

HEWN<sup>®</sup>

## FLEXIBLE WORKSPACE RETURNS INDEX

February 2025





# Introduction and Summary

The HEWN flexible workspace index is a guide to likely flexible workspace returns compared to traditional office market rents.

Rents in the traditional office market are easily understood by landlords and property owners and used as a barometer for local leasing deals and potential value. However, the flexible workspace market, whilst mature in central London, does not yet produce enough data to easily compare how it performs against the traditional market.

This makes it difficult for owners to gauge the comparative level of returns when considering a traditional office lease vs running their own flexible workspace operation, a management agreement or partnership lease with a flexible workspace operator.

HEWN's Index is designed to reduce the opaque nature of the market and help property owners make informed decisions. Gathering and assessing accurate flexible workspace desk rate data is complex, given the wide variety of products available in the market.

There is also a disconnect between the desk rates charged to flexible workspace customers and the rate of return for the owner. The cost of running and servicing the space isn't reflected purely in the desk rates achieved, despite their impact on what owners can expect as returns.

Even if directly leasing space to a flexible workspace operator, the lack of understanding between desk rates and returns can make it difficult to determine whether an operation is sustainable throughout the term.

HEWN's Index uses quarterly traditional office market data, flexible workspace data compiled by Valve and proprietary data on costs to compare desk rates directly with the returns available to owners.

It covers three different grades of product offer, from high-end to the more basic, across seven central London sub-markets (see page 4 for more detail on the methodology).

Being able to interpret the data over a period allows building owners to understand the opportunities of a flexible workspace operation alongside the additional benefits that a service and hospitality offering within an asset can and should bring for all occupiers.

It also allows those who already have a flexible workspace offer within their buildings to understand how they should be performing.





# About the research methodology

The Index uses the highest desk rates achieved in the market to compare 5\* product to premium, traditional rents or Estimated Rental Value (ERV). Whilst these rates are not achievable in all locations in any sub-market, the Index is designed to show the highest likely returns from the best product. Likewise, the lowest desk rates achieved cover the 1\* product market.

Given the number of variables at play in flexible workspace data, HEWN has used its comprehensive market knowledge and experience to analyse the figures.

The likely returns are based on a landlord or property owner either creating an operating business with associated HQ costs or entering into a management agreement or similar arrangement with a corresponding management fee.

These returns are in the accompanying graphs in two forms. The first being an overall effective EBITDA or gross returns from an operation with the second showing the EBIT, being a net return. This net return figure considers the additional CAPEX depreciation and initial working capital costs required in excess of traditional sub-market and product letting incentives.

Operational costs include broker fees, marketing, staff salaries, repairs, utilities, etc. Property costs include business rates, service charges/building maintenance costs and insurance.

Unless there is a direct impact on any single element (such as utilities costs increase in 2022), we have assumed an inflationary increase in costs.

Services such as meeting room hire, F&B and events are assumed to be included within desk rates although the model does take into consideration an element of these as external income.

After desk rate, desk density is the single biggest factor in determining the returns per sq ft achievable. There is a direct correlation between the quality of product offered and desk density in any one location.





# West End

The West End has traditionally provided a very high-quality flexible workspace product but is also arguably one of the most expensive areas to create space. Desk rates, alongside traditional office rents have traditionally been the highest in London and the UK.

Whilst the quality of the product has only changed minimally, it is the breadth of product created by owners and operators that still sets the location apart.

Throughout 2024, gross returns available for 5\* flexible workspace product performed in line with premium market rents in the area, with increasing returns in Q4. However, net return figures remained at or below ERV for the first three quarters only rising above this level in Q4.

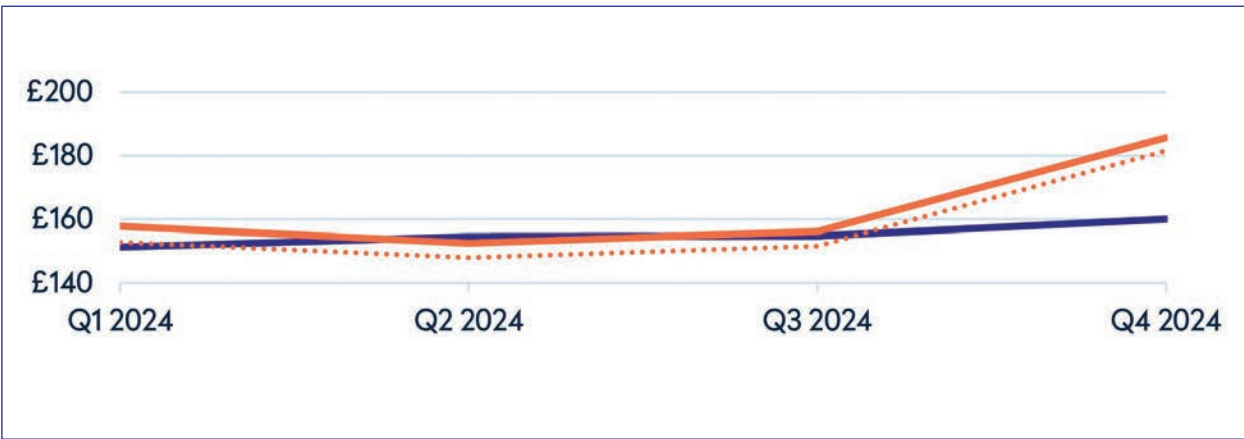
Desk rates outperformed all other sub-markets in London and have been stable throughout the year.

3\* product outperformed the Grade B office market by up to 120%, with desk rates remaining stable throughout the year.

Whilst there is very little 1\* product, what there is struggled to maintain stable desk rates through the year. Q2 showed increased performance against rents for low-grade offices, but the year ended with a drop in desk rates by over £100 per month.

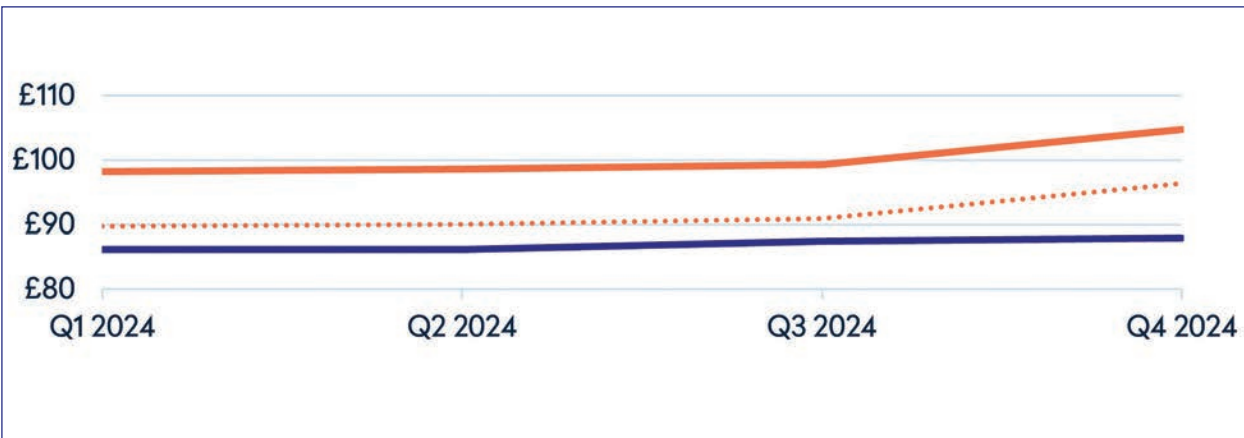
## 5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£1,386	£1,366	£1,388	£1,562
Gross Returns	£150 - £166	£145 - £161	£149 - £164	£177 - £195
Net Returns	£145 - £161	£141 - £156	£144 - £160	£173 - £191



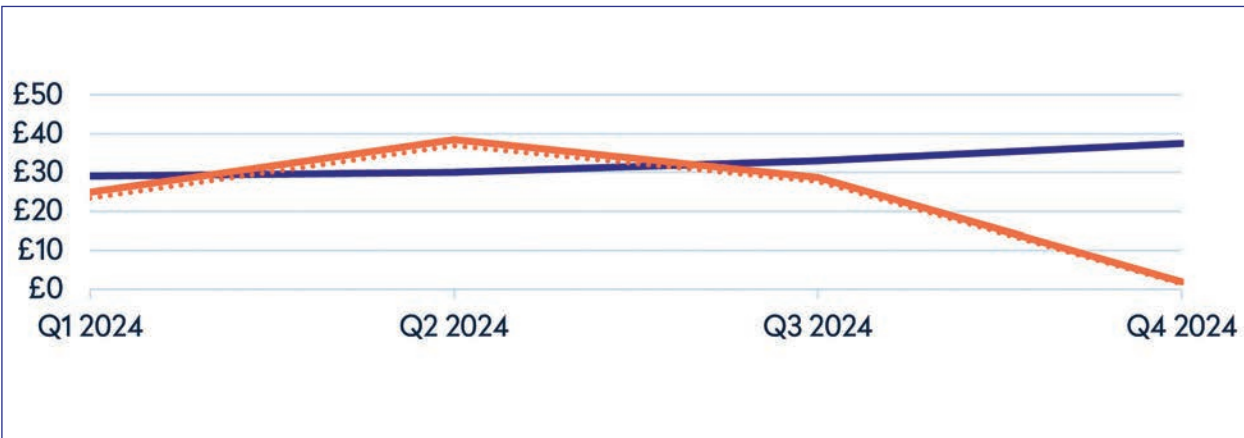
## 3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£794	£797	£804	£832
Gross Returns	£94 - £103	£94 - £104	£95 - £105	£100 - £110
Net Returns	£85 - £94	£86 - £95	£87 - £96	£92 - £101



## 1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£300	£358	£323	£218
Gross Returns	£20 - £30	£31 - £46	£23 - £35	£2 - £3
Net Returns	£19 - £28	£30 - £45	£22 - £33	£1 - £2



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.



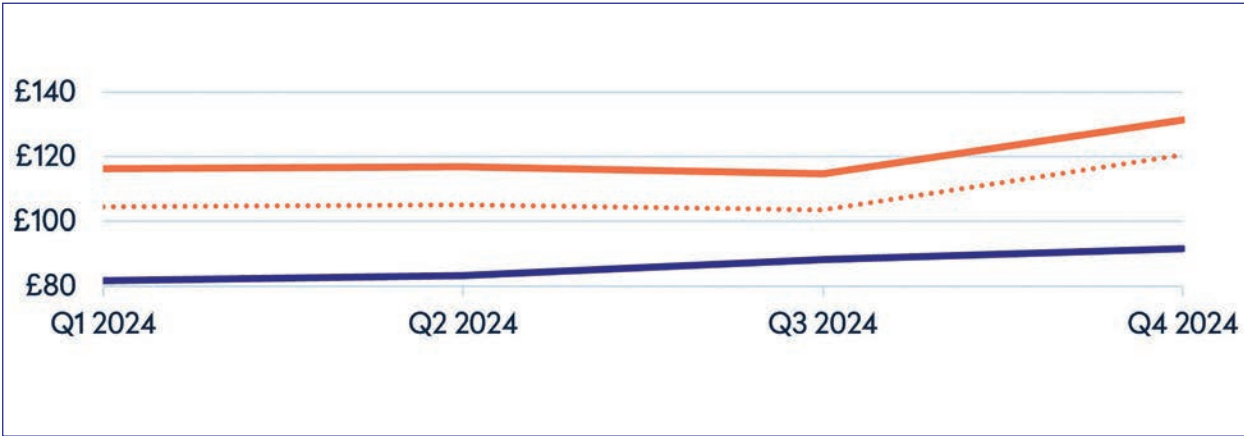
The core City flexible workspace market has over the years, seen large volatility in desk rates with perhaps an oversupply of inferior product pre-COVID. Since then, with the rise in quality product and demand, desk rates and returns have increased alongside traditional market rents.

Over the last year, 5\* and 3\* products outperformed the conventional rental market with a disparity between flexible workspace income and ERV of between £10 per sq ft pa and £40 per sq ft pa (up to 140% of ERV as a gross return). Both grades of product saw an increase in desk rates in Q4 2024 with 5\* product realising a 115% rise in gross returns available.

1\* product, for the first three quarters, was providing gross returns marginally above the conventional rental market. However, net returns remained at or below ERV for this period and unlike the better quality products, Q4 desk rates dropped by 14%, which impacted the returns, dropping them below ERV. As with the West End, demand for 1\* product suffered in Q4, affecting the desk rates achieved.

