

Occupier Perspective

Global Occupancy Costs - Offices 2013



transforming the world
of property services



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Cost saving opportunities in weak markets

29 January 2013

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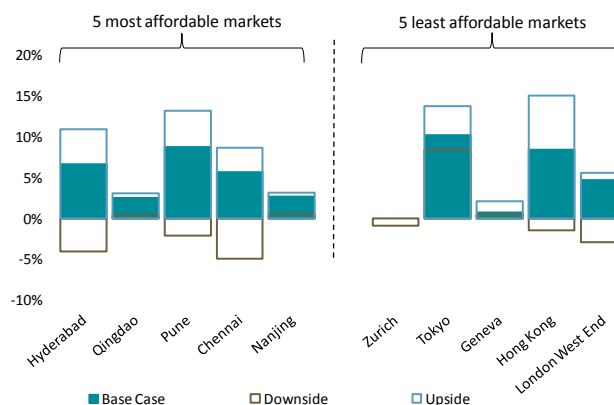
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- This 16th edition of the *Global Occupancy Costs - Offices* report presents the costs of occupying prime office space across 126 markets worldwide. In this report, we present our global ranking of occupancy costs and provide a commentary for each region. Furthermore, we consider the impact of different economic scenarios and analyse occupancy costs for average-grade buildings in selected markets.
- Global occupancy costs for prime offices increased by an average 1% during 2012. Whilst occupiers benefitted from the greatest cost savings in the United States, growth was also weak and below the global average in Central & South America and Europe. At 6%, North Asia witnessed the highest increase in costs on the back of strong occupier activity, particularly from non-financial sectors.
- Tier II cities in China and India continue to dominate the list of top 10 most affordable markets globally. In 2012, London West End regained its position as the least affordable market globally, formerly lost to Hong Kong in 2011. This was due to rental declines in Hong Kong Central, where occupiers sought to reduce operating costs through downsizing or decentralisation.
- In fact, occupiers are focusing on cost control in many markets and increasingly considering secondary space, particularly where prime space is limited. The biggest difference in costs can be seen in Shanghai and Moscow, where occupying prime space costs over 100% more than taking space in an average grade building.
- Under the base case scenario, we expect rents to increase by 2.3% over the next two years, with occupiers in Asia Pacific expected to witness the highest growth rate. Across the five most affordable markets globally, the impact of the downside scenario is most significant for the Indian markets in the short term (2013-2014). Looking at the five least affordable markets, occupiers in Tokyo will be challenged by strong growth in rents under all three scenarios, whereas rents in Zurich will remain largely unchanged (Figure 1).

Figure 1

Forecast pa increase in rents, base case and scenarios, 2013-2014



Source: DTZ Research, Oxford Economics

Global Occupancy Costs - Offices

Introduction

This 16th edition of *Global Occupancy Costs - Offices* presents occupancy costs per workstation across 126 business districts in 49 countries worldwide.

Using data collected from our extensive network of local offices around the world, this survey looks at the main components of occupancy costs across the globe (see Figure 2). The report provides a ranking of occupancy costs based on annual costs per workstation, taking into account differences in space utilisation per workstation in all markets.

The data is submitted in local currency and according to local measurement practices. The methodology used in the calculation of occupancy cuts through these local market practices to provide standardised cost units. We do this by converting all data into the RICS definition of Net Internal Area (NIA) and USD.

This report consists of four main sections. The first section provides a global ranking of all markets. We rank the markets according to affordability, with the most affordable market presented first. In the second section, we present the impact of the different economic scenarios: the base case scenario, downside scenario and upside scenario. The base case scenario assumes that policy makers do just enough to avoid a deep recession. The downside scenario assumes a multiple eurozone exit, whilst the upside scenarios is based on a corporate reawakening. Unless otherwise stated, forecasts in all other sections reflect the base case scenario.

Our third section provides occupancy costs for average-grade buildings in a number of locations. In the final *Regional commentary* section, we provide detailed results from each region surveyed: North Asia, South Asia, Europe, UK, Middle East & Africa, North America and Central & South America.

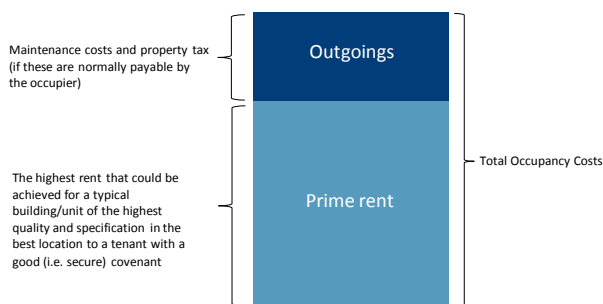
Time horizon

In this report, we present changes in occupancy costs over the course of 2012. It should be noted that our data reflects the change in costs from Q4 2011 to Q3 2012. Given that there was little movement in our cost components (i.e. rents, outgoing, space utilisation standards) between Q3 and Q4 2012, we believe that our analysis presents a valid year-to-year picture.

Whilst we produce five-year forecasts, we believe that occupiers have a short-term horizon, hence why this report provides forecasts to 2014 only. Not only do short-term forecasts offer a higher degree of certainty but we also believe that landlords are unlikely to address lease expiries that are beyond two years.

Figure 2

Main components of occupancy costs



Source: DTZ Research

Global Occupancy Costs - Offices

Section 1 - Global ranking

North America offered occupiers the greatest cost savings

2012 was a year of mixed fortunes for occupiers globally. Whilst some markets reported weakening levels of demand due to economic and political uncertainty, others saw relatively sustained growth. On the whole, opportunities for re-gearing leases have been limited and occupiers continue to exercise caution in their decision making, focusing on cost control and efficient space use, rather than expansion.

Average global office occupancy costs grew by 1% over the year. There were marked regional differences, however. North America offered occupiers the greatest cost saving opportunities, with occupancy costs per workstation falling by 6.4% (Figure 3). This was due to a regional decrease in space utilisation of 11.8%. Whilst growth was recorded in Central & South America (0.6%), Europe (0.9%) and Middle East & Africa (1.4%), this remained below the global inflation rate of 3.2%. North Asia and South Asia witnessed growth above the global inflation rate (at 6.3% and 3.7% respectively). This was due primarily to strong domestic consumption and activity from non-financial sectors eager to tap into Asia Pacific's brighter growth prospects.

Asia Pacific to record the strongest growth going forward

Looking forward, global occupancy costs are projected to rise by an average of 2.3% over the forecast period. We forecast the highest annual occupancy cost growth in North and South Asia, with growth above the global inflation average in both time horizons. While occupiers in Europe are anticipated to experience muted growth of 1.3% pa in 2013-2014, the growth will gradually increase. Looking at the long term average growth rate (2013-2017), Europe's growth will be on a par with growth in the US (Figure 4).

