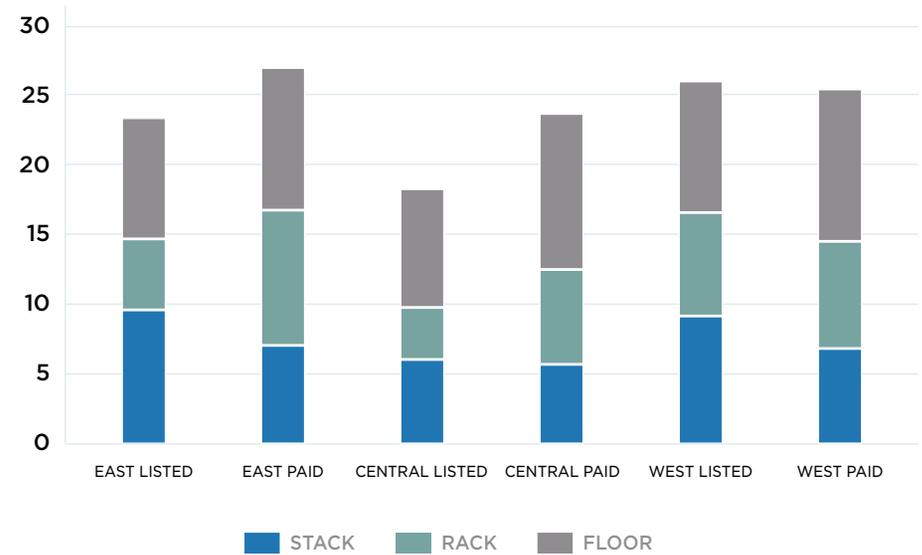
The difference in list price versus paid price relies on several variables, including project size, location of facilities within the region, and time of year.

Across all three U.S. regions, the average paid price was less than listed prices for stacked pallet storage in Q4. For rack and floor storage, paid rates were consistently higher than listed price. The biggest deltas between listed and paid price were for rack storage in the eastern (+91%) and central (+81%) regions—indicating there was a lower supply of rack storage available during peak periods when it was needed most.

Consider this:

On-demand warehousing is a competitive market. Depending on the time of year, proactive planning to manage overflow and fulfillment can help shippers take advantage of lower pricing by negotiating the terms of the project earlier.

2016 QUARTERLY PAID RATE AVERAGES



COMPARISON OF Q4 LISTED VS. PAID PRICE

	STACK			RACK			FLOOR		
	Listed	Paid	Difference	Listed	Paid	Difference	Listed	Paid	Difference
EAST	\$9.64	\$7.09	-26%	\$5.08	\$9.71	+91%	\$8.70	\$10.21	+17%
CENTRAL	\$6.05	\$5.70	-5%	\$3.76	\$6.83	+81%	\$8.51	\$11.19	+31%
WEST	\$9.21	\$6.88	-25%	\$7.39	\$7.67	+3%	\$9.46	\$10.94	+15%



2016 MARKETPLACE

USAGE & VOLUME



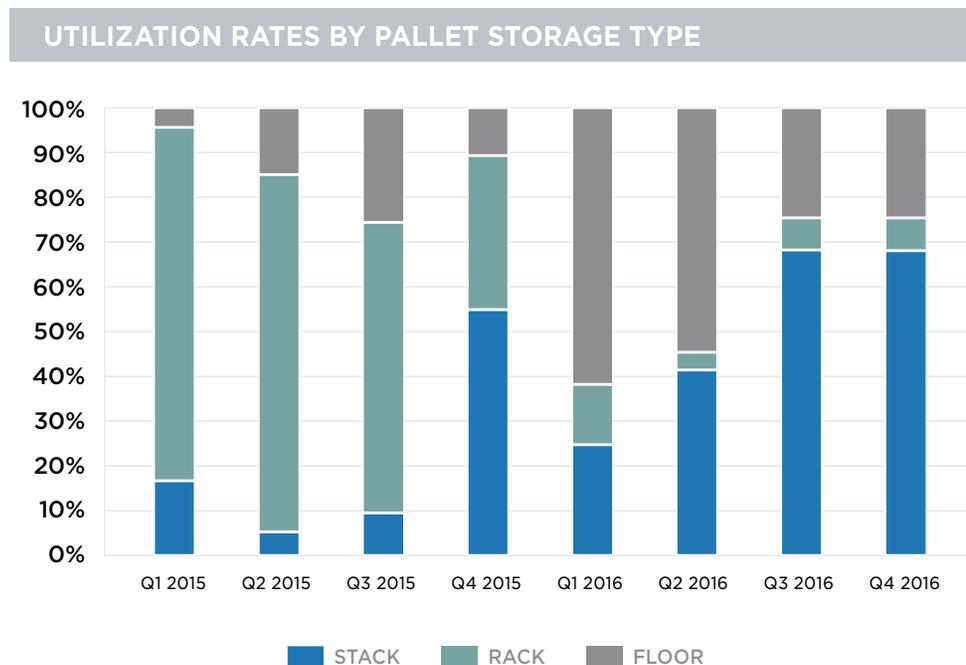


Usage and Volume by Pallet Position

A comparison of data between Q1 2015 and Q4 2016 reveals the continued decrease (90%) in rack storage in favor of floor and stacked pallet positions. Over the last eight quarters, stacked and floor storage has vied for the most-favorable storage option.