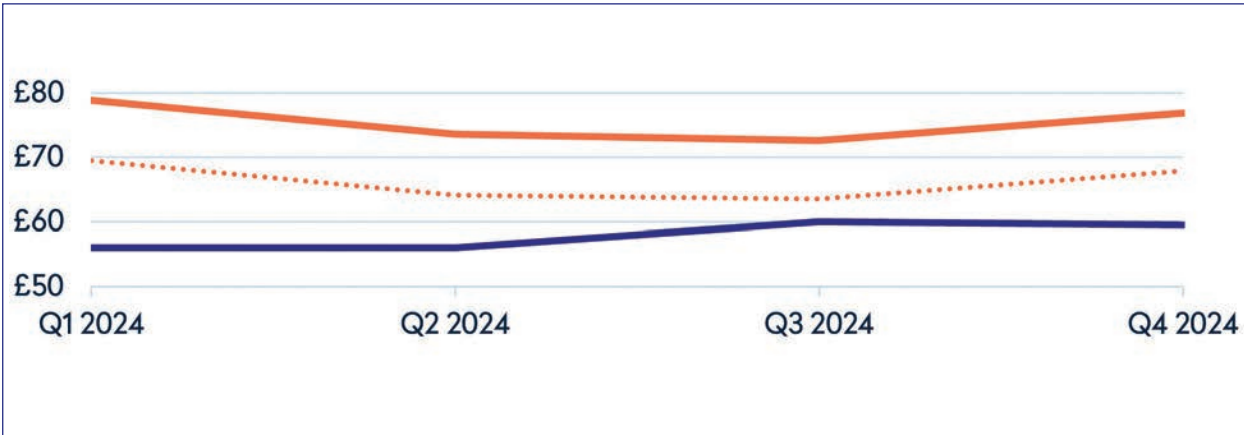
5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£1,021	£1,028	£1,027	£1,126
Gross Returns	£111 - £122	£111 - £123	£109 - £121	£125 - £138
Net Returns	£100 - £110	£100 - £111	£99 - £109	£115 - £127



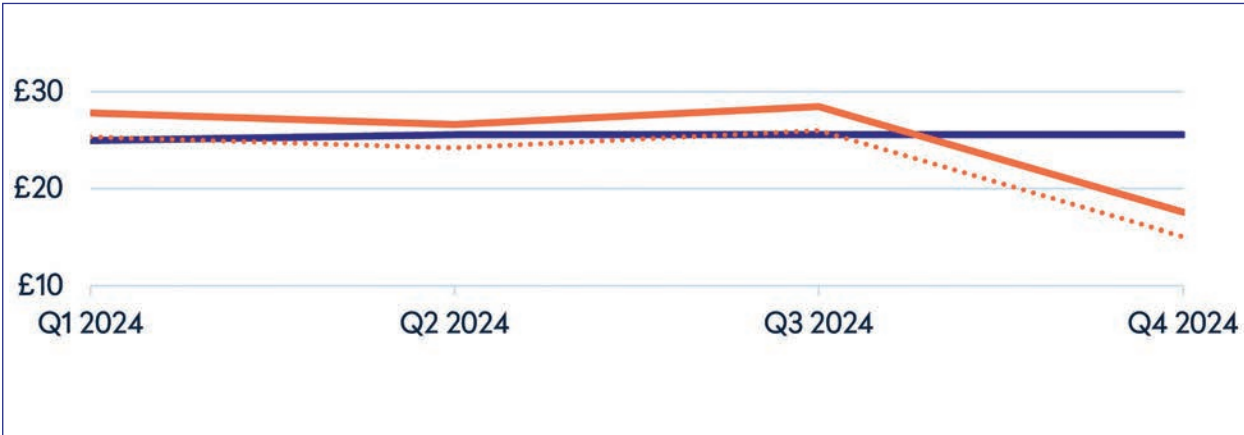
3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£656	£631	£634	£656
Gross Returns	£75 - £83	£70 - £77	£69 - £76	£73 - £81
Net Returns	£66 - £73	£61 - £68	£61 - £67	£65 - £71



1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£306	£303	£312	£268
Gross Returns	£23 - £34	£22 - £32	£23 - £34	£14 - £21
Net Returns	£21 - £31	£20 - £29	£21 - £31	£12 - £18



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.



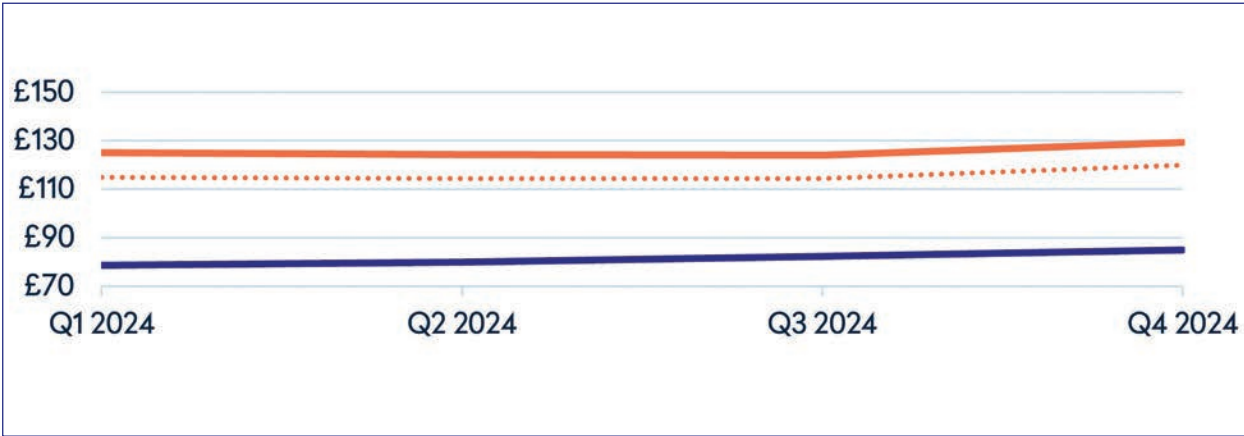
Midtown saw the largest increase in the amount of flexible workspace stock available in 2024 meeting demand for high quality product. Despite this, the increased demand resulted in desk rates remaining fairly static for all three grades of product throughout the year.

The Midtown market for both 5\* and 3\* products closely mirrored the City market throughout the year, with returns from flexible workspace outperforming the conventional market by between 110% - 160%.

1\* product started the first half of the year well with healthy returns. This was followed in Q3 and Q4, where there was a drop in desk rates, and subsequently returns against the conventional office market were reduced, although still in excess of ERV for the lowest-quality product.

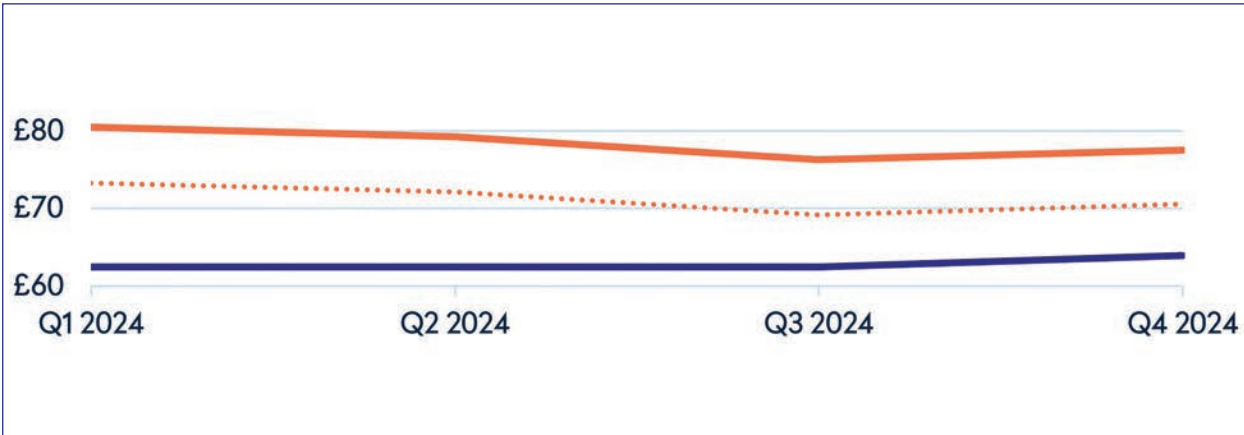
5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£1,068	£1,069	£1,073	£1,109
Gross Returns	£119 - £131	£118 - £131	£118 - £130	£123 - £136
Net Returns	£109 - £121	£109 - £120	£109 - £120	£114 - £126



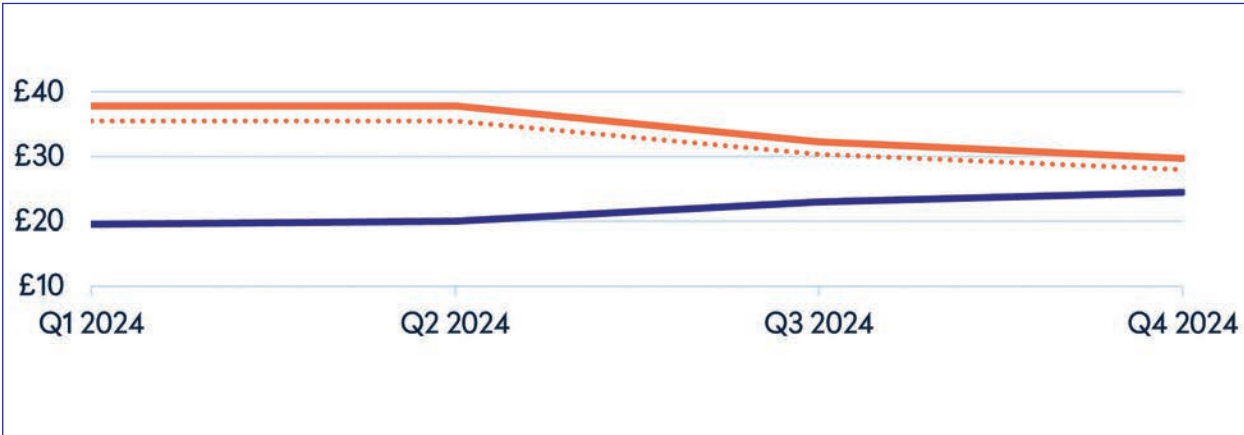
3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£673	£669	£656	£666
Gross Returns	£77 - £85	£76 - £84	£73 - £80	£74 - £82
Net Returns	£70 - £77	£69 - £76	£66 - £73	£67 - £74



1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£341	£343	£325	£317
Gross Returns	£32 - £44	£32 - £44	£28 - £37	£25 - £34
Net Returns	£30 - £41	£30 - £41	£26 - £35	£24 - £32



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.





Demand in the Southbank market for quality flexible workspace continues to outstrip supply. Several new operations emerged in 2024, yet desk rates remained on a slight upward curve throughout the year with demand being met.

With the increase in quality product, there was pressure on 1\* space with desk rates and returns dropping over the year, however, all three grades of product showed returns in excess of conventional market rents throughout the 12-month period.

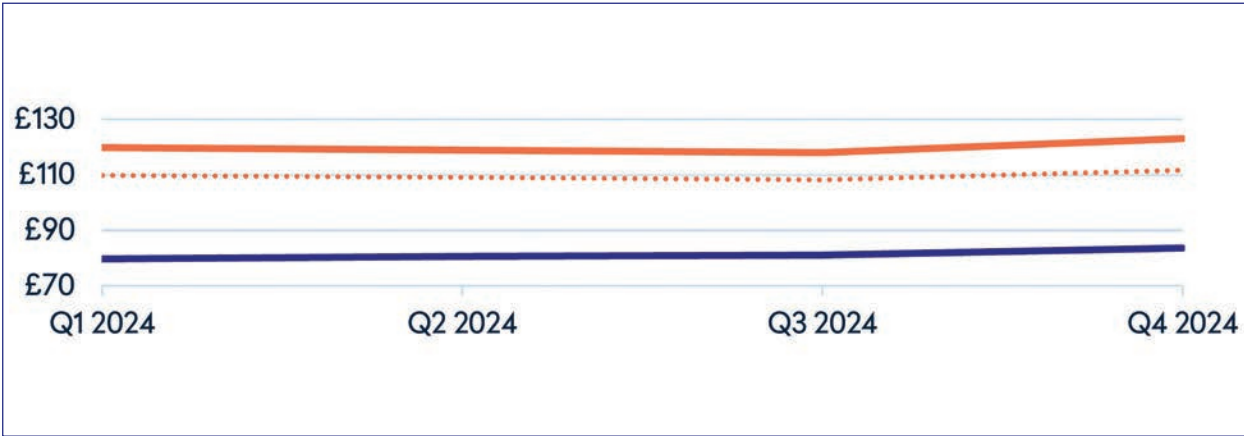
Average gross returns for 5\* and 3\* product were between 130% - 150% of market rents throughout the year. Unlike other sub-markets, 1\* product produced positive returns in excess of 160% of market rents throughout the period showing the lack of supply in the market.

Desk rates were relatively stable, and 5\* product showed growth in Q4, while 1\* product desk rates and returns decreased over the year.

This decrease, coupled with increasing traditional office rents is closing the gap between returns and ERV.