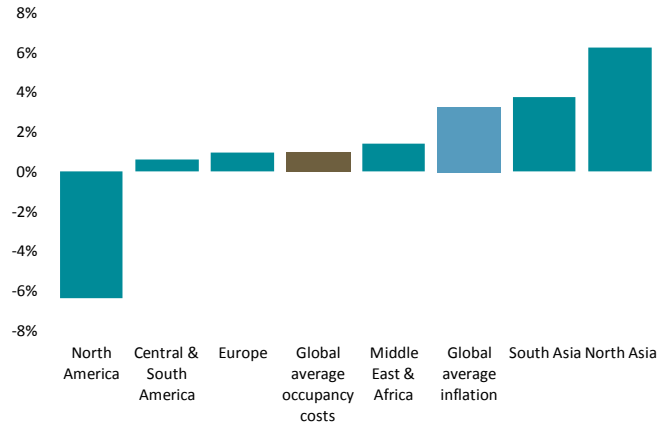
Costs in Rome expected to decline over the next two years

Asia Pacific markets dominate our list of locations projected to experience the highest cost increases. In particular, Jakarta and Beijing are set to see the strongest growth (11.9% and 10.7% pa respectively) over the next two years. On the other hand, European markets dominate our lowest growth locations. Occupiers in Rome will benefit from the greatest cost savings as we anticipate costs to decrease by 2.1% (Figure 5 and Map 1).

The most affordable office market remains Surabaya (USD 1,610 per workstation pa), followed by Hyderabad and Chongqing (Figure 6). At USD 23,500, London West End has regained its position as the world's most expensive office location in 2012, overtaking Hong Kong which was the least affordable market in last year's report.

Figure 3

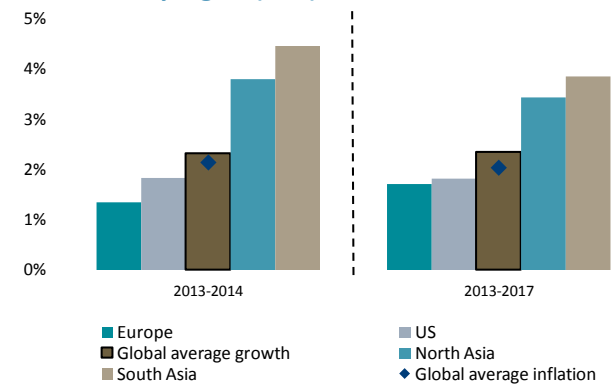
Change in total occupancy costs per workstation by region, 2012 (USD)



Source: DTZ Research, CMI Group, Herzog Immobilienaria Ltda, REIS

Figure 4

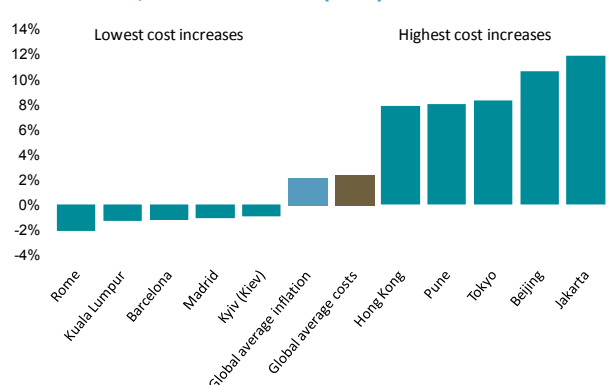
Forecast pa increase in total occupancy costs per workstation by region (USD)



Source: DTZ Research, Oxford Economics

Figure 5

Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (USD)

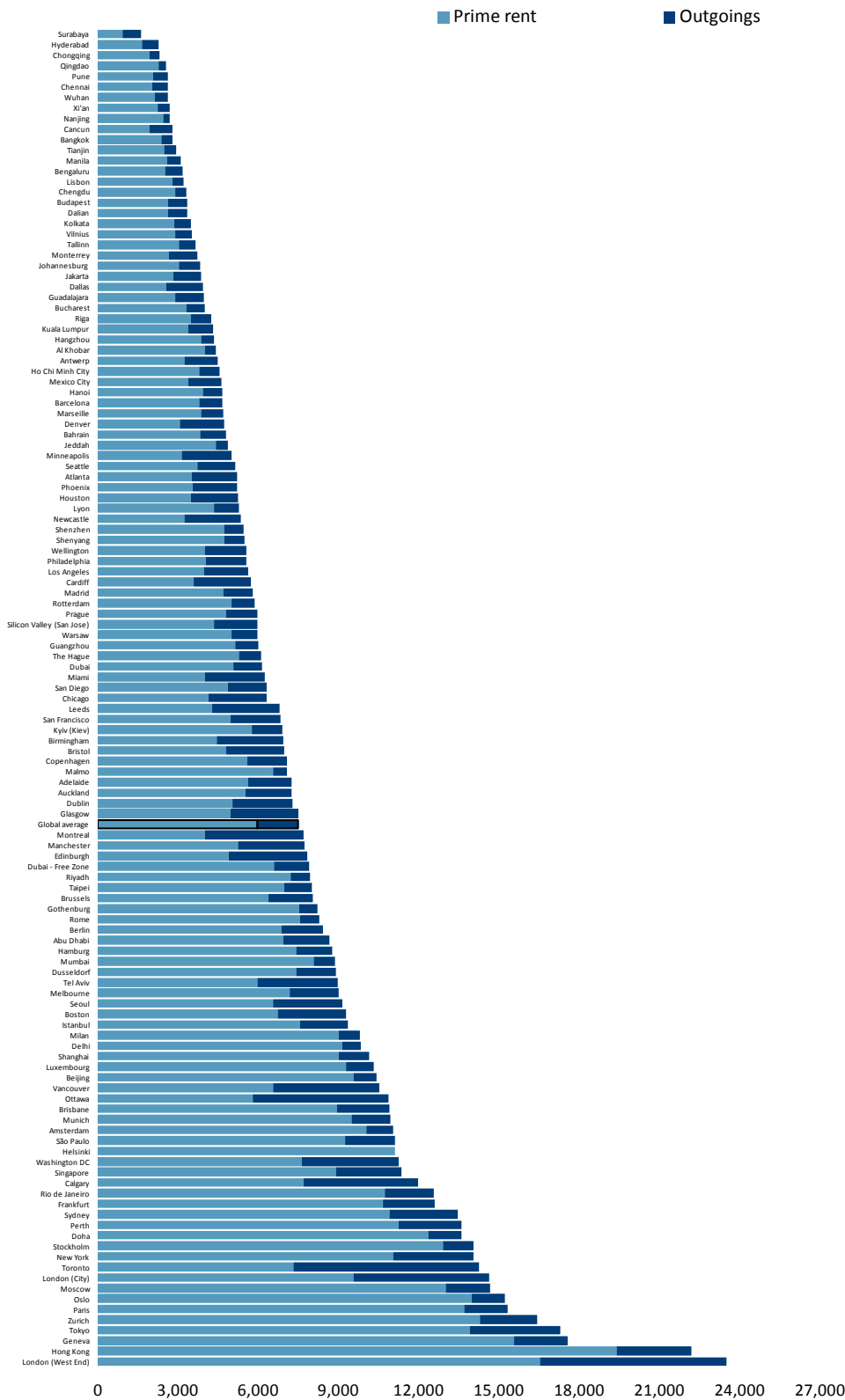


Source: DTZ Research

Global Occupancy Costs - Offices

Figure 6

Total occupancy costs per workstation by location, end 2012 (USD pa)

