

Legal firms face higher office space costs in key global cities as top quality fit-outs pushed up by inflation

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Legal firms are facing higher office costs in major cities around the world as the price of creating top quality sustainable space to attract talent rises in response to inflation, says Savills.

The international real estate advisor's [Q2 2022 Prime Office Costs \(SPOC\)](#) in key cities shows that inflation and supply chain issues have led to prices for fitting-out office space rising on average 6% over the past year, keeping occupiers' net effective (or 'all in') costs of taking space high. With the legal sector currently one of the most active in taking space in many of these markets, and with firms typically fitting out offices to the highest specification with the best sustainability credentials, they are likely to face even higher costs as their fit-outs tend to come in at the higher end of the spectrum; these are liable to increase further in the future given current macro-economic factors, according to Savills.

Hong Kong now sits at the top of Savills SPOC table, with the net effective cost to an occupier to take space in the city having surpassed that in London's West End, while Tokyo has moved from third place at the end of Q1 to fifth in Q2, allowing Midtown New York and the City of London to move up one position each into third and fourth place respectively.

Matthew Fitzgerald, director of Savills EMEA tenant advisory team, comments: "Many companies have focused on creating inspiring, collaborative workspaces to encourage people back to the office and to improve the space they occupy in line with their sustainability commitments. However, attracting talent has compelled many legal firms to go above and beyond compared to those in other sectors. In the US, for example, recent research by Savills Legal Tenant team found that of the 500 office buildings that the Am

Law top 50 reside in 63% are in LEED-certified buildings, showing the focus the sector is putting on sustainability, but we know that they are also looking to acquire the best-of-the-best of space in terms of location and interior design too. With fit-out costs rising, and both materials and labour being subject to increased inflation, this means that to get the spec they want in top cities, law firms need to plan not only for robust headline rents, but closely examine the 'all in' cost of space too."

Yetta Reardon Smith, Senior Workplace Strategist at KKS Savills, adds: "Law firms, as other sectors, are exploring office utilisation and what this means for space take up in the future. No one size will fit all, and there will be firms which retain private offices and more traditional ways of working, however those that take a more agile approach and reduce traditional desks, adding in extra work settings for different tasks, do have the potential to rationalise space. Whatever approach is taken, however, firms need to anticipate that their vision may require more budget to deliver than before as we face the impacts of inflation across all sectors."