In Q1 and Q2 of 2016, the average utilization rate of floor storage was 59% compared to 24% in Q3 and Q4. Conversely, the average for stacked storage was 32% in the first half of the year and 68% in the second half.

Overall, the use of racked storage has continued to decline. In 2015, the average utilization rate was 65% and in 2016 the average was 8%.



Consider this:

Each storage method has its advantages and disadvantages. There are several reasons the utilization metrics are trending as they are:

- Stacked storage has increased because more shippers on the FLEXE network are seeking the most competitive pricing option
- Stacked storage is also best-suited for businesses with varying pallet sizes
- Not every warehouse has racked storage available
- As more businesses outsource fulfillment services to warehouses, floor storage may be preferred for easier access to move inventory in and out of facilities

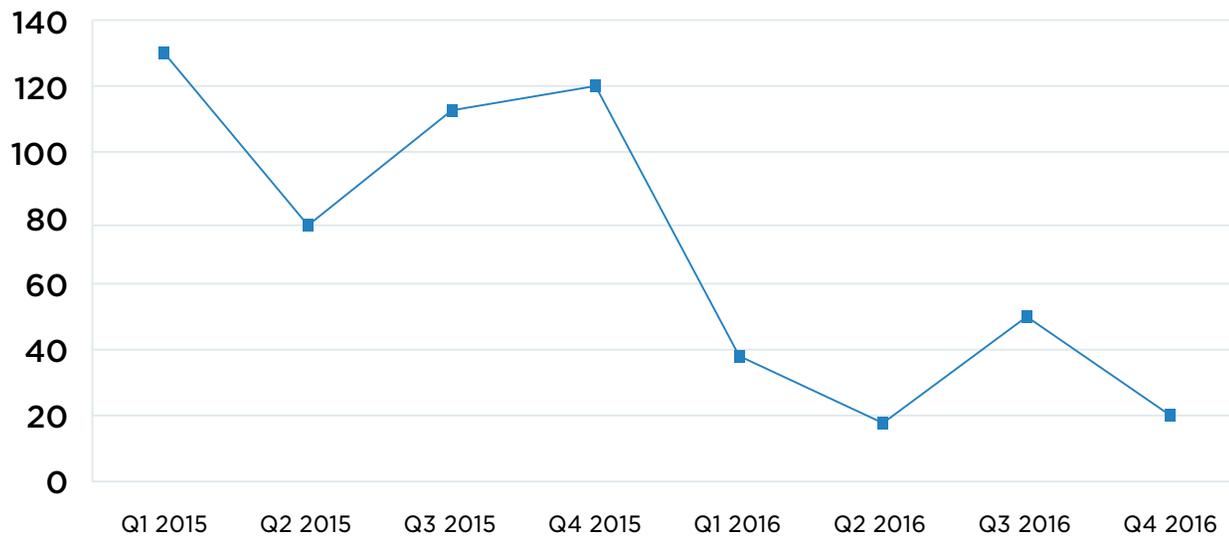


Pallet Storage Duration

The duration of the shelf life of pallets stored through on-demand warehousing continued to trend downward. The average shelf life of pallets was approximately 110 days in 2015. In 2016, it was 31.

The difference throughout the year suggests on-demand warehousing is being leveraged for shorter, more strategic distribution than it is for long-term storage. This is made evident by the longer duration in Q3. The average storage duration in Q3 2016 was 51 days—suggesting shippers were moving and prepping inventory to meet holiday demand while also taking advantage of pre-holiday (Q4) pricing.

PALLET STORAGE DURATION (DAYS)





CONCLUSION





The data in this report illustrates how on-demand warehouse space is being utilized and how the market is evolving as more businesses recognize the strategic value of an on-demand solution.

There were some fluctuations in average paid rates, but for most of the year, rates remained consistent—denoting a level of stability in market pricing.

The report also confirms that seasonality affects on-demand warehousing—particularly towards the end of the year when average paid rates increased for all three pallet storage options.

The need for warehouse space continues to increase and on-demand warehousing can offer a competitive advantage. When looking at the listed and paid rates for Q4, it's clear that customers are willing to pay higher premiums for warehouses that are closer to ports. However, the average list price for many of the regions were a lot lower. Forward-deploying inventory into new markets in smaller quantities enables businesses to leverage more economical warehousing options while pushing product closer to customers and offsetting delivery costs.

Real businesses are solving the costly challenges of inventory overflow and fulfillment with on-demand warehousing from FLEXE. With the FLEXE network, supply chain operations can become a lot more strategic and innovative.



ABOUT FLEXE

FLEXE is the leading online marketplace for on-demand warehousing solutions. Our technology connects shippers who need short-term warehouse space with warehouses that have it. There are no long-term contracts, no fixed-fees, and no complicated technology integrations. Shippers get a fast, easy, and affordable way to improve customer satisfaction and test new markets; warehouse operators generate additional revenue on otherwise unused capacity.

FLEXE has hundreds of warehouse partners across North America, making it the most comprehensive network of on-demand warehouses. Our goal at FLEXE is to help you do better business with a simple and straightforward solution that saves you time, energy, and resources.

**FIND OUT HOW ON-DEMAND
WAREHOUSING CAN IMPROVE
YOUR SUPPLY CHAIN**

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