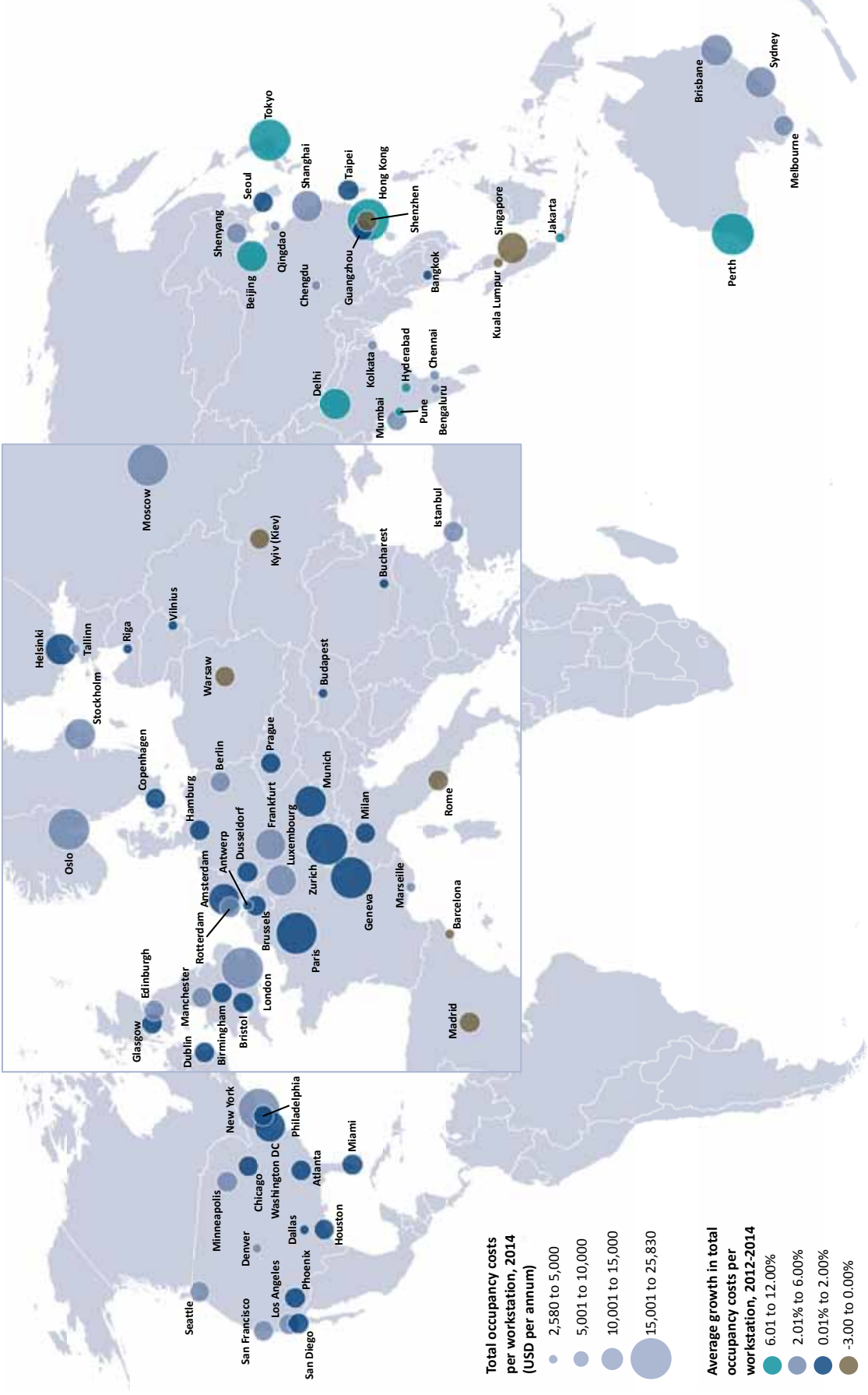


Source: DTZ Research, CMI Group, Herzog Imobiliária Ltda, REIS

Global Occupancy Costs - Offices

Map 1

Forecast global occupancy costs and pa increase in occupancy costs, 2012-2014 (USD)



Global Occupancy Costs - Offices

Section 2 - Scenarios

Rents under three different economic scenarios

In this section, we analyse movements in rents, the main cost component, under three different scenarios: the base case, downside and upside. The base case assumes that policy makers continue to do just enough to avoid a deep recession. The downside scenario assumes a multiple eurozone exit, whilst the upside scenario assumes a corporate reawakening. Looking at GDP growth under the different scenarios, South Asia shows the strongest performance under the base case, whilst North Asia shows the strongest growth under the upside (Figure 7). Unsurprisingly, Europe is affected the most under the downside scenario, with negative GDP growth of 1.0%.

Low growth in rents under the downside scenario

The outlook for GDP growth is reflected in our rental forecasts. If we accept inflation as a proxy for general production cost increases, the US has the least challenging rental growth rate relative to local inflation of the regions. However, under our downside scenario, European markets show a sustained period of rental decline, offering tenants cost savings. In South Asia, the impact is bigger than expected. The downside scenario would provide a window of opportunity for occupiers to re-negotiate leases before rental growth accelerates. The impact on US markets is more muted under the downside scenario, when compared to South Asia. North Asia is the region which shows the largest increase under all three scenarios, with growth of 1.7% even under the downside scenario (Figure 8).

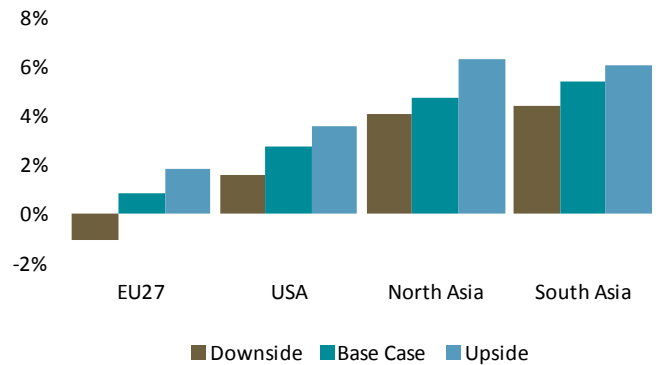
Indian occupiers benefit under the downside scenario

Across the five most affordable markets globally, the impact of the downside scenario is most significant for the Indian markets in the short term (2013-14), with rents falling by up to 5% pa in some markets. Consequently, tenants would be able to lock in cost savings in India. However, these are also the markets where rents are expected to rise the most under the base case, as well as under the upside scenario. Rents in the Chinese markets of Qingdao and Nanjing are expected to rise under all scenarios, albeit at a modest rate (Figure 9).

