

“OFFICE TERM STRUCTURES AND THE TENANCY OF FLEXIBLE WORKSPACE PROVIDERS”

AUTHORS

Fernanda Antunes Batista Da Silva, Nan Liu, Norman Hutchison

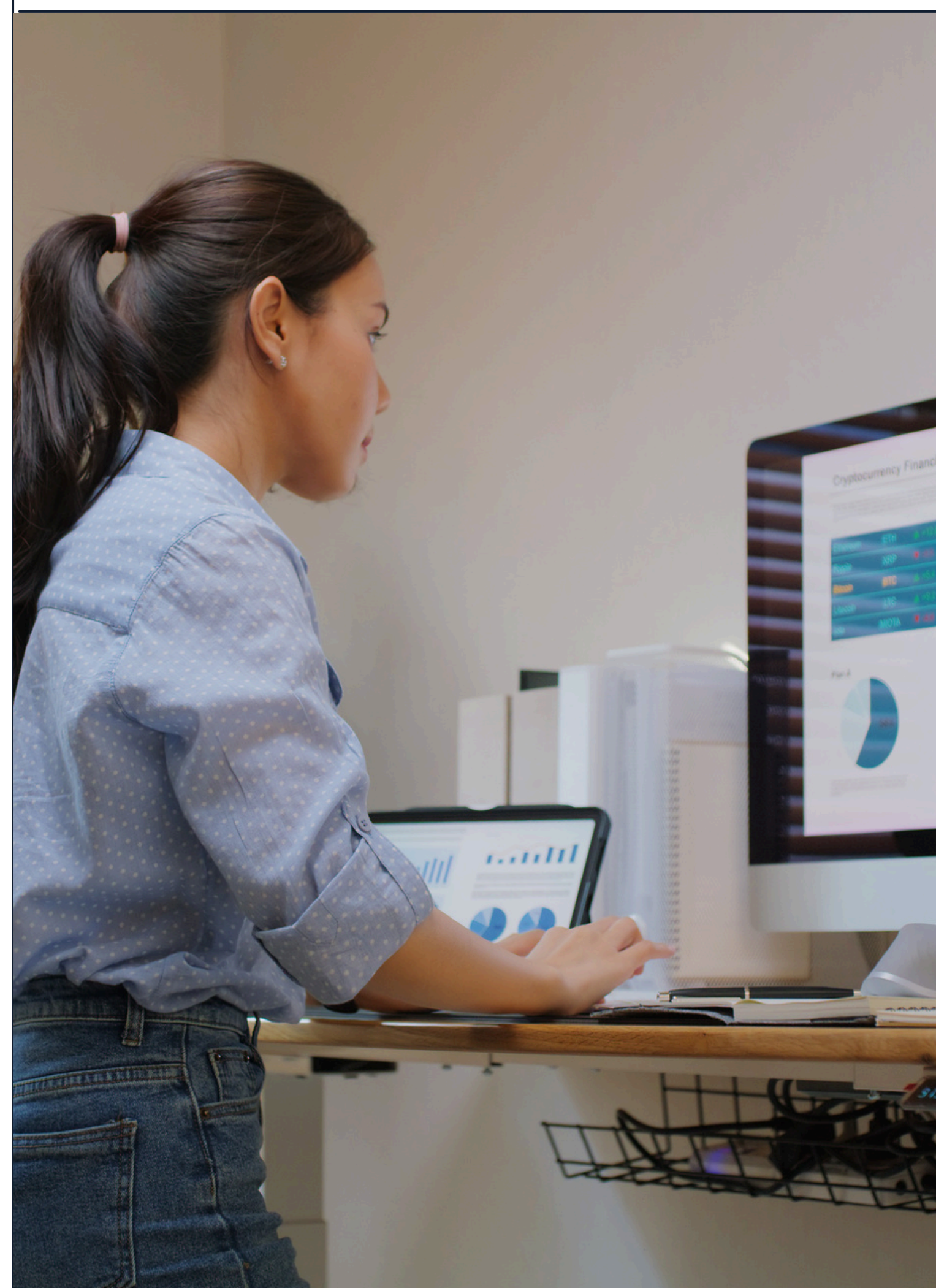
EXECUTIVE SUMMARY

Flexible workspace (FW) providers as tenants usually occupy office spaces on longer leases. Anecdotally, by taking longer leases, FW tenants can achieve lower effective rents, which is highly relevant to their long-short business model. However, the relationship between lease term and effective rent is not always downward sloping and previous studies show that lease term structure depends on the demand for spaces, supply in the pipeline, and risk considerations. Existing studies show that FW providers pay lower rent in UK and US markets. To understand the dynamics of FW providers further, in this paper, we analyse the lease term structure of FW providers in different economic cycles and compare it with that of conventional office tenants in New York City between 2011 to 2022. Our findings reveal that FW providers have a distinctive lease term structure compared to conventional office tenants: they secure lower rents for longer leases but face higher rents for shorter terms. Additionally, the FW lease term structure has shifted upward in recent years, reflecting increased perceived risk associated with their business model.



KEYWORDS

- Flexible workspaces
- Coworking
- Term structure
- Effective rent
- New York City



RESEARCH RELEVANCE

- This paper compares the lease term structures of flexible workspace (FW) providers and conventional office tenants in London.
- Conventional tenants typically display an upward-sloping lease term structure, with longer leases commanding higher effective rents.
- In market upturns, FW providers secure lower rents for leases of 10 years or more but face higher rents for shorter terms.
- In downturns, the lease term structure for FW providers shifts upward, reflecting heightened perceived risk associated with their business models and potentially higher releasing costs for the landlords.

BIBLIOGRAPHIC INFORMATION

Antunes Batista Da Silva, F., Liu, N., & Hutchison, N. (Accepted/In press).
Office term structures and the tenancy of flexible workspace providers.
Journal of Property Research.
<https://doi.org/10.1080/09599916.2025.2500051>

“As tenants, flexible workspace providers exhibit lease term structures that are more sensitive to market volatility and perceived risk, whereas conventional tenants prioritise long-term stability”.