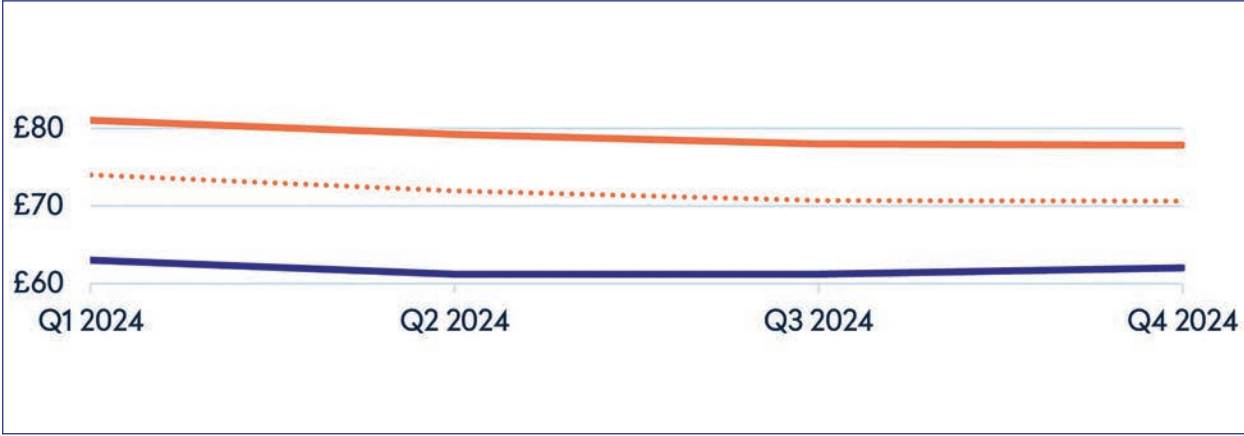
5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£1,038	£1,038	£1,035	£1,070
Gross Returns	£114 - £126	£113 - £125	£112 - £124	£117 - £130
Net Returns	£105 - £115	£104 - £115	£103 - £114	£106 - £117



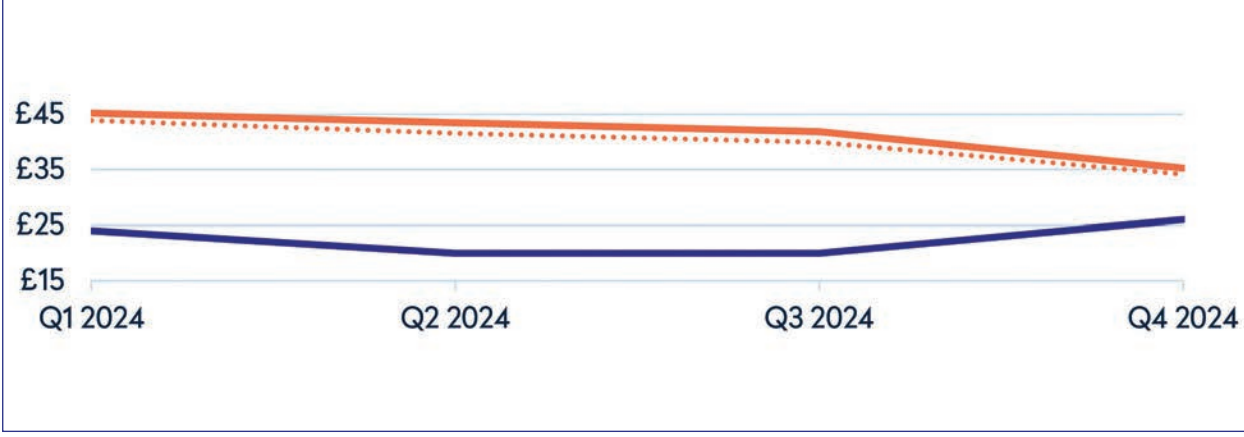
3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£677	£667	£662	£664
Gross Returns	£77 - £85	£76 - £83	£74 - £82	£74 - £82
Net Returns	£71 - £78	£69 - £76	£67 - £74	£67 - £74



1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£378	£366	£361	£342
Gross Returns	£41 - £50	£39 - £48	£38 - £46	£32 - £39
Net Returns	£40 - £49	£38 - £46	£36 - £44	£31 - £38



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.

# City Fringe North

City Fringe North has seen a considerable increase in supply of flexible workspace over the last 10 years offering a wide variety of product, space and services. As with conventional office rents, flexible workspace desk rates increased over this period.

The flexible workspace market has continued to grow over the last 12 months and despite this additional supply, quality 5\* product has seen returns in excess of ERV.

New flexible workspace stock in the market over the last few years has seen a large leap in quality with poorer quality stock struggling with demand and in response, desk rates and returns.

5\* returns were in excess of market rent throughout the year, with desk rates achieving a 10% increase in Q4.

It was a similar story for 3\* product, showing gross returns over the last 12 months up to 115% of ERV, however the market did struggle to make net returns above ERV for the first three quarters.

In the first two quarters of the year, 1\* product saw the gap between rent and returns narrow and whilst this stabilised in Q3, a downturn in desk rates in Q4 and a slight rise in rents saw flexible workspace returns fall below ERV

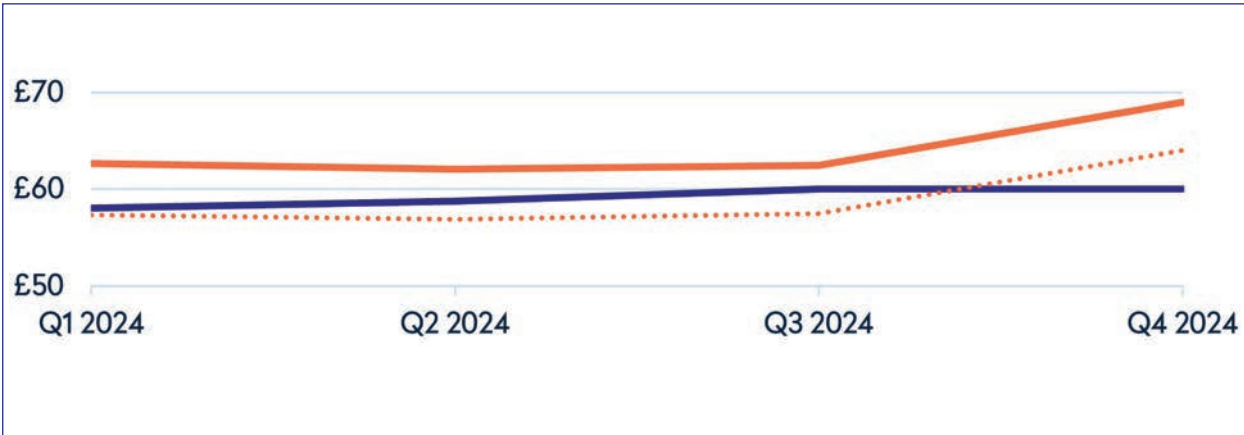
## 5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£975	£1,007	£1,029	£1,132
Gross Returns	£105 - £116	£109 - £121	£113 - £125	£130 - £143
Net Returns	£94 - £104	£100 - £110	£103 - £114	£120 - £133



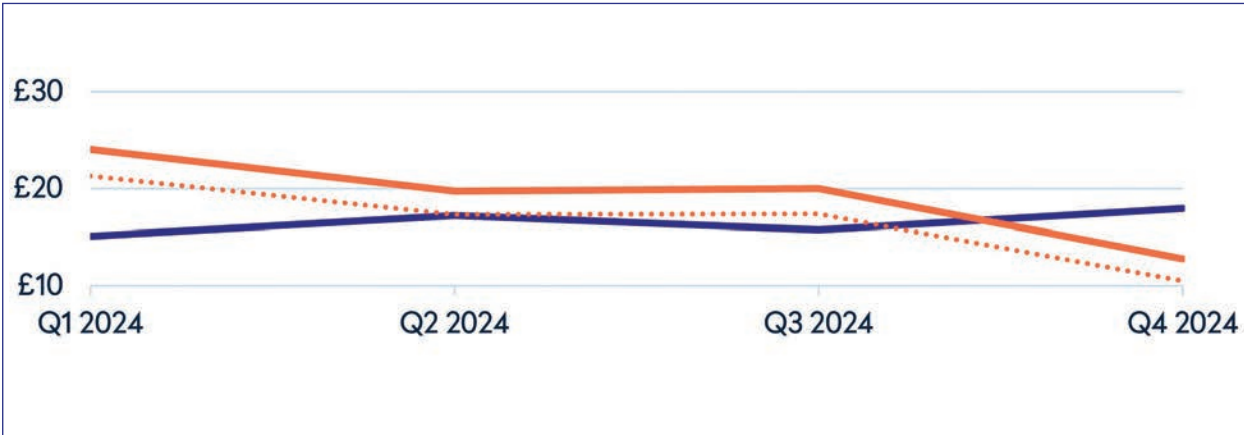
## 3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£580	£580	£585	£618
Gross Returns	£60 - £66	£59 - £65	£60 - £66	£66 - £73
Net Returns	£55 - £60	£54 - £60	£55 - £61	£61 - £67



## 1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£278	£264	£264	£238
Gross Returns	£21 - £28	£17 - £23	£17 - £23	£11 - £15
Net Returns	£18 - £25	£15 - £20	£15 - £20	£9 - £12



— ERV
 — GROSS RETURNS
 ... NET RETURNS
 Desk Rate: Per month. Returns: PSF pa.



# Canary Wharf

Canary Wharf hasn't seen the growth in flexible workspace operations that is evident in other areas of London, either through lack of demand or operational returns. However, as with conventional market rents, desk rates and returns have remained stable for good quality product.

The area showed that quality product can directly impact returns from flexible workspace. Both 5\* and 3\* products achieved gross returns above conventional market rent, although 3\* product saw net returns at or below ERV throughout the year.

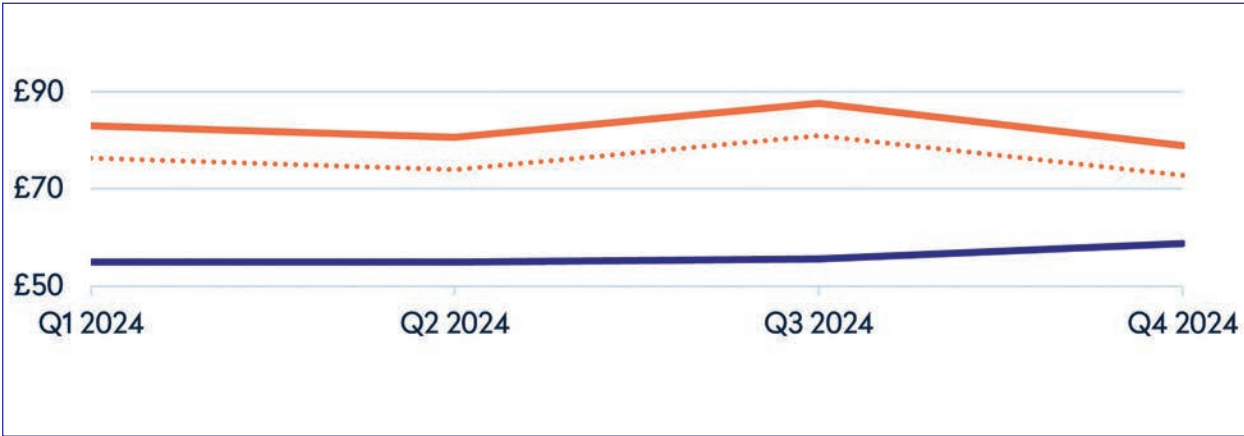
5\* product was able to maintain gross returns between 145% - 155% of ERV whereas 3\* product was between 110% - 125%.

It was the 1\* product that struggled; the returns from flexible workspace didn't get much above £5 per sq ft pa throughout the year and dropped further in Q4, increasing the gap between market rents and returns.

Desk rates for 1\* product have traditionally suffered in the area and any movement in demand has a dramatic effect on returns available. As with other areas in London, the flight to quality is evident in the flexible workspace market in Canary Wharf.