Looking at the five least affordable markets, we expect rents in Zurich to remain unchanged under the base case and upside scenarios, but to display negative growth of 0.9% under the downside scenario. Tokyo and Geneva are expected to see positive growth under all three scenarios. Occupiers in Tokyo in particular will be challenged by strong growth in rents, of 10.3% under the base case, 8.5% under the downside and 13.8% under the upside (Figure 9).

Figure 7

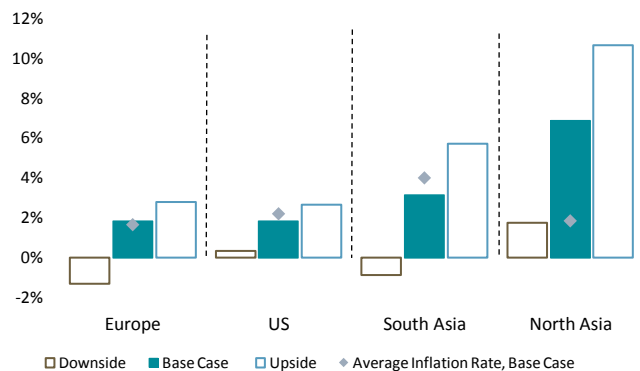
Average increase in GDP by region, 2013-14 (pa)



Source: Oxford Economics

Figure 8

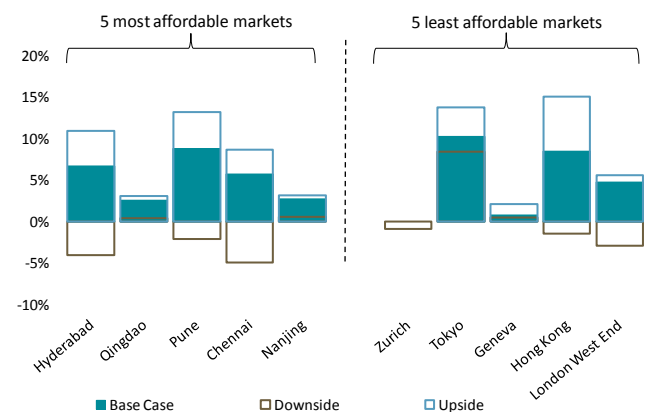
Forecast pa increase in rents by region, base case and scenarios, 2013-2014



Source: DTZ Research, Oxford Economics

Figure 9

Forecast pa increase in rents, base case and scenarios, 2013-2014



Source: DTZ Research, Oxford Economics

Global Occupancy Costs - Offices

Section 3 - Secondary costs

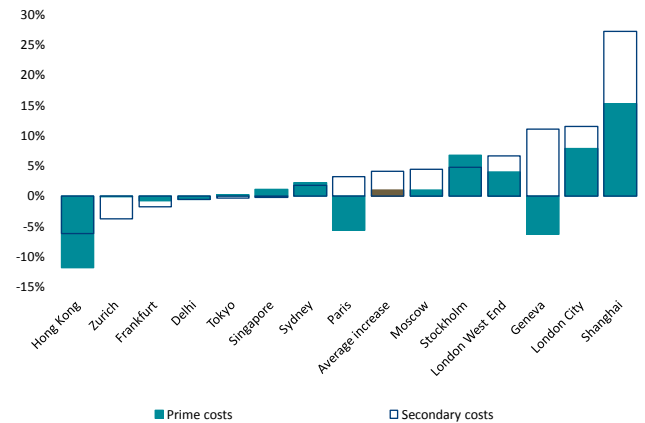
DTZ's *Global Occupancy Costs - Offices* report tracks occupancy costs per workstation in prime markets globally. However, in line with our clients' growing interest in secondary office buildings, we also analyse occupancy costs per workstation for average-grade buildings (secondary space) in 14 major centres in Europe and Asia Pacific.

Over the course of 2012, occupancy costs for average grade buildings grew by 4.2% compared to 1.0% for prime space (Figure 10). Occupancy costs for secondary space increased in eight of the 14 markets surveyed. Six of these eight markets saw secondary costs increase by a higher rate than prime space (Paris, Moscow, London West End, London City, Geneva and Shanghai). Occupiers in these markets are increasingly looking for secondary space as prime stock is limited and expensive. Meanwhile, secondary space became more affordable in Hong Kong Central, where costs decreased by 6.1%, compared to a decrease of 11.8% for prime space.

The difference in cost between prime and secondary space varies significantly across different markets. The biggest difference in costs can be seen in Shanghai and Moscow, where occupying prime space costs over 100% more than taking space in an average grade building (Figure 11). On the other hand, prime offers more value in markets such as Stockholm, London City and Sydney where the difference in cost in occupying prime compared to secondary is much less pronounced. As we can observe, London West End is the least affordable location in the world for occupying both prime and secondary office space. Table 1 provides a more detailed breakdown.

Figure 10

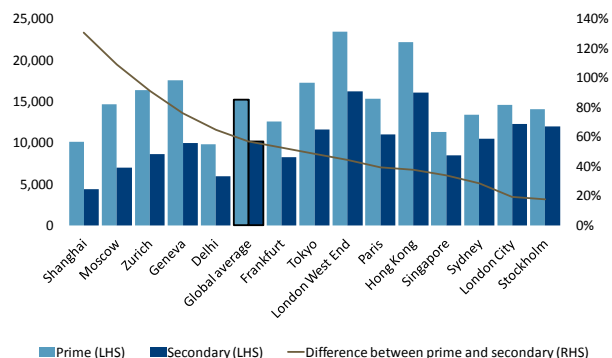
Prime versus secondary markets – Change in total occupancy costs per workstation, 2012 (USD)



Source: DTZ Research

Figure 11

Prime versus secondary markets – Total occupancy costs per workstation, 2012 (USD pa)



Source: DTZ Research

Table 1

Secondary occupancy costs per workstation, end 2012 (USD pa) – selected markets

Secondary Rank 2012	Prime Rank 2012	Market	Country/Territory	Region	Total occupancy cost per workstation pa - secondary space (USD pa)	Total occupancy cost per workstation pa - prime space (USD pa)	Difference between prime and secondary
1	2	Shanghai	Chinese Mainland	Asia Pacific	4,390	10,130	130.8%
3	8	Moscow	Russia	Europe	7,000	14,650	109.3%
6	10	Zurich	Switzerland	Europe	8,600	16,420	90.9%
7	12	Geneva	Switzerland	Europe	9,980	17,560	76.0%
2	1	Delhi	India	Asia Pacific	5,950	9,810	64.9%
4	4	Frankfurt	Germany	Europe	8,240	12,600	52.9%
10	11	Tokyo	Japan	Asia Pacific	11,640	17,280	48.5%
14	14	London West End	United Kingdom	Europe	16,270	23,500	44.4%
9	9	Paris	France	Europe	11,000	15,320	39.3%
13	13	Hong Kong	Hong Kong SAR	Asia Pacific	16,110	22,190	37.7%
5	3	Singapore	Singapore	Asia Pacific	8,470	11,350	34.0%
8	5	Sydney	Australia	Asia Pacific	10,470	13,440	28.4%
12	7	London City	United Kingdom	Europe	12,250	14,620	19.3%
11	6	Stockholm	Sweden	Europe	11,950	14,040	17.5%

