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Global prime office rents rise for second continuous quarter

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Savills latest global Prime Office Costs (SPOC) analysis has revealed that net effective costs for occupiers taking top quality office space in key cities around the world rose 0.3% in Q2, following a rise of 1.1% in Q1.

The international real estate advisor says the fact that prime office rents are continuing to edge up demonstrates that tenant demand is still present and landlords are cautiously optimistic in some markets. Across the SPOC markets monitored, Savills says that Ho Chi Minh City in Vietnam saw the largest proportional increase in Q2 with net effective costs rising 4.6%, reflecting increases in both rents, as economic growth has increased occupier demand, and fit-out costs. Paris also saw growth of 3.7%, while in New York, one of the office markets frequently examined in the media, net effective prime office costs in the Downtown area rose 0.9% on the previous quarter and in Midtown they were up 1.6%.

Christina Sigliano, head of EMEA occupier services at Savills, comments: “Globally, occupiers still demonstrate a strong preference for prime space, and rents are ticking up, but these increases are masked somewhat by landlords generally keeping concessions relatively high in order to attract the best tenants leading to overall moderate rises in net effective costs.”

Kelcie Sellers, analyst in Savills World Research team, adds: “The US is often described as a monolith market, with all trends affecting all locations. However, there are a wide variety of effects from different global trends across and between regions and cities, and even within cities themselves depending on the specific buildings and landlords involved. If an owner has a lot of maturing debt on their building, the amount of concessions offered may begin to moderate from their current highs under pressure from lenders, eventually leading to further increases in net effective costs.”

Please click here for the full Savills Prime Offices Costs Report and analysis for Q2 2023