

Savills: Tech industry facing higher office costs in key global cities as top quality fit-outs hit by inflation

3 years ago



Companies in the tech sector are facing higher office costs in major cities around the world as the price of creating top quality and 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 companies' net effective (or 'all in') costs of taking space high.

While many companies in the tech sector are at the forefront of integrating hybrid methods of working, concurrently they are investing in new office space to attract top talent by adopting the highest spec interior design and sustainability credentials, says Savills, meaning they are susceptible to further price increases given current macro-economic factors.

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, said: "Many companies have focused on creating inspiring, collaborative workspaces to encourage people back to the office and bring their space in line with their sustainability commitments, but the battle for top talent in the tech sector means that their focus is really on the 'best of the best' space.

“With both materials and labour being subject to increased inflation, this means that to get the spec they want in top cities to put them ahead of rivals, tech firms should not only pay attention to headline rents, but closely examine the ‘all in’ cost of space too.”

[View Savills SPOC Q2 2022 full report here](#)

Methodology: The Savills Prime Office Cost (SPOC) Index presents a quarterly snapshot of occupancy costs for prime office space throughout the world, as provided by the company’s expert, local tenant representation professionals and researchers.

The adjusted annual all-in occupancy cost represents real-time transaction terms for 20,000 sq ft (2,000 sq m) of usable space based on a basket of top five most expensive properties to calculate ultra-prime average. The North American markets use a sample of very high rent threshold buildings (leasing occurring at the highest end of market).

All costs are reported in an annual, standardised format of USD per sq ft of usable space to account for variations in currency, reflect local payment protocols, and adjust for measurement practices across the globe.

Savills has also factored in the credit value to the tenant generated from abated rent and the cost associated with fitting out the premises in order to provide an ‘all in’ total occupancy cost in USD per usable square foot. The fit-out costs were gathered from local Savills teams assuming the leasing scenario described above, plus the following: i) 30% cellularisation with the remainder of space open plan, ii) construction and cabling only (no furniture or professional fees). Data as of 6 July 2022.

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