Source: DTZ Research

Global Occupancy Costs - Offices

Section 4 - Regional commentary

North Asia

Strong growth in costs recorded in the first half of 2012

Despite global headwinds, occupancy costs continued to grow in the majority of markets in North Asia (Figure 12). Persistent lack of supply in Beijing enabled landlords to further increase prime rents, although not as aggressively as in previous years. This resulted in a 17.7% increase in occupancy costs. It should be noted that the demand in most Chinese markets was particularly strong in H1, but started to weaken in Q3 as reduced external demand started to affect corporate expansion. There are some exceptions, however, with Chengdu and Chongqing, seeing sustained tenant demand since Q4 2011. These markets benefit from demand from companies eager to tap into growth in Central and Western China.

Many occupiers in Hong Kong Central reduced operating costs through downsizing or decentralisation in light of high occupancy costs. This supported rents in decentralised areas whilst rising vacancy in Hong Kong Central led to rental decline, causing occupancy costs to fall by 12%. In Seoul, face rents increased but an injection of new Grade A office space and more favourable incentives enabled occupiers to relocate to higher-quality buildings, allowing for 11% more space per employee.

Continued growth in major markets

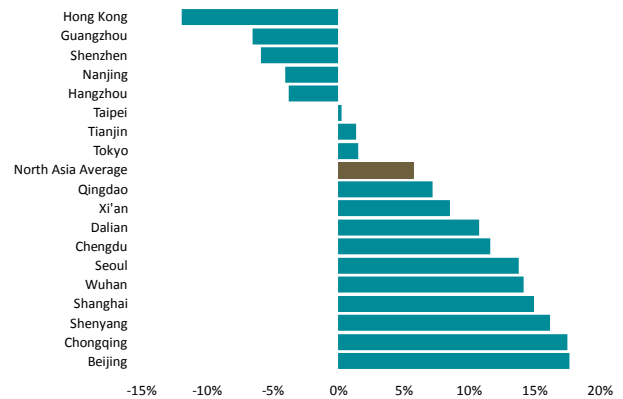
Economic concerns will continue to dampen sentiment in the short term. In Beijing, prime rents are expected to increase by nearly 14% y-o-y in 2013 - significantly lower than the 50% and 22% y-o-y increases witnessed in 2011 and 2012 respectively. The strongest growth in costs over the forecast period is expected in the major markets of Beijing (10.7%), Tokyo (8.3%) and Hong Kong (7.9%). We believe that subdued sentiment combined with a large development pipeline will have a dampening effect on costs in Shenzhen (-0.1%), Tianjin (1.4%) and Guangzhou (1.7%). However, policies encouraging domestic demand and service-sector expansion in China are likely to stimulate regional demand after 2013 (Figure 13).

Opportunity to renegotiate leases in Hong Kong and Tokyo

Despite recent falls in costs in Hong Kong, we believe that a stabilising economic outlook combined with tight office supply in Central will have a rebounding effect on rents. Similarly, we expect a return to growth in Tokyo in 2012 following four years of rental decline. The rise in total occupancy costs in Tokyo this year was due to increased space utilisation standards rather than costs. Hong Kong and Tokyo will remain the least affordable markets in North Asia in 2014 (Figure 14).

Figure 12

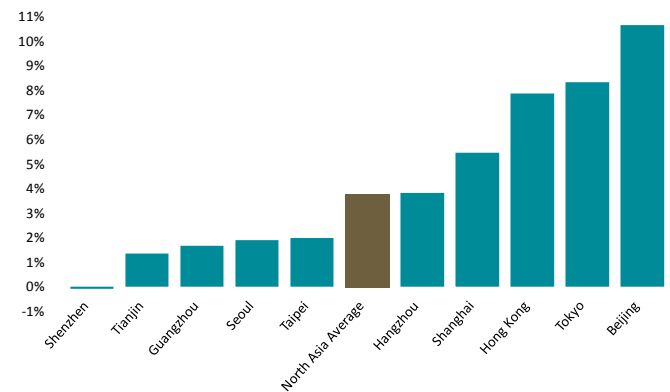
Change in total occupancy costs per workstation, 2012 (local currency) – North Asia



Source: DTZ Research

Figure 13

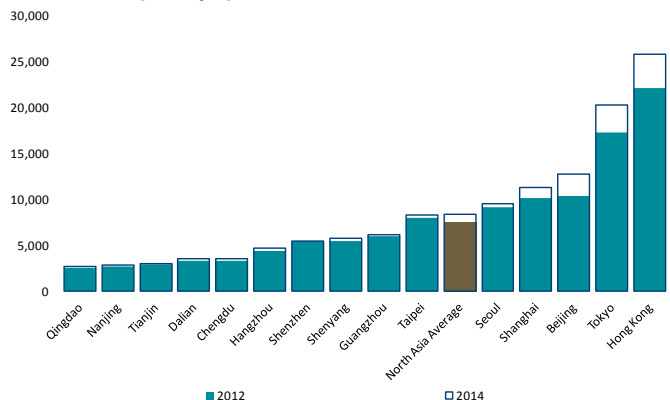
Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (USD) – North Asia



Source: DTZ Research

Figure 14

Total occupancy costs per workstation, end 2012 and 2014 – North Asia (USD pa)



Source: DTZ Research

Global Occupancy Costs - Offices

South Asia

Occupiers in Jakarta challenged by rising costs in 2012

Occupiers in 15 out of 22 South Asian markets saw costs increase over 2012. However, the average growth in the region was more muted than in North Asia, at 2.7% (Figure 15). The strongest growth was recorded in Jakarta (20.7%) due to rising rental values. Investors are attracted to Indonesia due to its natural resources and a growing middle class. This is fuelling demand for office space in the capital. Simultaneously, a shortage of supply is making it possible for landlords to demand higher rents. In India, occupiers continued to consolidate and relocate to less premium areas in order to rationalise real estate costs. In spite of this, total occupancy costs increased in five out of six Indian markets. With rents remaining largely stable, the increase in costs was driven by increased outgoings on the back of prevailing high inflation.

At the other end of the scale, Singapore witnessed the biggest decrease in costs (by 4.1%). However, it should be noted that the rental decline has been lower than previously expected, as year-to-date demand is already higher than the annual average during 2007-2011. While financial services firms have held back on their expansion plans and are limiting manpower increases to only critical hires, some of the slack has been picked up by the non-financial sector, e.g. legal, pharmaceutical, engineering and media.