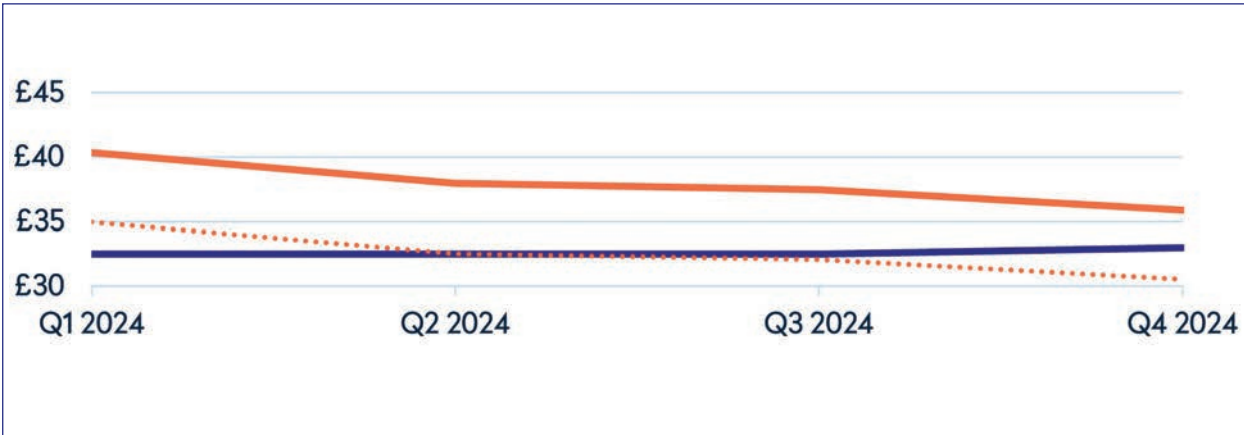
## 5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£792	£780	£822	£781
Gross Returns	£79 - £87	£77 - £85	£84 - £92	£75 - £83
Net Returns	£73 - £80	£71 - £78	£77 - £85	£69 - £77



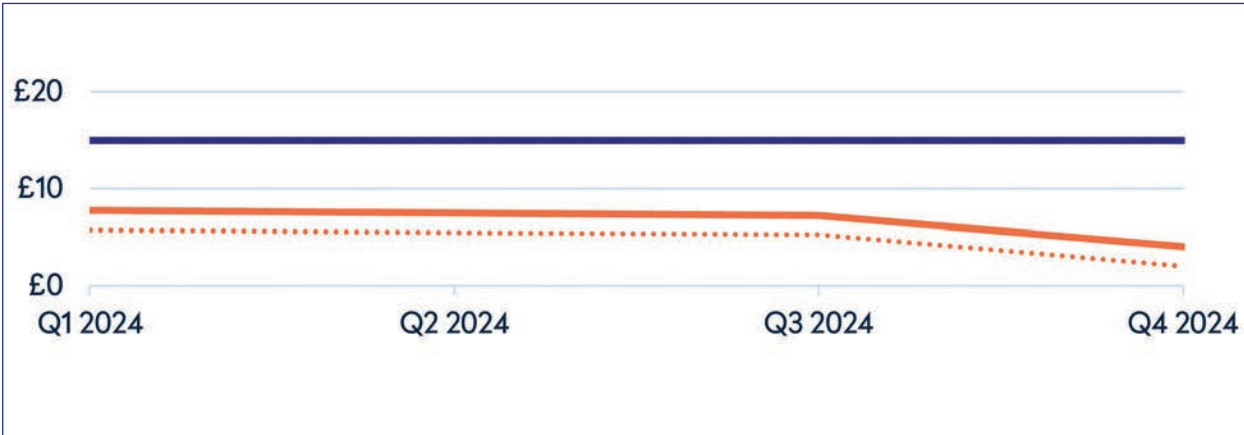
## 3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£435	£425	£424	£419
Gross Returns	£39 - £43	£36 - £40	£36 - £40	£34 - £38
Net Returns	£33 - £37	£31 - £34	£31 - £34	£29 - £32



## 1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£210	£210	£210	£198
Gross Returns	£6 - £10	£5 - £10	£5 - £10	£3 - £5
Net Returns	£4 - £8	£4 - £7	£4 - £7	£2 - £3



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.





Stratford is seeing huge investment in all areas from residential and retail to offices and whilst the physical flexible workspace market has been comparatively small and in the main of poorer quality product, it is likely to see some good growth over the next few years.

It is this lack of quality space in any sort of quantum that has kept desk rates and returns low over all three products.

The flexible workspace returns produced in the Stratford market struggled throughout the year for all three grades of products. The desk rates achieved were not adequate to drive returns to above-market rents.

Indeed, returns showed the greatest fluctuation for all three grades of products across London, which perhaps shows a lack of consistent product and operations in the area.

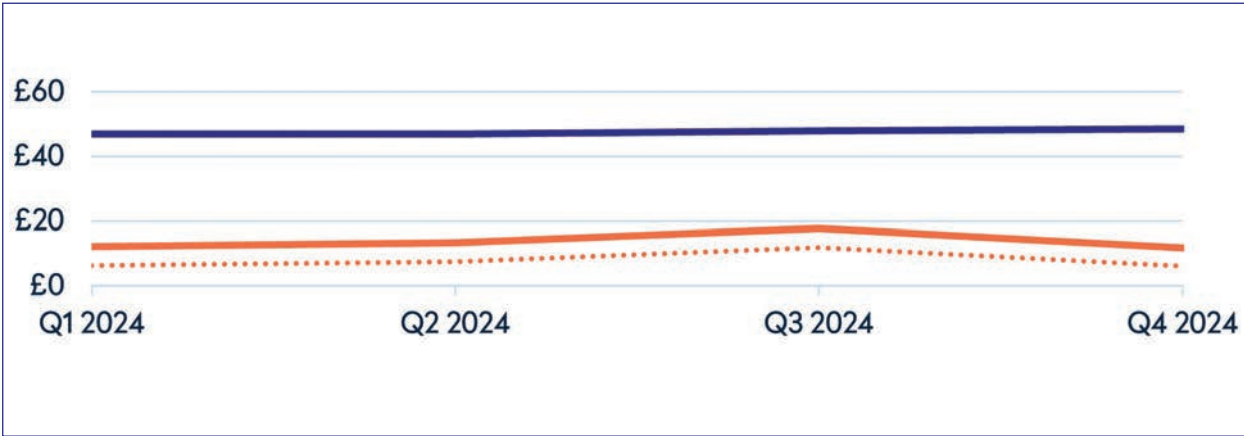
The closest performing space to achieving parity with market rent was the 1\* product. However, the difference in desk rates achieved between 1\* and 5\* products is not as apparent as other areas of London.

Desk rates saw a drop in Q4 across all three products, affecting returns to the extent that operations may struggle to pay all operational and property costs.

The introduction of 5\* product is welcomed in the area and this is likely to have a dramatic effect on desk rates.

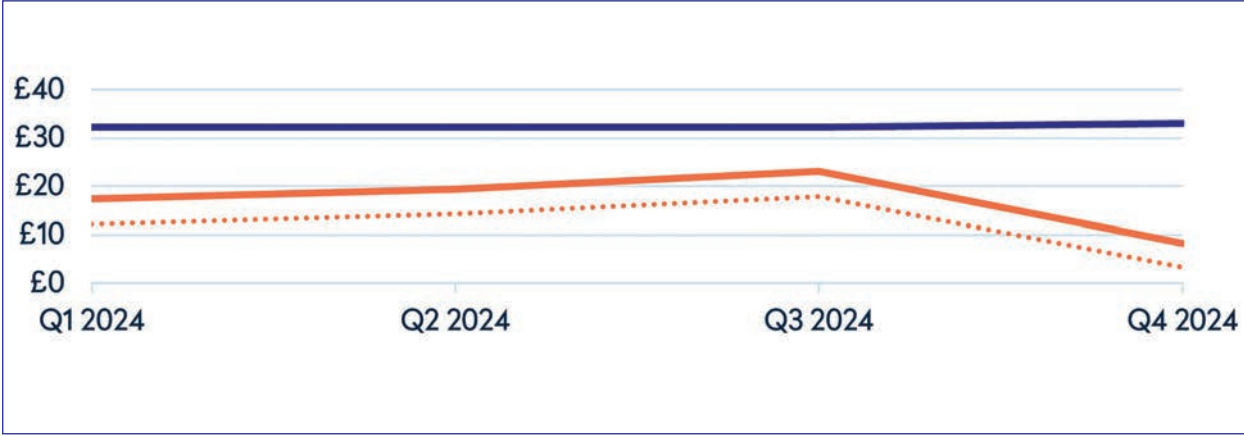
5\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£385	£393	£420	£390
Gross Returns	£10 - £15	£11 - £16	£14 - £22	£10 - £14
Net Returns	£5 - £8	£6 - £9	£10 - £15	£5 - £8



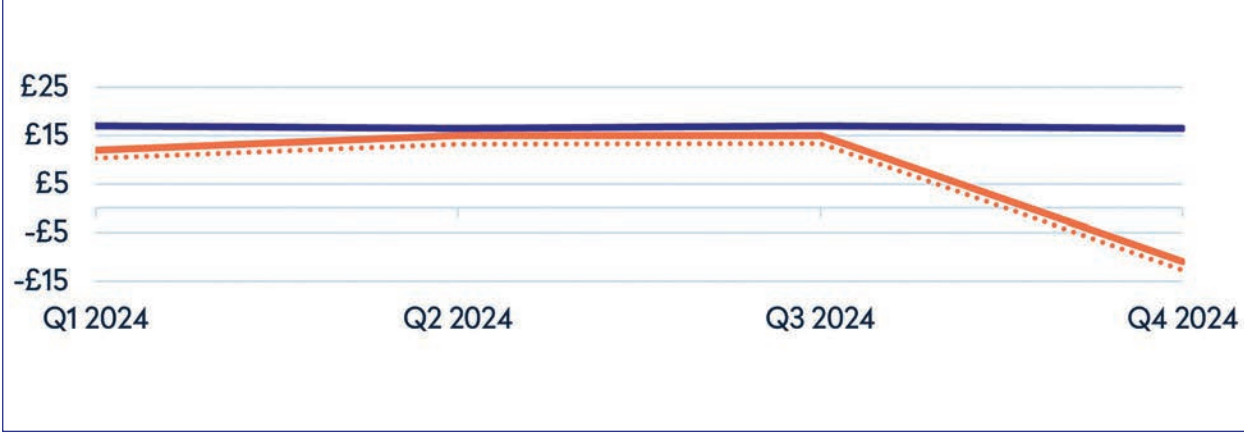
3\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£324	£335	£354	£286
Gross Returns	£12 - £23	£14 - £25	£16 - £30	£6 - £11
Net Returns	£9 - £16	£10 - £19	£13 - £23	£3 - £4



1\* Product

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Desk Rate	£230	£243	£245	£137
Gross Returns	£9 - £16	£11 - £20	£11 - £20	£-8 - £-15
Net Returns	£7 - £14	£10 - £17	£10 - £18	£-9 - £-17



ERV GROSS RETURNS NET RETURNS Desk Rate: Per month. Returns: PSF pa.





## Five year trend

The following graphs show the same information for each product and location over the last five years. This trend data compares returns to ERVs over a longer period to fully understand how flexible workspace performs against the traditional rental market.

As often cited about the flexible workspace sector, desk rates, costs and therefore gross and net available returns fluctuate quarterly throughout London.

In comparison, ERVs throughout London have remained relatively stable with steady growth over the same period.

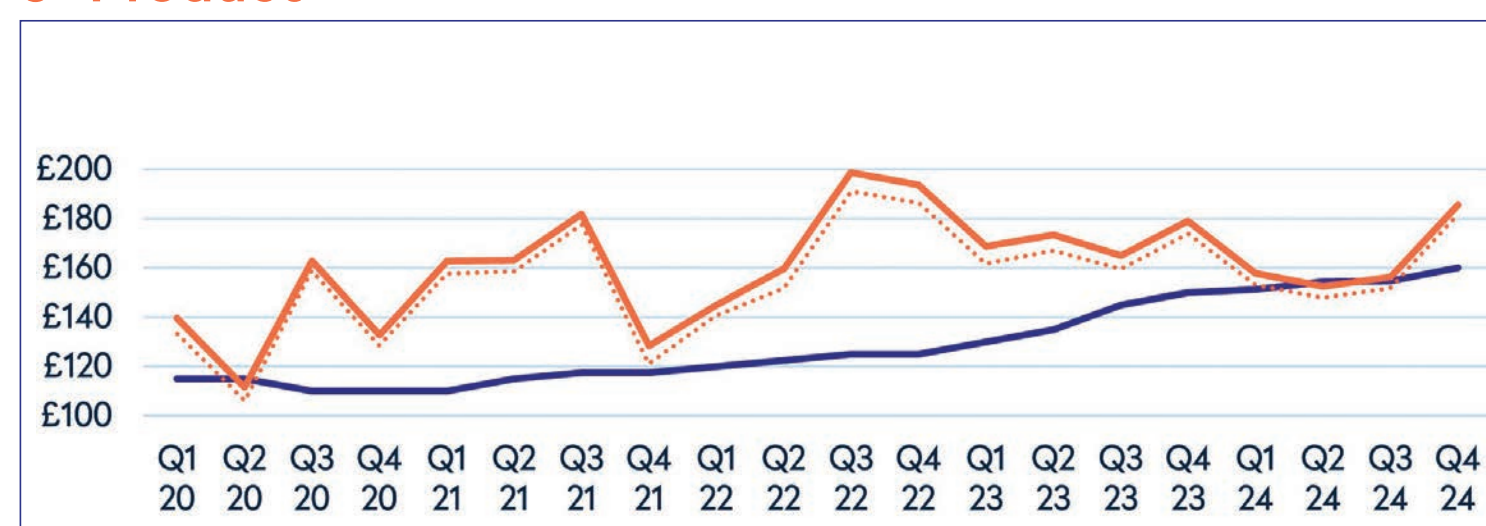
As seen already throughout 2024, 5\* and 3\* product has consistently outperformed the traditional office rental market in all areas except Stratford where the same market reasoning applies to the latest data. Only in Canary Wharf throughout the last five years and notably, the West End market in two quarters in 2024 did these two products experience below ERV returns for short periods.

The lowest quality product in every sub-market experienced varying levels of flexible workspace desk rates and returns with most struggling to be near to traditional market rent levels.

