

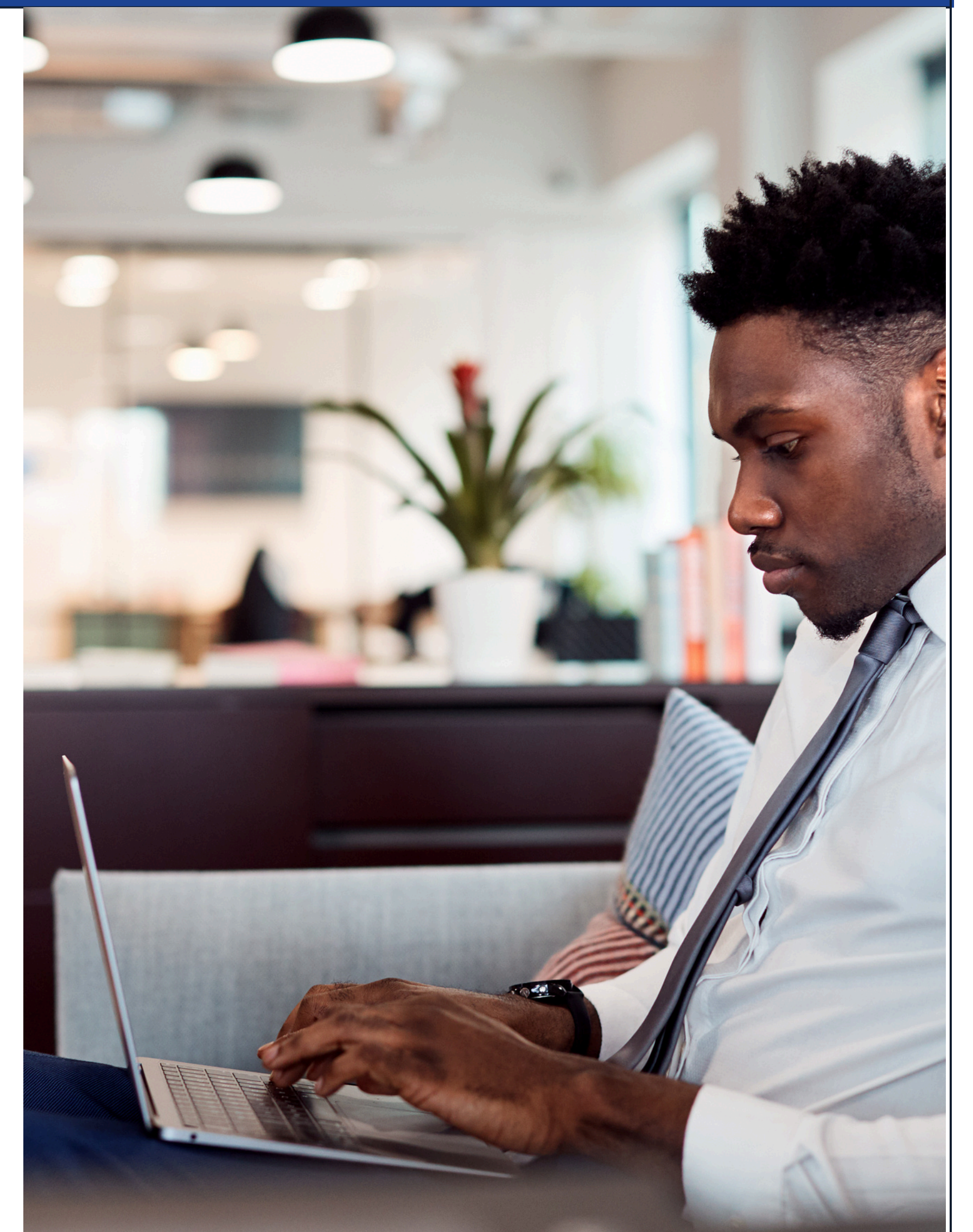
## FLEXIBLE WORKSPACES AND RISK PRICING IN OFFICE ASSETS: EVIDENCE FROM THE LONDON MARKET

### AUTHORS

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### EXECUTIVE SUMMARY

The rise of flexible workspace (FW) providers has transformed office leasing dynamics, yet their impact on asset values remains underexplored. FW tenants offer landlords operational flexibility, enhanced amenities, and diversification, but also introduce income variability and heightened financial risk. This study examines how FW tenancy affects office pricing and capitalization rates in London using sequential mixed methods. Semi-structured interviews with senior market practitioners reveal nuanced perceptions of FW covenant strength and strategic value, which informed a hedonic analysis of 824 transactions (2017–2024). Results show that modest FW exposure ( $\leq 20\%$  of net internal area) minimally affects prices, reflecting rental income adjustments rather than risk premiums. Higher FW concentrations ( $\geq 40\%$  of net internal area) elevate cap rates by circa 50 basis points, signaling investor risk aversion. While practitioners differentiate providers by brand strength, transaction data show no statistically significant pricing premium for higher-quality operators. These findings establish empirical benchmarks for valuing FW-occupied assets and quantify the risk-return tradeoffs facing institutional investors.



### KEYWORDS

- Flexible workspace
- Capitalization rate
- Asset pricing
- Tenant mix
- London

### RESEARCH RELEVANCE

- This paper contributes to the property-level asset pricing literature by examining the covenant strength and tenant-related risks associated with flexible workspace (FW) providers.
- The study adopts a mixed-methods approach, combining qualitative industry interviews with quantitative hedonic modelling.
- Findings from industry professionals suggest that FW tenants can provide strategic benefits through flexibility, amenities, and community-oriented environments; however, covenant strength remains a key factor influencing investor perceptions and capital values.
- The quantitative results indicate that investors perceive substantial FW exposure as an additional source of risk, leading to higher capitalization rates for properties with greater FW occupancy.

### BIBLIOGRAPHIC INFORMATION

Antunes Batista da Silva, F., & Liu, N. (2026). Flexible Workspaces and Risk Pricing in Office Assets: Evidence from the London Market. *Journal of Real Estate Research*. Advance online publication.  
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*"...modest FW presence may be absorbed through adjustments in expected cash flows (price), while significant FW exposure is reflected in risk premium in cap rates."*