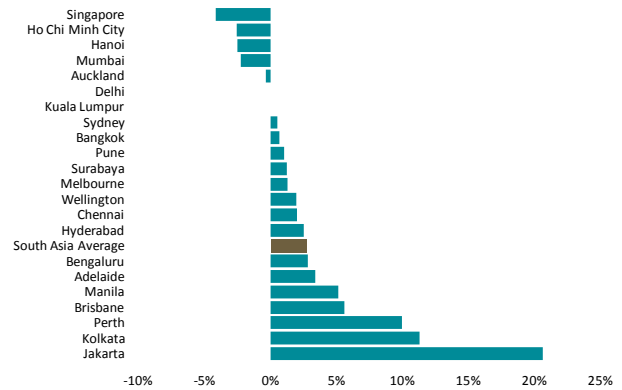
Cost saving opportunities in Kuala Lumpur and Singapore

Prime rents in Jakarta will continue to rise in 2013 and 2014, reaching an average annual growth rate of 11.9% (Figure 16). However, we expect the pace of growth to moderate after 2014 due to a strong development pipeline and relatively low levels of pre-commitment. Costs are also expected to rise with significant pace in India as improved economic indicators will filter through to occupier markets. Meanwhile, there will be opportunities for occupiers seeking to establish Asian operations in Kuala Lumpur and Singapore, where we anticipate costs to decrease by 1.3% and 0.7% respectively over the next two years. However, it should be noted that island-wide vacancy rates in Singapore are currently at their lowest level since 2008, and we expect costs to rise steadily in the long term.

Subdued demand combined with new supply will lead to a low growth in costs in Melbourne (2.3%). Demand for space in Australia is generally subdued amid global uncertainty in the financial sectors and a weakening resources sector. Nevertheless, the Australian markets will continue to be the most unaffordable in South Asia in 2014, with Perth in the lead, at USD 15,420 per workstation (Figure 17).

Figure 15

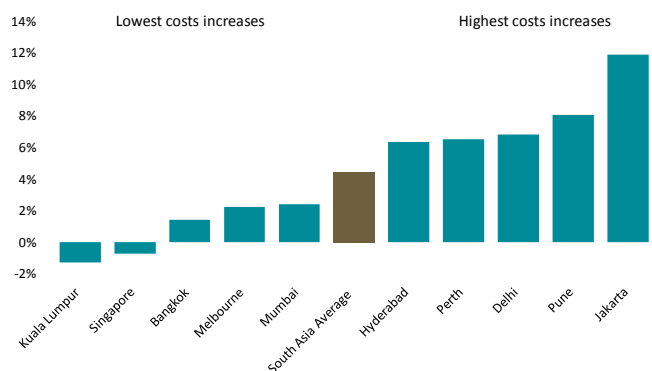
Change in total occupancy costs per workstation, 2012 (local currency) – South Asia



Source: DTZ Research

Figure 16

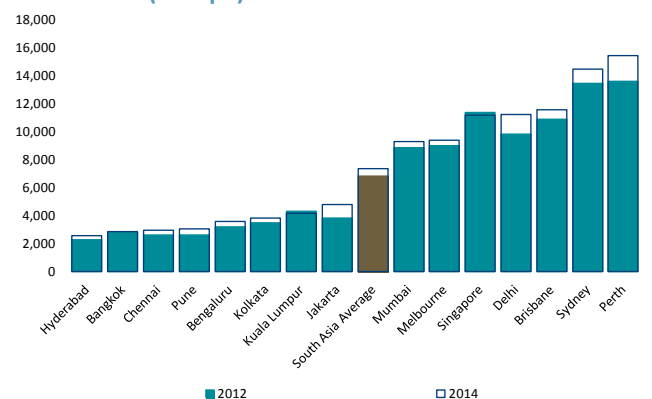
Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (USD) – South Asia



Source: DTZ Research

Figure 17

Total occupancy costs per workstation, end 2012 and 2014 – South Asia (USD pa)



Source: DTZ Research

Global Occupancy Costs - Offices

Europe

Occupier cost savings realised through space efficiency

Total occupancy costs remained stable across Europe during the year, registering growth of 0.3% (Figure 18). Over half of the markets surveyed (23 out of 40) witnessed either static or falling occupancy costs, with occupiers in Copenhagen, Lisbon, Geneva and Madrid witnessing the greatest cost savings (with declines of 5.7-10% respectively). Whilst falls in Madrid were the result of softening rents, declines in Copenhagen, Lisbon and Geneva were all due to improved space efficiency, as the space utilisation standard per workstation fell between 6 and 10% in all three markets.

Greater space efficiency is an ongoing trend throughout the region, with many occupiers focusing on cost control and efficient space use rather than expansion. In the last five years, the space utilisation standard across the region has fallen by an aggregate average of 6%. The Nordics and Germany account for the highest space allocation per worker - at 20 sq m (24 sq m in Helsinki); whilst Lisbon and the CEE markets account for the lowest, at 9 sq m and 12.4 sq m respectively.

An increase in occupancy costs was witnessed in 17 markets, with the highest increase of 9.1% recorded in Tallinn. The increase was due to higher rents and outgoings. Costs also increased in Oslo (7.4%) and Marseille (5.5%) due to increased rental values (Figure 18). Although Tallinn recorded the greatest cost increase during the year, it remains one of the most affordable markets in the region, alongside Budapest and Vilnius (Figure 20). There was also upward pressure on rental values in the Nordics and Germany, where the economic fundamentals are relatively strong.

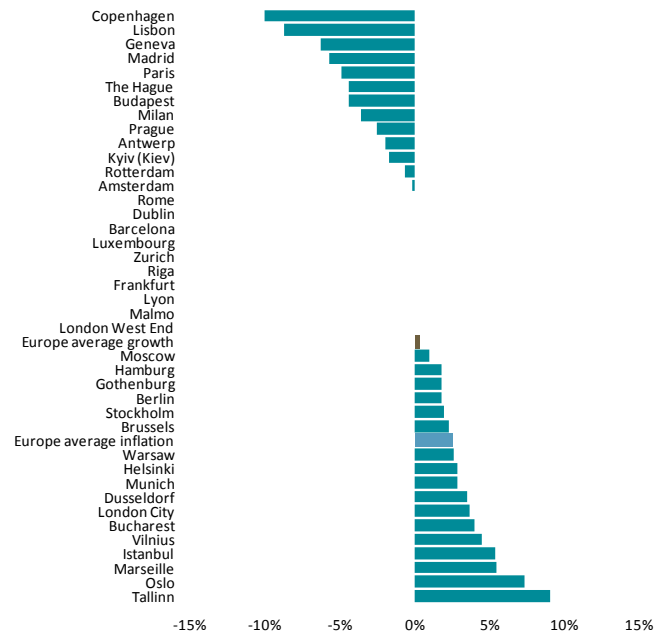
Poor economic prospects to cause decline in costs

As markets start to recover, we forecast occupancy costs in Europe to increase by 1.3% pa over the short term forecast period. Moscow will be the highest growth market between now and 2014 (4.0%), reflecting the shortage in new supply and continuous solid demand (Figure 19). Occupiers in Moscow could benefit from considering secondary space, as it is twice as affordable as prime (see Table 1).