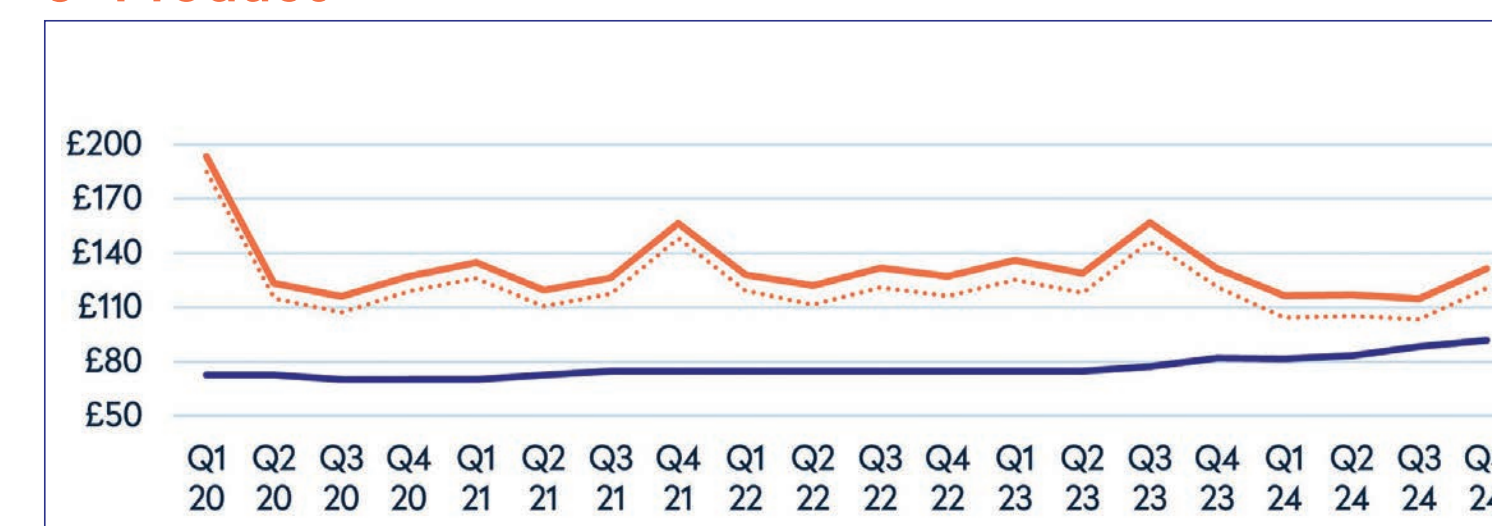
The drive for quality product as seen in the traditional office market over the last number of years is evident in the flexible workspace sector and given the product and service offered by operators and operations, this is likely to continue and drive the disparity between the products offered, the desk rates and ultimately the returns available.



