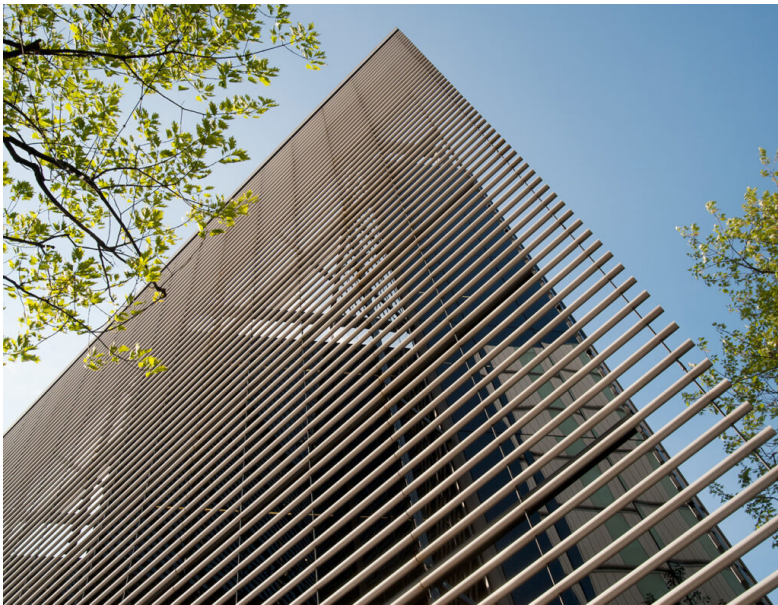


Savills: Prime office rents 31.4% higher than those for Grade A offices as 94% of top occupier deals in H1 either expand or renew for same amount or space

12 months ago



Rents for prime office space* now average 31.4% over those for Grade A offices in markets across the world, says [Savills](#), with North America having the highest premium, at 62.5% above Grade A stock, while 94% of the top office deals in H1 involved occupiers either taking the same amount or more space, with only 6% reducing their footprint.

According to Savills in its latest quarterly *Prime Office Costs report*, gross prime office rents in major cities around the world have risen 3% in the past year (Q2 2023 to Q2 2024) while tenants' 'all-in' net effective costs (rent plus fit-out costs) have risen 3.8%, as the structural trend towards seeking high quality premium office space continues. London (West End), Hong Kong, and New York (Midtown) remain the top three locations of the 35 markets Savills examines, compared to Q1 2024.

Savills says that the intense bifurcation in the commercial real estate market in the United States and Canada, with prime buildings seeing intense occupier demand for limited stocks despite high overall availability in Grade A buildings across North American markets more broadly, contributes to such a high premium, and that it is likely to continue to grow. In APAC, meanwhile, the prime premium stands at 33.7%, while EMEA has a significantly lower regional price premium for prime offices, at 17.9%. According to Savills, this may be a result of EMEA core business districts tending to be more land constrained and their Grade A office markets therefore remaining in higher demand. In all regions, however, the averages mask large variations in premiums between different cities: in APAC, the premium for prime space in

Sydney is only 13.5%, but in Shenzhen and Beijing price premiums exceed 70%, with top-tier offices remaining highly desirable to occupiers, although Savills notes that this high premium may begin to erode as rents have begun to decline in some prime Chinese locations.

Around the world, the largest occupiers reviewing their requirements in H1 2024 continued to expand or keep the same amount of space, says Savills. In its complementary *Market Makers* report, which examines the top 10 prime office occupier deals by size in the same 35 cities, the international real estate advisor found that only 6% of these deals involved businesses shrinking their office footprint, while 94% chose to either expand or renew their current sizing (figure 2). Globally, tech remained the number one industry for H1 deals (figure 3), responsible for 19% of the total, boasting both the largest number of new set-ups (partly driven by growing AI firms) and expansion and relocation deals.

Rick Schuham, CEO of Global Occupier Services at Savills, comments: “Together, Savills Prime Office Costs and Market Makers analysis show the continued flight to prime and the resilience of global top tier office leasing markets. Many businesses continue to invest and, in many cases, expand their office space, core to their business operations, with an emphasis on quality, in spite of rising costs and broader economic uncertainty. That said, simple renewals are up over our last biannual report, from 16% in H2 2023 to 24% H1 2024, which may reflect concerns about higher borrowing and fit-out costs, or simply the lack of high quality uber-prime options in some markets.”

Kelcie Sellers, associate director in Savills World Research team, says: “Looking to the second half of 2024, we expect a continued flight to prime spaces. However, increased fit out costs and macroeconomic uncertainty may loom in the background of real estate decisions for the foreseeable future. Landlord concessions are likely to continue to favour tenants in markets where availability remains high, but in supply-constrained markets, we expect concessions to begin dropping and rents to rise.”