At the other end of the scale, poor economic prospects are expected to cause the biggest drop in costs in Rome (-2.0%), Barcelona (-1.1%) and Kyiv (-1.0%) (Figure 19). Average occupancy costs per workstation in Europe are expected to reach EUR 7,300 per workstation in 2014, compared to EUR 7,100 per workstation in 2012 (Figure 20).

Figure 18

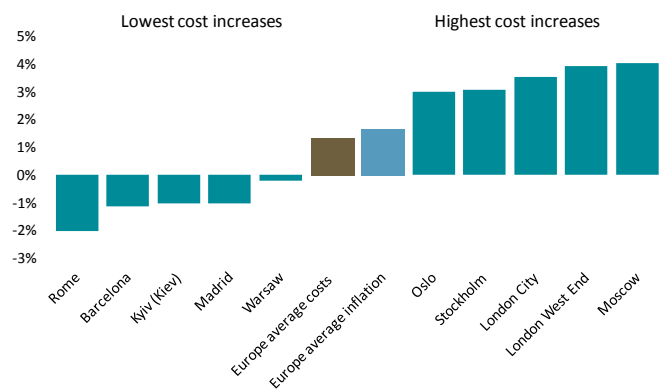
Change in total occupancy costs per workstation, 2012 (local currency) – Europe



Source: DTZ Research

Figure 19

Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (EUR)

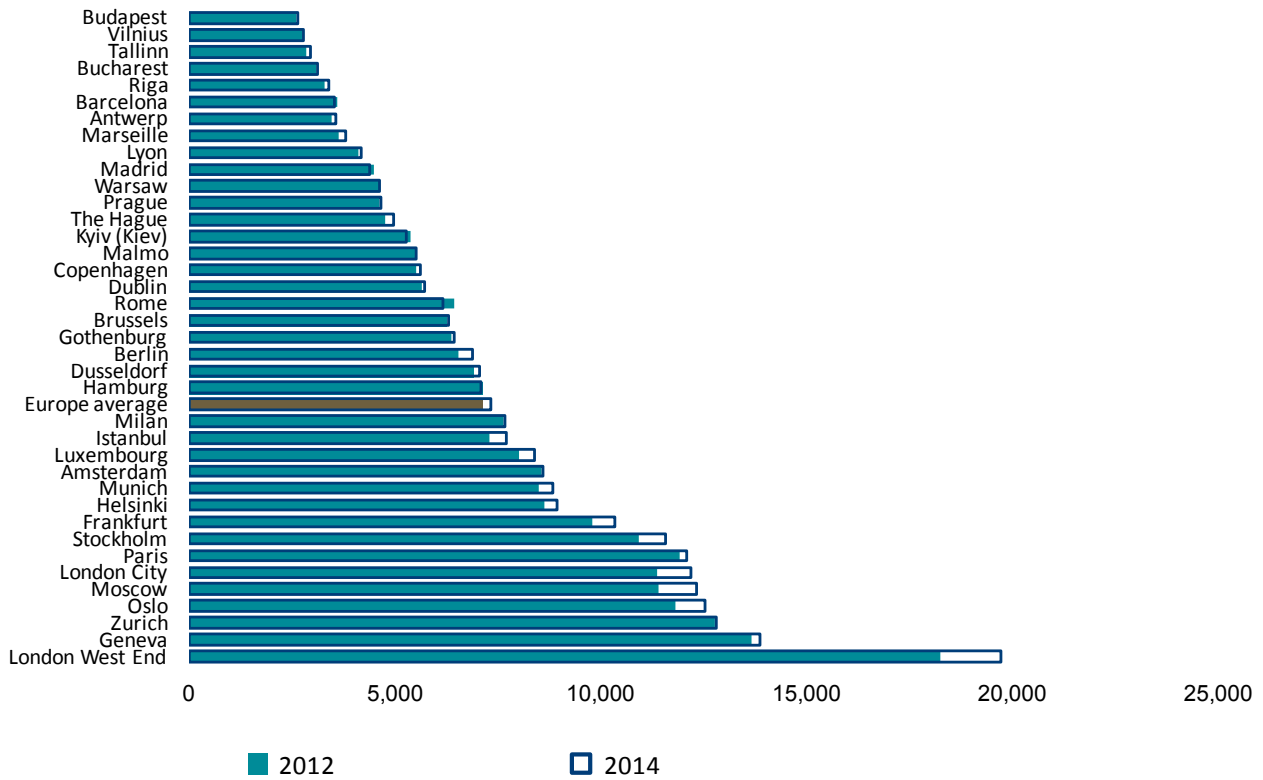


Source: DTZ Research

Global Occupancy Costs - Offices

Figure 20

Total occupancy costs per workstation, end 2012 and 2014 – Europe (EUR pa)



Source: DTZ Research

Global Occupancy Costs - Offices

UK

Costs unchanged in several regional cities

Average occupancy costs per workstation in the UK increased by 1.6% in 2012, with marked differences between the markets. Whilst occupiers benefitted from no cost increases in the regional cities of Leeds, Newcastle, and Glasgow - and very minor increases in Birmingham, Bristol and Edinburgh - growth in Cardiff was as high as 7% (Figure 21). This was primarily due to an increase in rents, as well as to the outgoings following a rise in service charges. In London West End, occupancy costs per workstation remained stable during the year, following marked increases the previous year. As for London City, whilst 2011 brought large decreases in overall costs due to improved space use, 2012 saw occupancy costs per workstation increase by 3.7%, on the back of rises in outgoings. London City occupiers showed overall subdued demand and reluctance to move unless compelled by factors outside their control.

Although the average space utilisation standard per workstation across the UK has remained unchanged - at 10 sq m - there is still an apparent trend for companies to focus on optimising space use. As a result, developers are adapting designs to next generation buildings to accommodate one worker per 8 sq m where possible. Occupiers are also increasingly seeking energy efficient buildings with good Energy Performance Certificate (EPC) ratings due to their lower running costs.

Occupiers in Bristol to benefit from the lowest increases in costs over the next two years

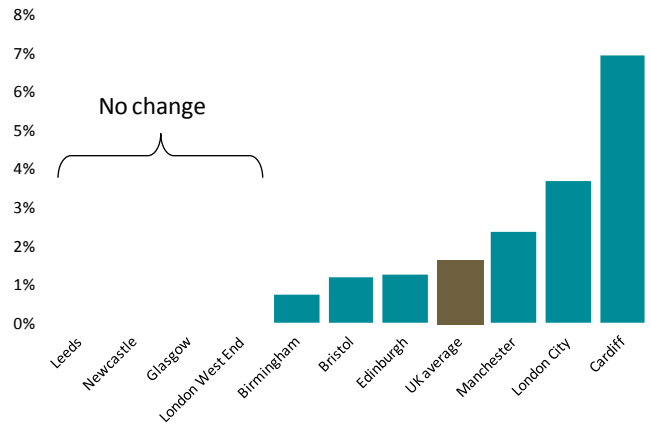
Occupiers in Bristol will see costs grow at the lowest regional rate of 1.2% pa, as uncertainty will continue to dampen rental growth (Figure 22). At the other end of the scale, above UK average growth is expected in London West End (4.0%), London City (3.6%), Edinburgh (2.4%), Manchester (2.3%) and Newcastle (2.3%). Companies are generally unsure of where their businesses are going, wish to be enticed into leases with incentives and are looking for a 3-year break on a 5-year lease.