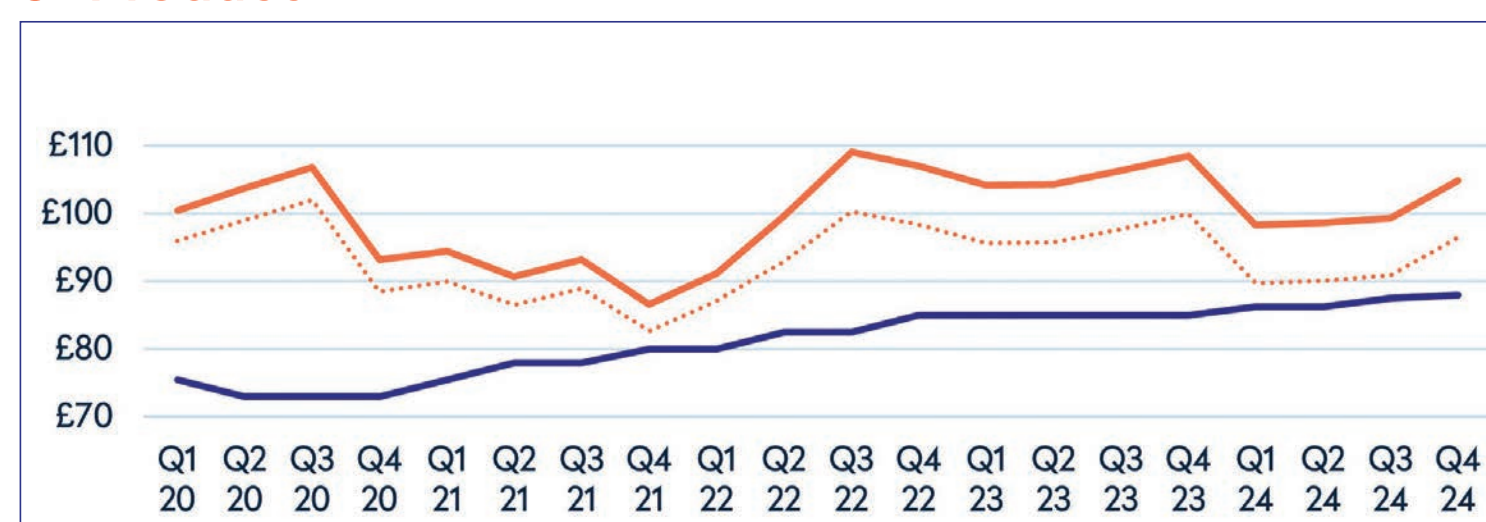
### 5\* Product



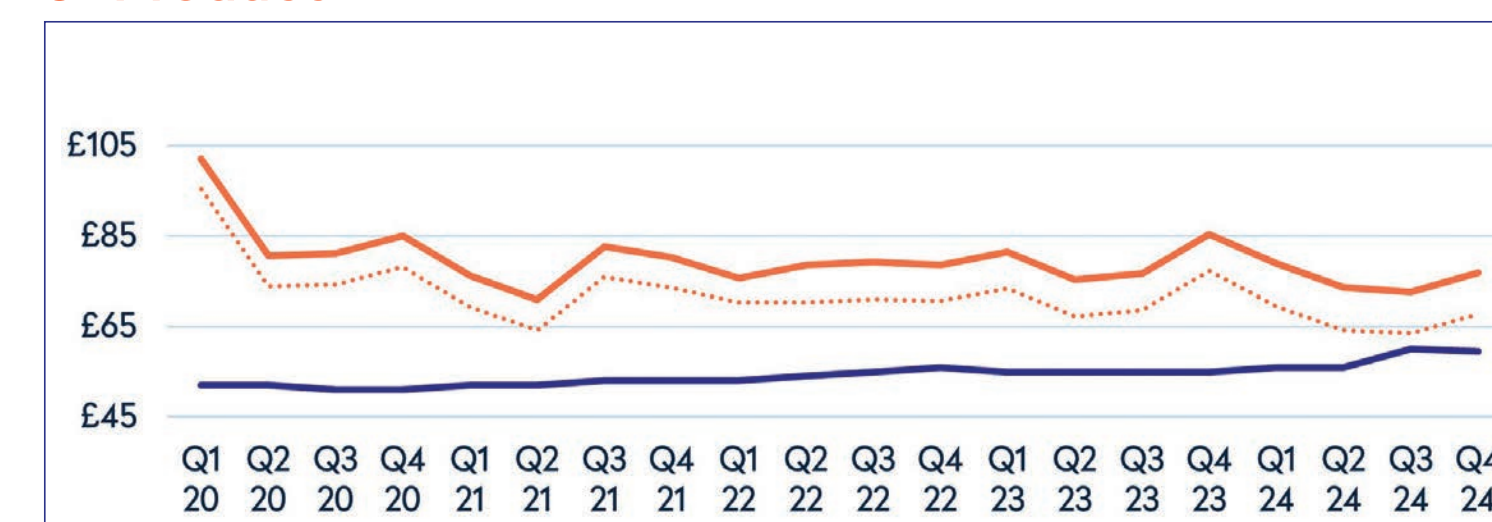
### 5\* Product



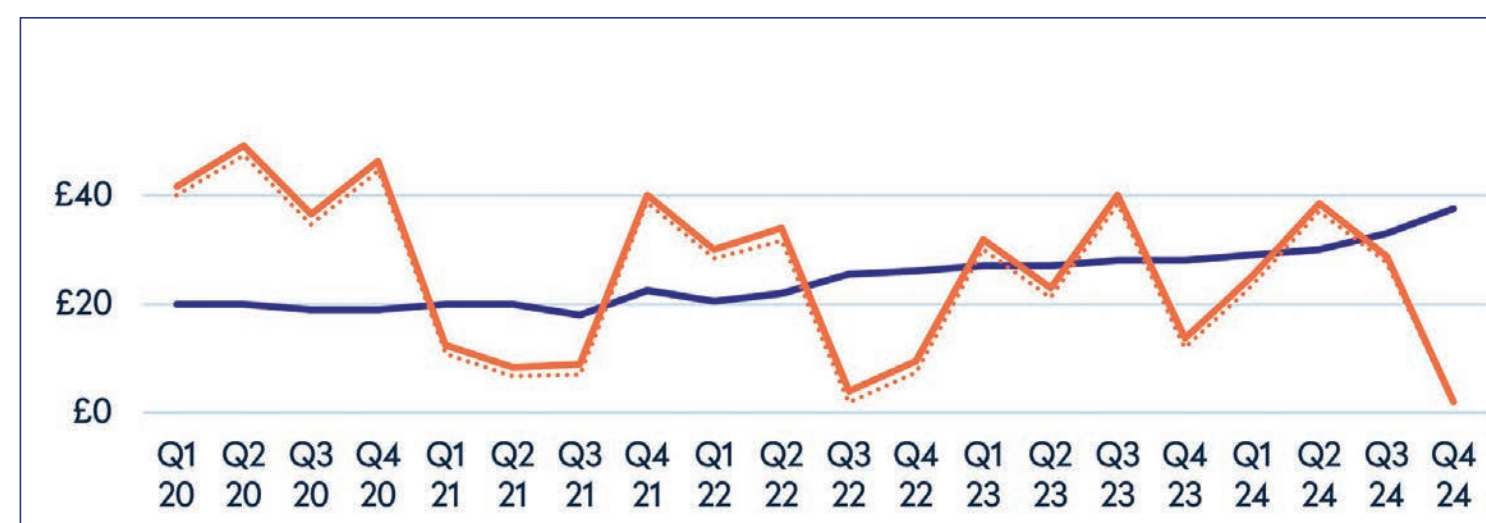
### 3\* Product



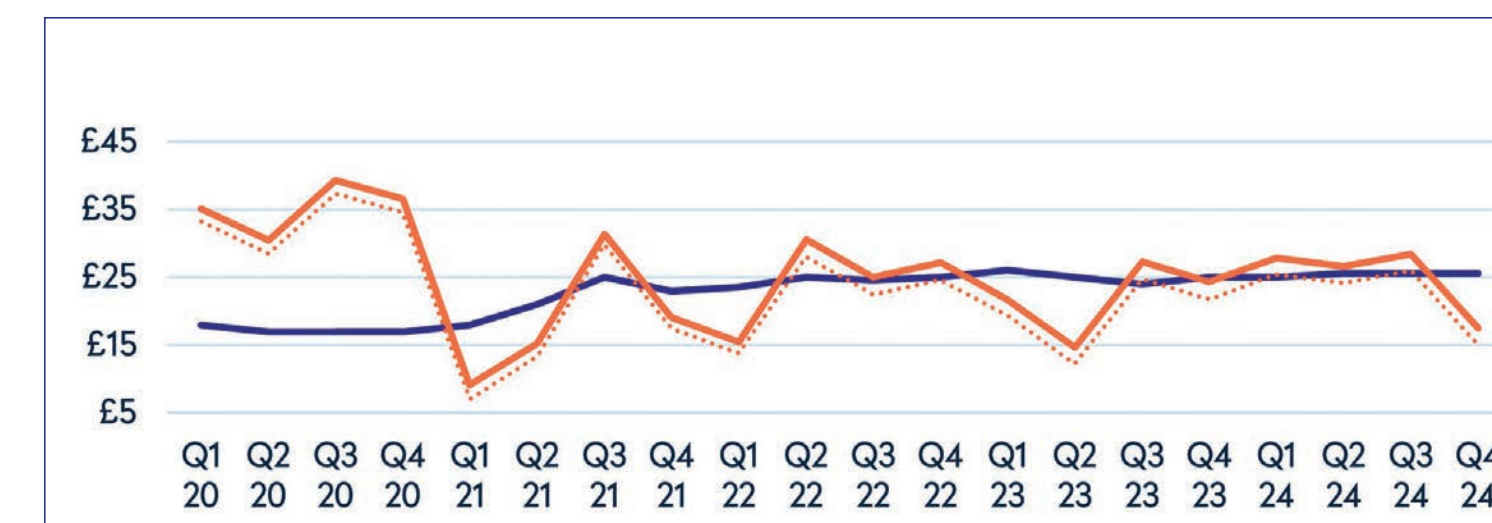
### 3\* Product



### 1\* Product

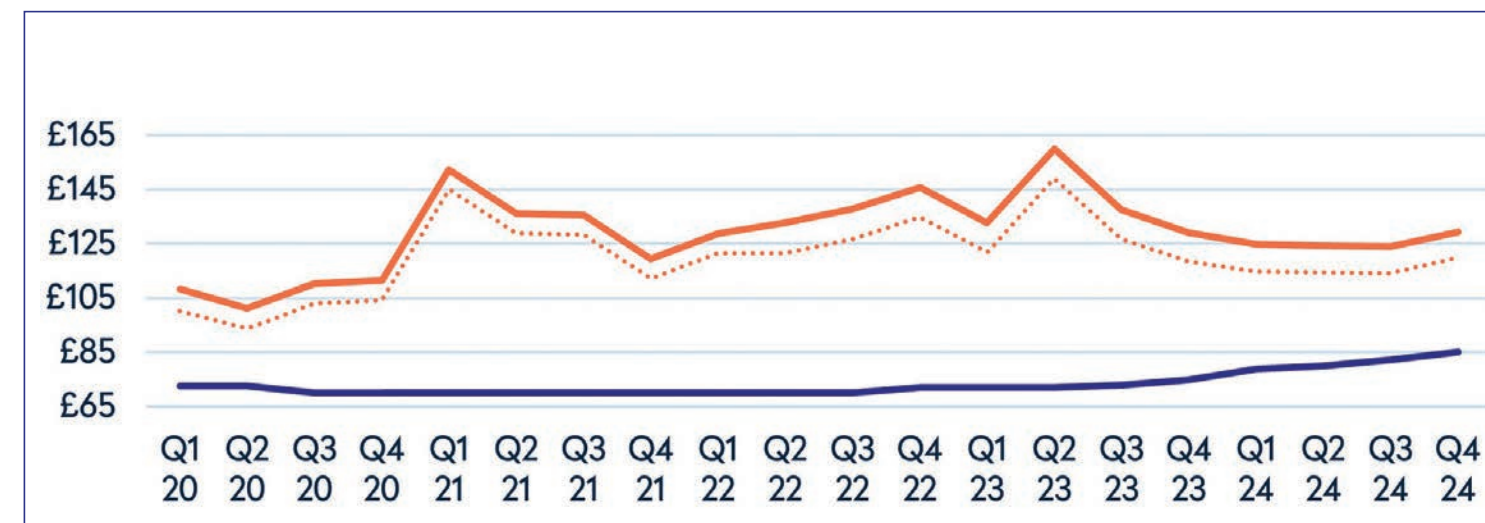


### 1\* Product

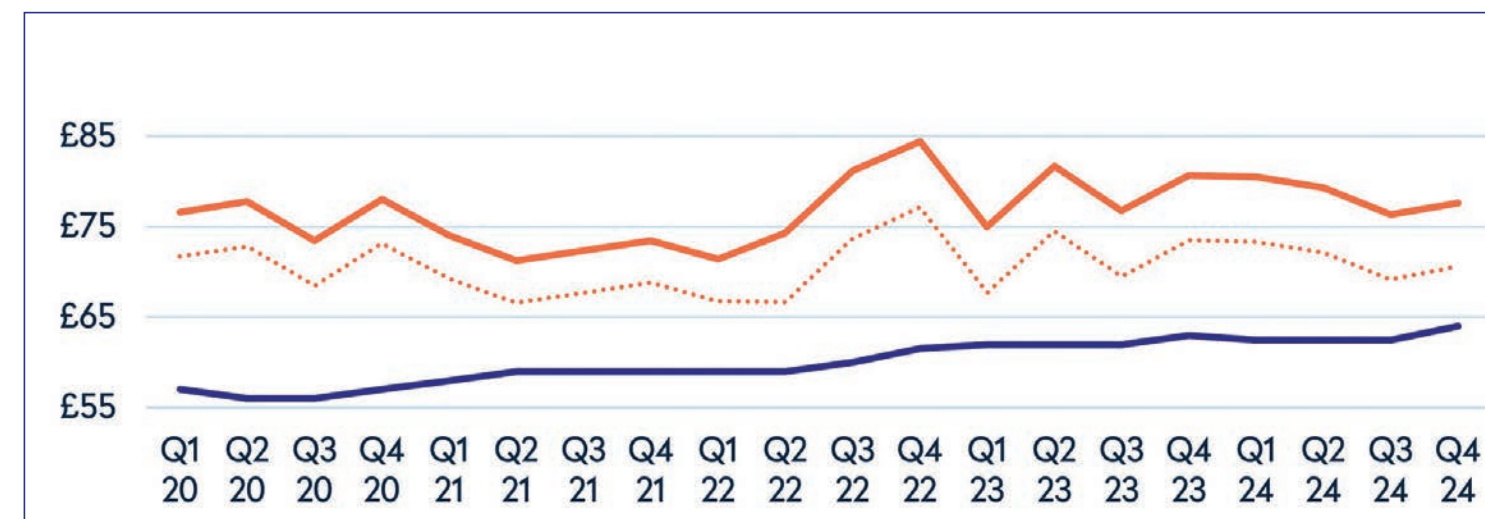




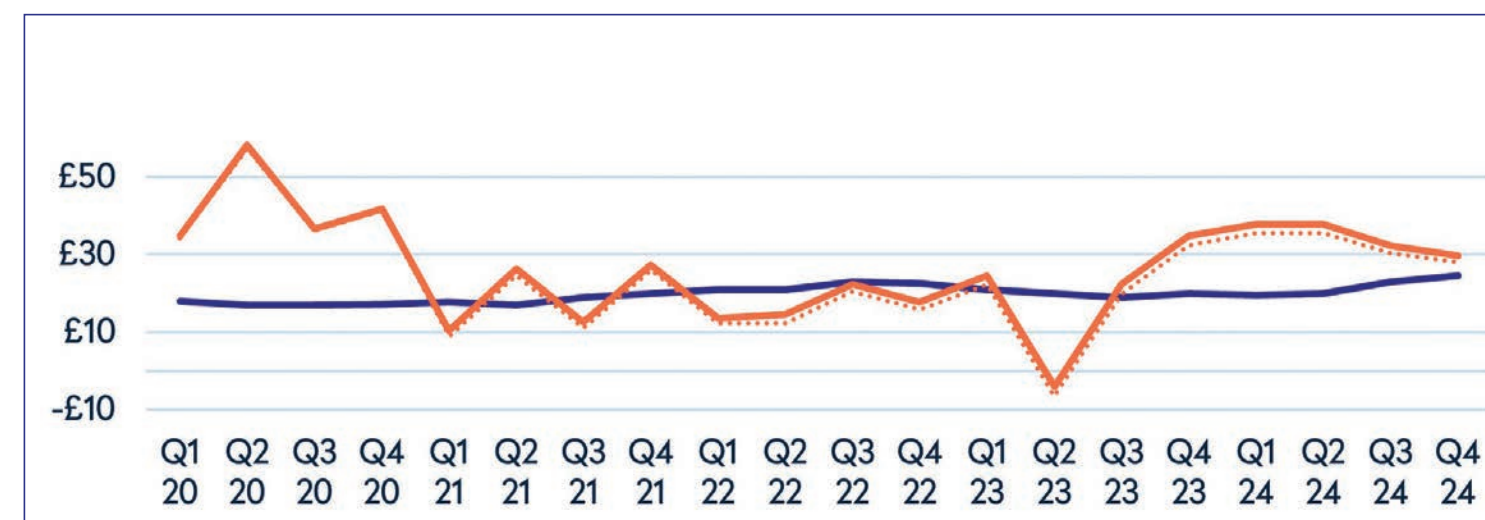
### 5\* Product



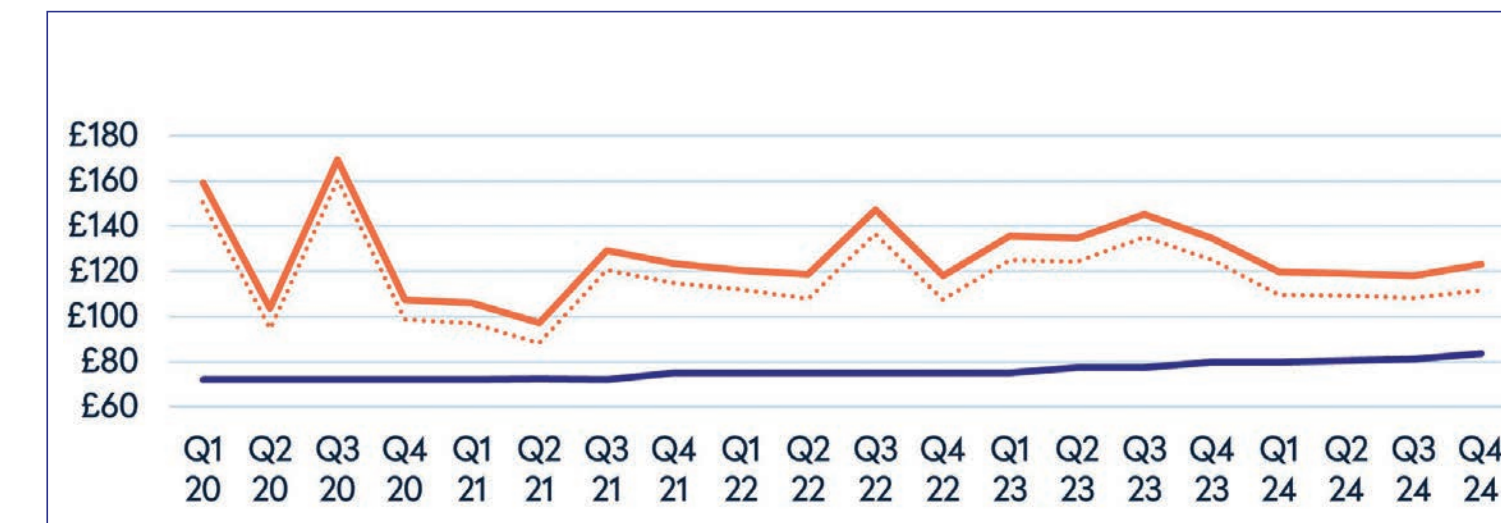
### 3\* Product



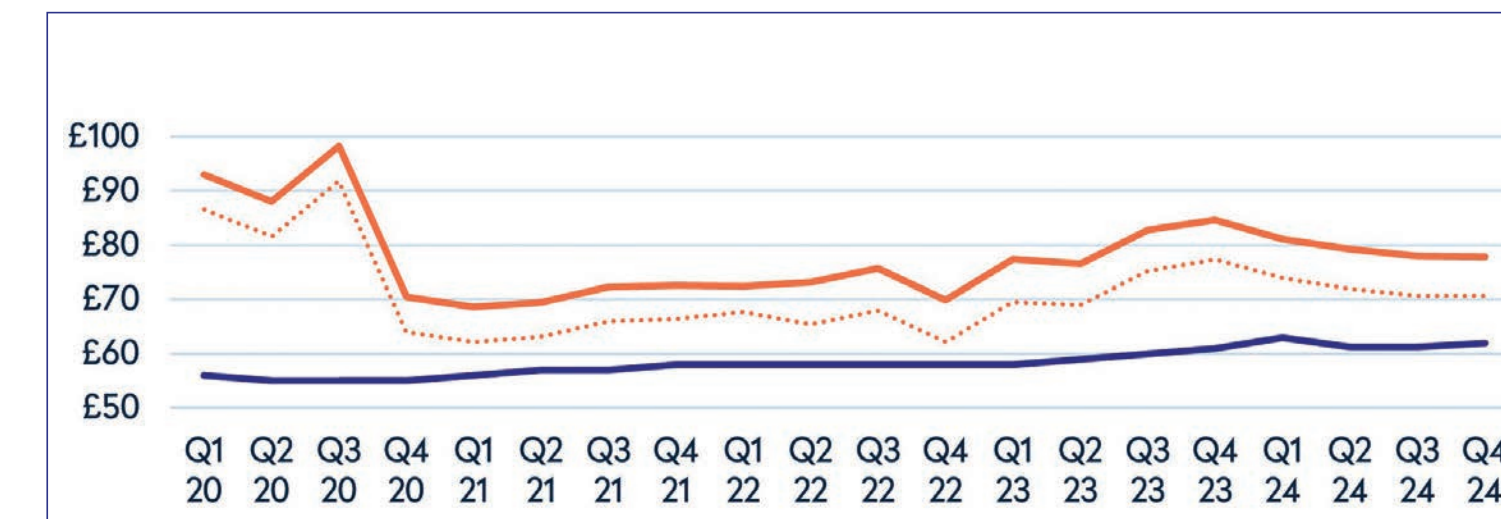
### 1\* Product



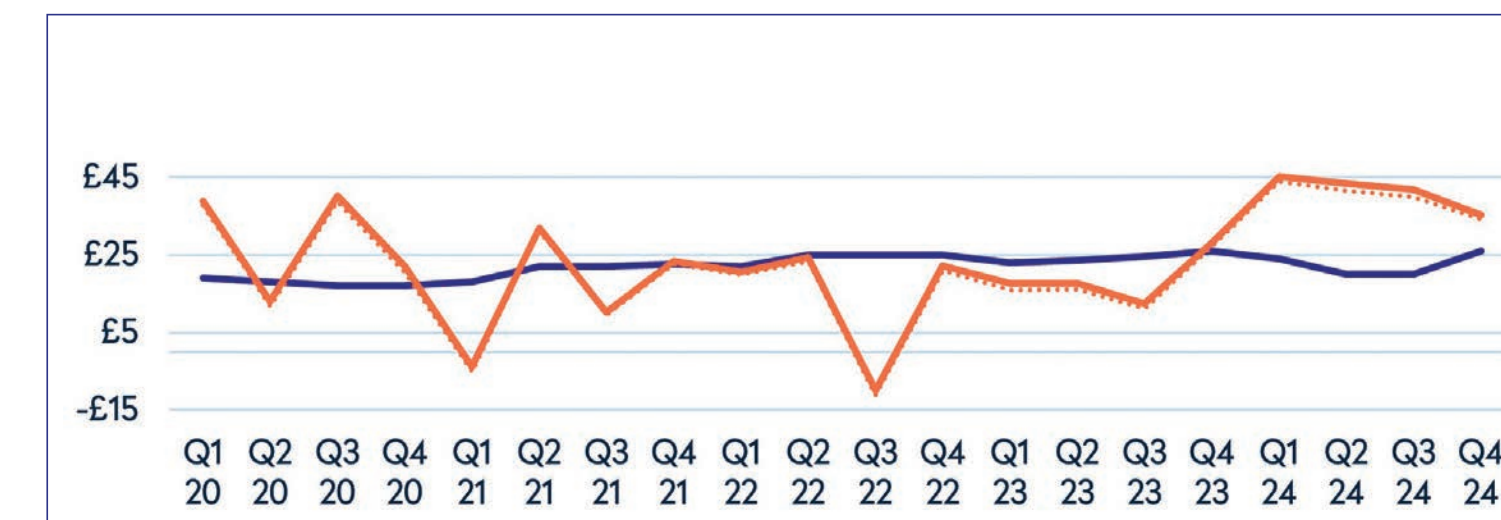
### 5\* Product



### 3\* Product



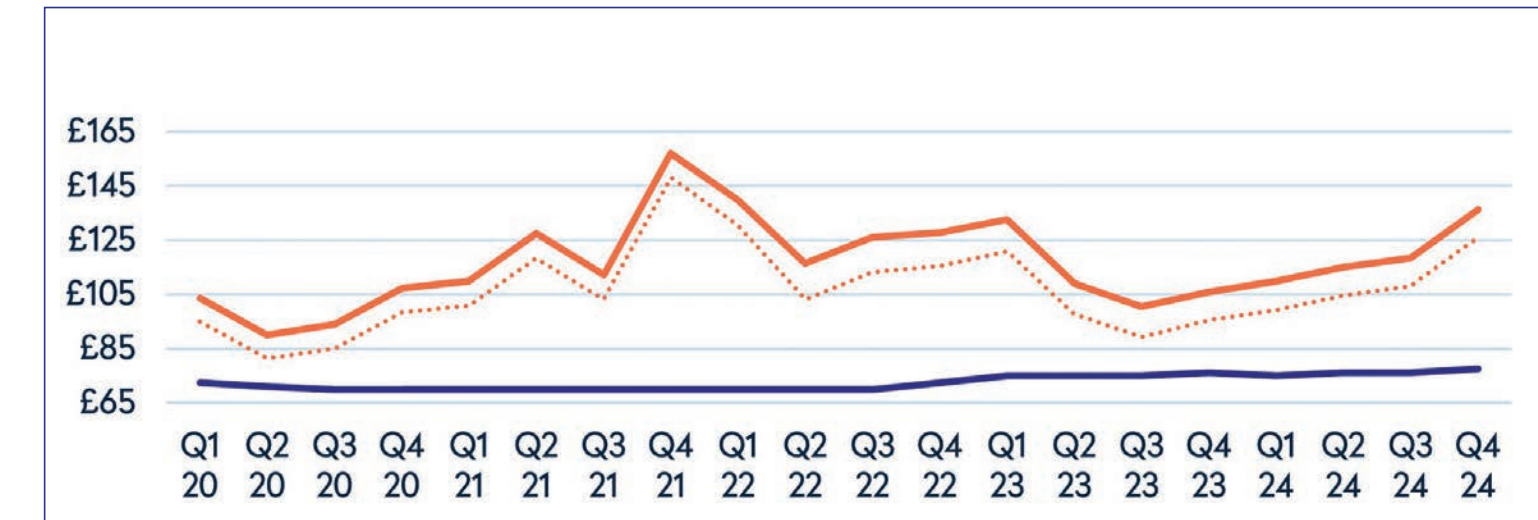
### 1\* Product



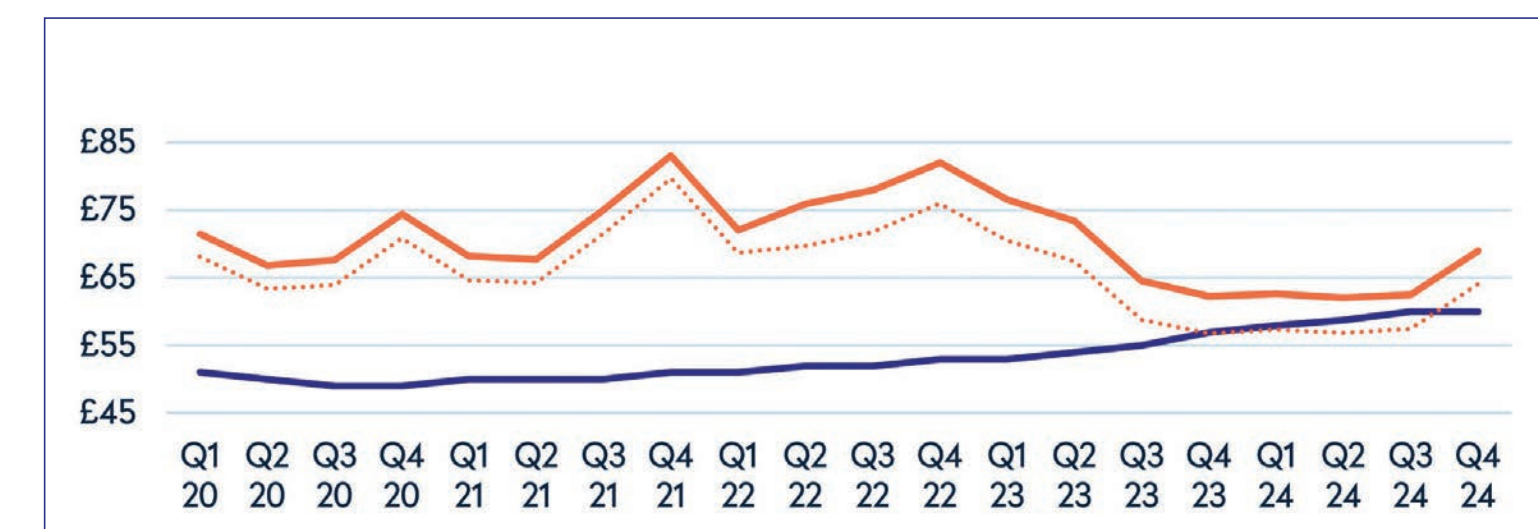




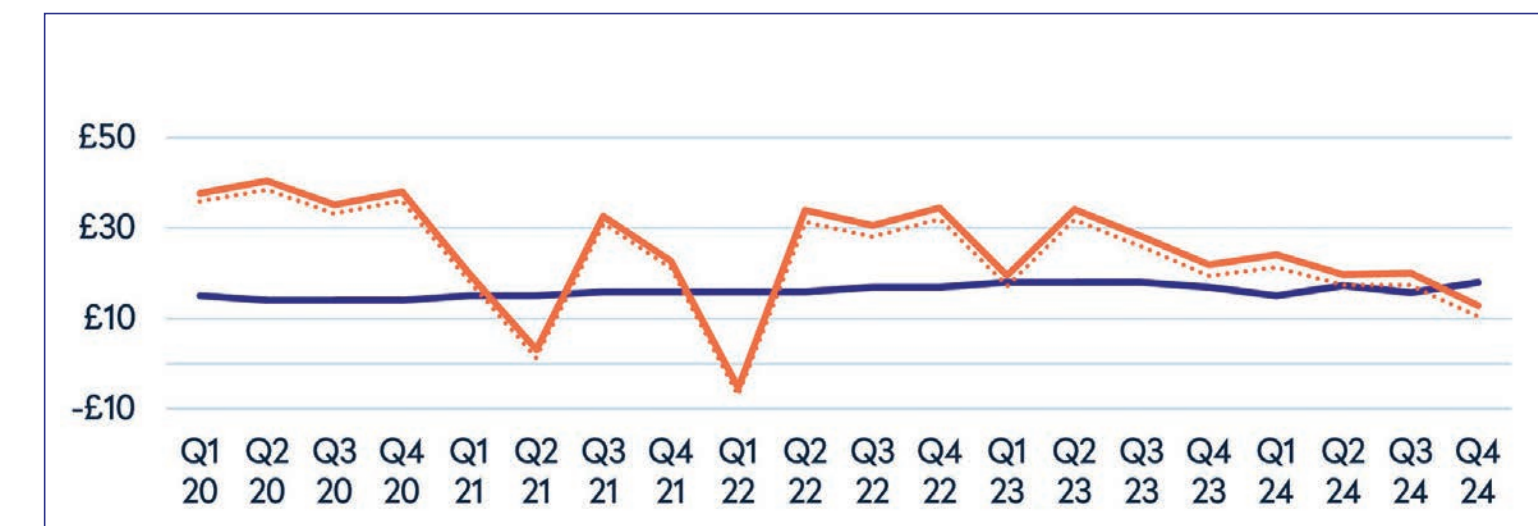
### 5\* Product



### 3\* Product

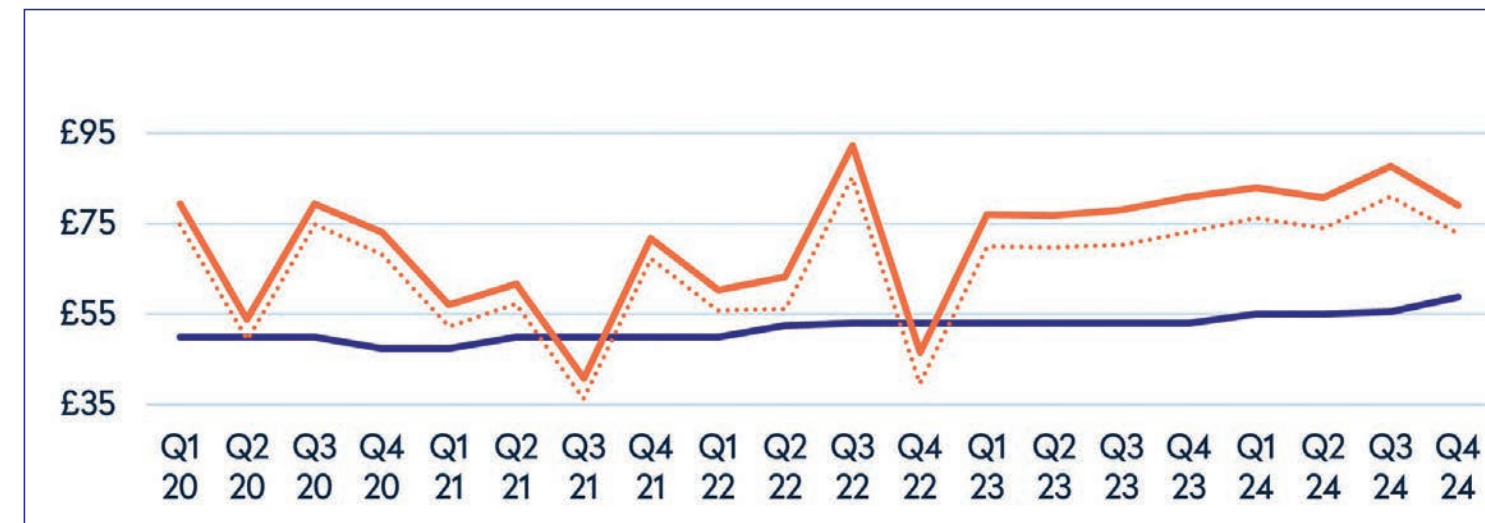


### 1\* Product

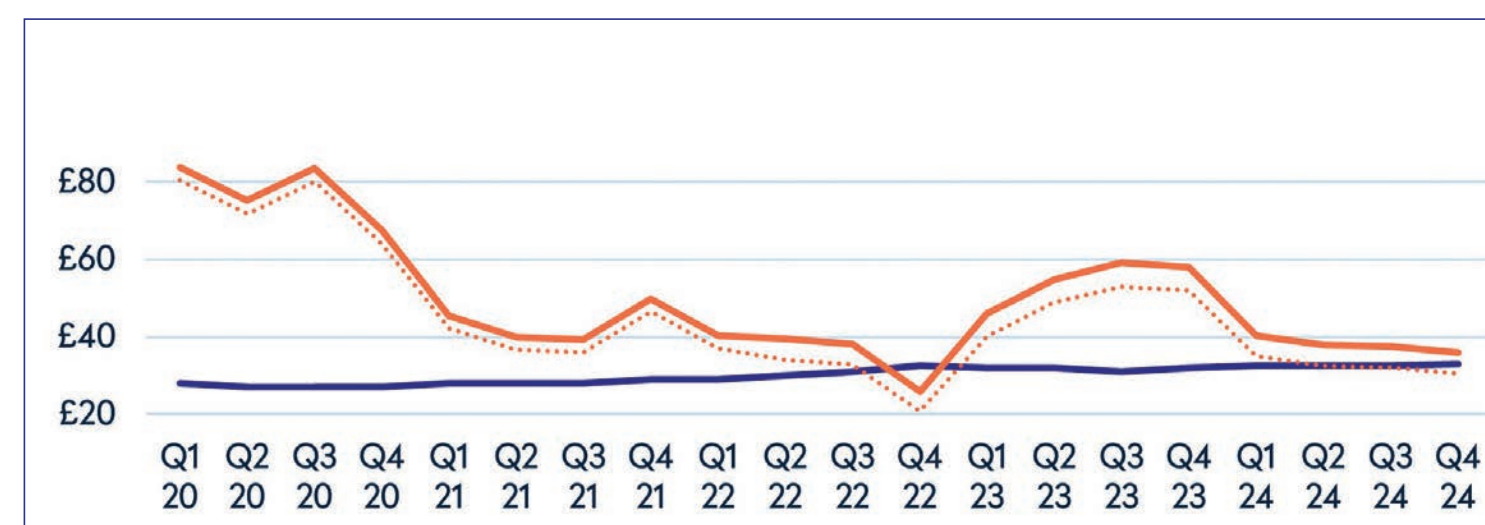




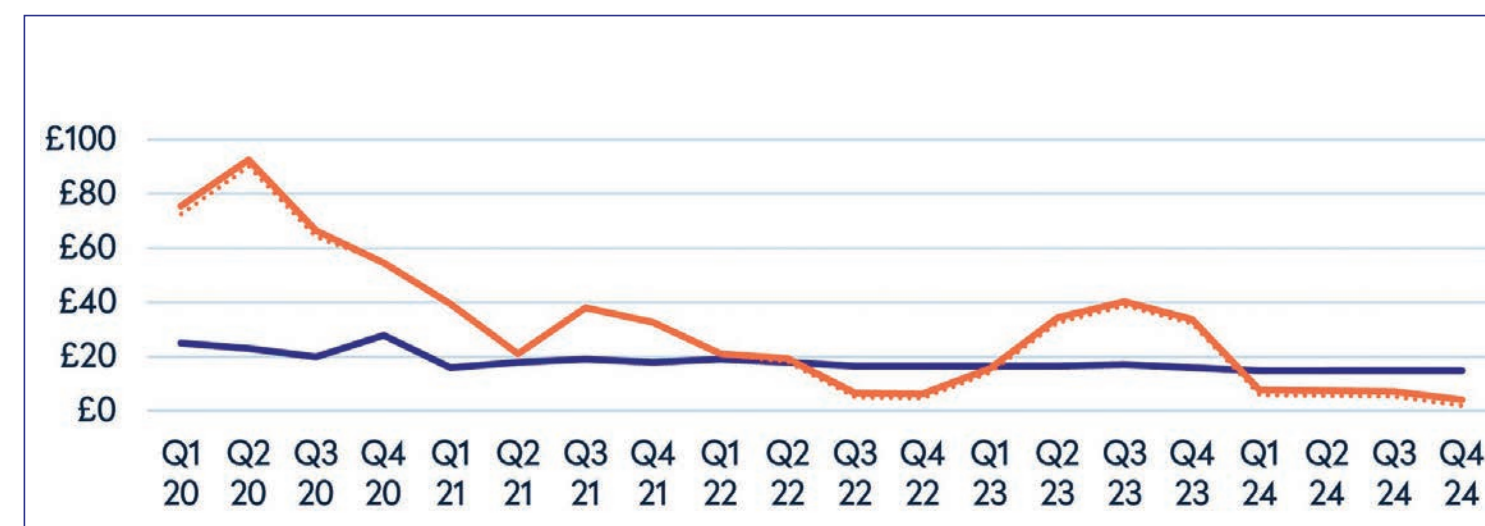
### 5\* Product



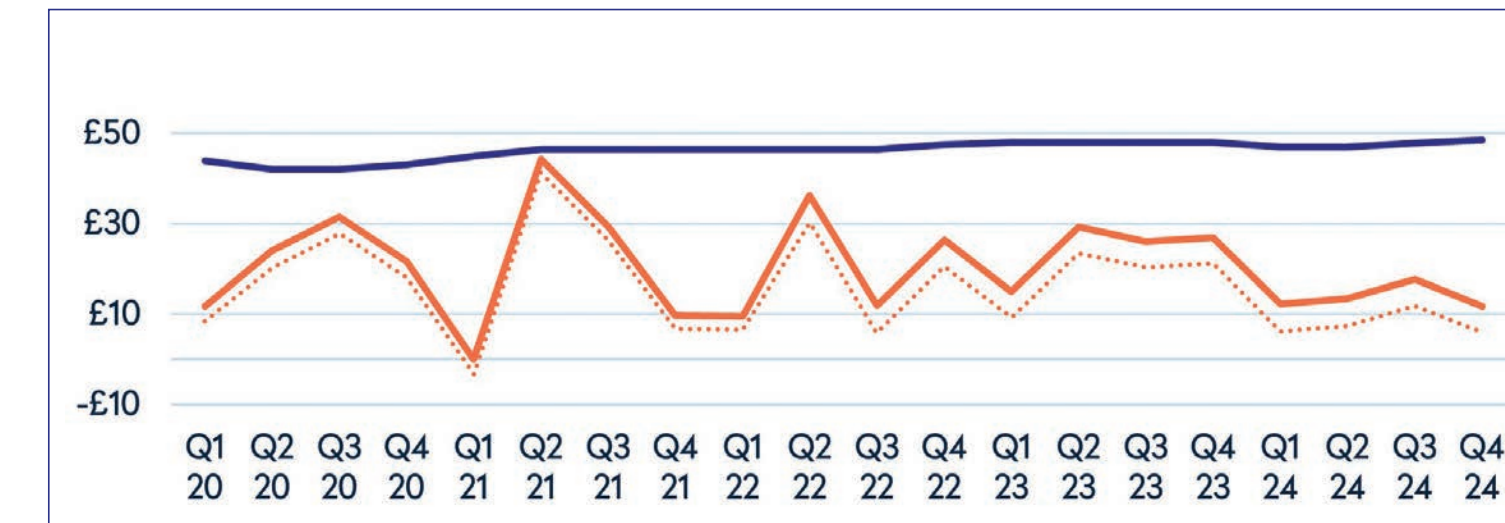
### 3\* Product



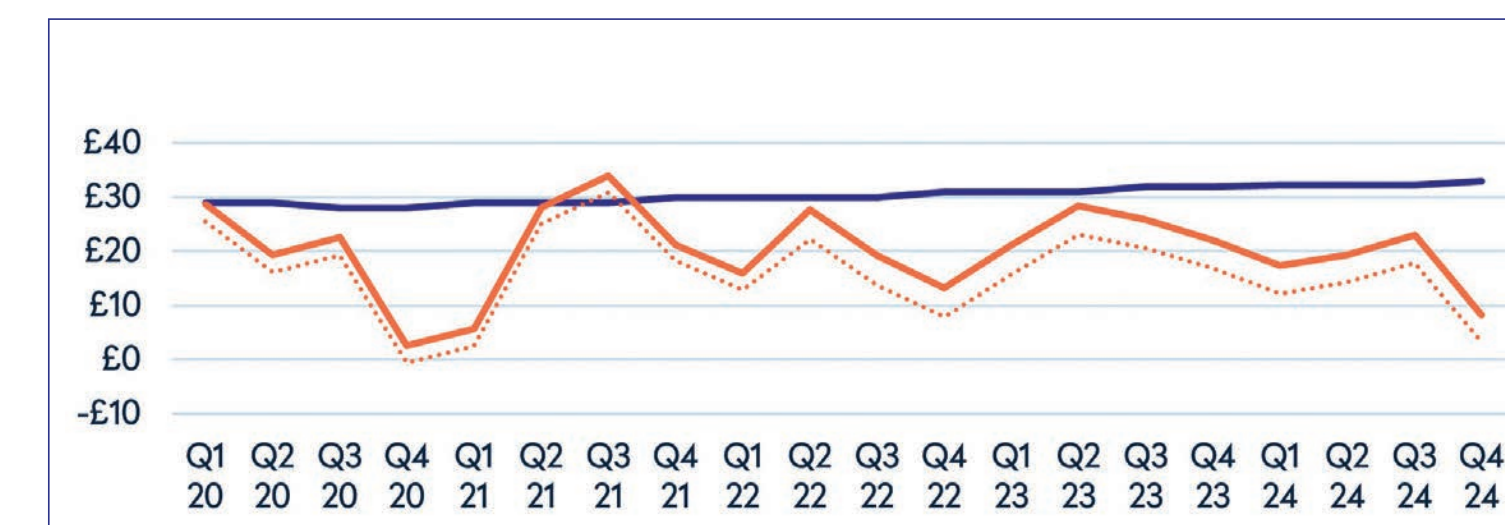
### 1\* Product



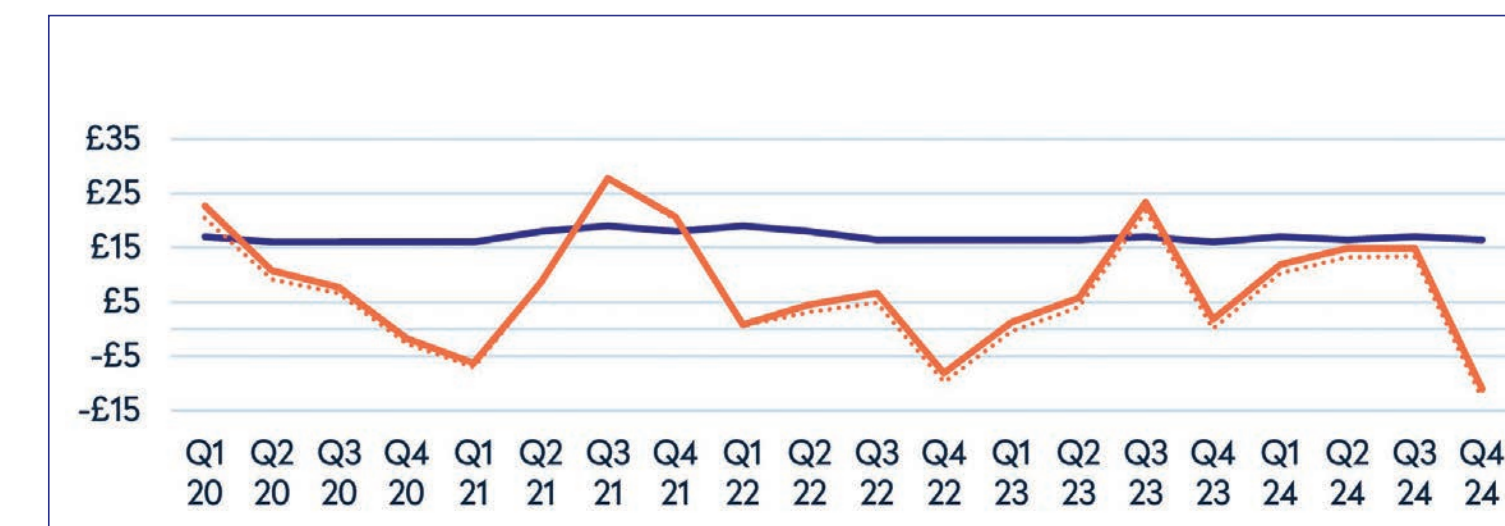
### 5\* Product



### 3\* Product



### 1\* Product







HEWN is the UK's leading specialist flexible workspace agency. Its clients include flexible workspace operators and property owners across the UK, from major PLCs to independent companies.

It advises property owners, funds, investors and developers on how the flexible workspace sector is disrupting the commercial office market.

HEWN advises clients on their asset strategies, and opportunities to partner with flexible workspace providers or create their own product.

To date, HEWN has completed more than 45 management agreements and partnership leases, totalling more than 600,000 sq ft throughout the UK. In addition, it has also acquired in excess of 700,000 sq ft on behalf of the UK's leading flexible workspace operators.

HEWN assists flexible workspace operators with their expansion strategies, advising them on the opportunities available to acquire space via traditional and non-traditional leases, management agreements or freehold purchases.

HEWN has worked on behalf of abrdn, AshbyCapital, AXA IM, L&G IM, The Howard de Walden Estate, Argyll, The Boutique Workplace Co., IWG and numerous other national and regional operators and private property owners.

[hewnspace.com](https://hewnspace.com)



Valve is a technology platform that supports flexible workspace sales and marketing by providing a centralised marketplace, and workflow tooling. It enables agents and brokers to efficiently discover and connect directly with operators and landlords, while also offering tools for creating professional, branded presentations and proposals.

With over 14,000 buildings listed globally, Valve is trusted by some of the biggest names in the industry, including CBRE, JLL, Cushman & Wakefield, Colliers, Savills, Knight Frank, WeWork, FORA, GPE, British Land, Land Securities, and Industrious.

Since its launch in 2020, Valve has facilitated £12.9 billion in workspace RFP value from enquiries sent by agents and brokers to operators.

[valvespace.com](https://valvespace.com)

#### About the Data / Insight:

Valve has generated these insights using offer/proposal prices rather than contracted deal values (Valve does not track contracted deals), with final deal pricing estimated to be within 5% of the offer pricing.

These insights are underpinned by data from £4.5 billion of enquiry RFP value in 2024, providing a reliable and comprehensive view of desk pricing across key sub-markets.







# HEWN<sup>3</sup>

Get in touch

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