Newcastle to remain the most affordable UK city in 2014

On average, UK occupancy costs are expected to grow by 2.2% pa over the two-year forecast period, reaching GBP 6,100 per workstation in 2014. In terms of current ranking, London West End and London City are the most expensive office locations in the UK, whilst the most affordable market is Newcastle. The ranking will remain largely unchanged by 2014, with only Bristol and Birmingham swapping positions. Costs in London West End are expected to reach GBP 15,690 per workstation pa in 2014 (Figure 23).

Figure 21

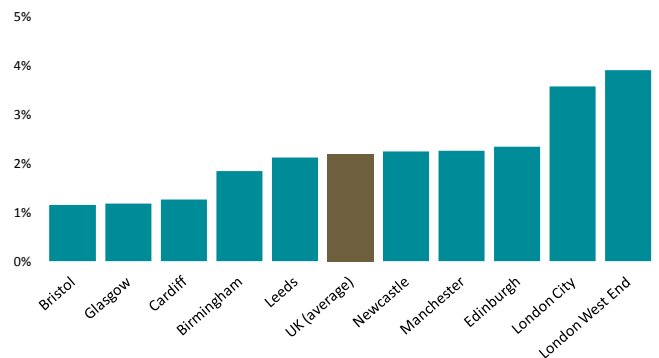
Change in total occupancy costs per workstation, 2012 (GBP) – UK



Source: DTZ Research

Figure 22

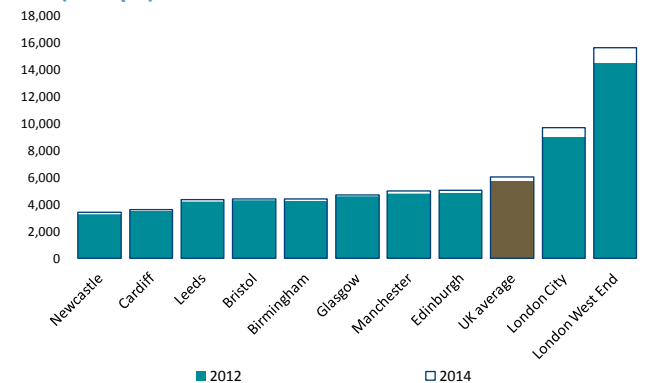
Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (GBP)



Source: DTZ Research

Figure 23

Total occupancy costs per workstation, end 2012 and 2014 – UK (GBP pa)



Source: DTZ Research

Global Occupancy Costs - Offices

Middle East and Africa

Occupiers in Abu Dhabi and Dubai benefit from the greatest cost savings

Occupier demand in the Middle East and Africa during the first three quarters of 2012 remained subdued and more focused on cost control than on expansion. This led to falling or stable occupancy costs in most markets. Nevertheless, average regional occupancy costs per workstation still grew by an average of 1.6% (Figure 24). This was driven by a sharp increase of 16.3% in Tel Aviv, on the back of rising rents and outgoings, supported by robust demand. At the same time, there have been limited new project completions and thus minimal supply. Going forward, we expect rents to stabilise, in anticipation of an injection of newly built properties at the end of 2013 and beginning of 2014 in central Tel Aviv. However, in the prime high tech parks of Tel Aviv, rents are expected to increase due to strong demand from international technology companies combined with limited supply.

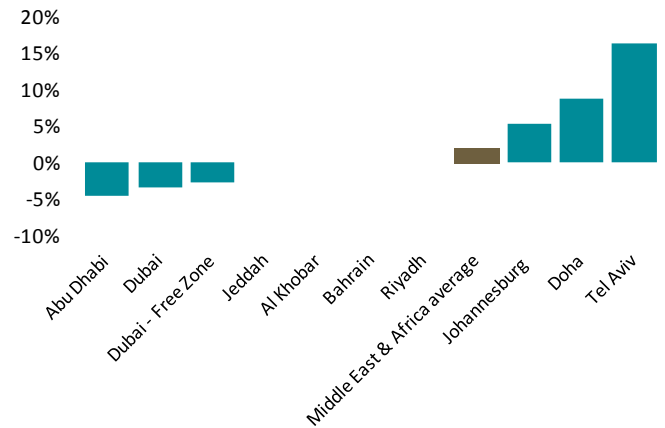
Although increases were also recorded in Doha and Johannesburg, all other markets witnessed falls or stable costs. Occupiers benefited from cost savings in three markets across the United Arab Emirates: Abu Dhabi (-4.5%), Dubai (-3.5%) and Dubai Free Zone (-2.7%) (Figure 24). In Dubai, rising supply and high vacancy levels have caused rents to decrease. Existing occupiers are focusing on optimising their portfolios and increasing quality through consolidation of operations into one location. There is limited demand from new entrants.

Johannesburg still in the lead for most affordable market

In terms of ranking, Johannesburg was once again the most affordable market in the region (at USD 3,810 per workstation pa) despite witnessing an increase in costs. Availability for prime space continues to be very tight which accounts for the rise in rents. Occupiers also benefit from low costs in Al Khobar, Bahrain and Jeddah. At the other end of the scale, Doha in Qatar is the least affordable market in the region, at USD 13,590 - up from USD 12,510 last year. Average regional costs are USD 7,033 (Figure 25).

Figure 24

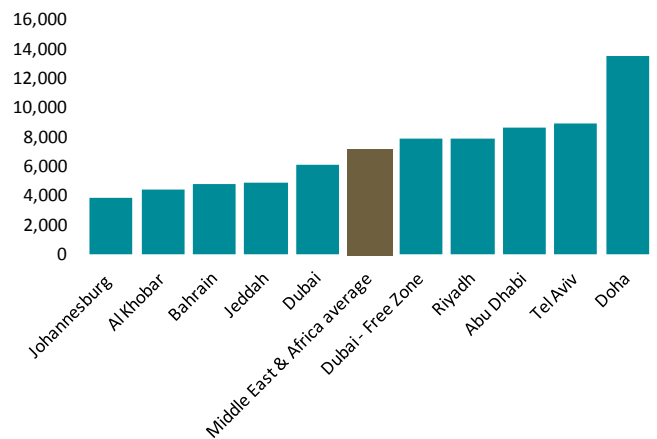
Change in total occupancy costs per workstation, 2012 (local currency) – Middle East and Africa



Source: DTZ Research

Figure 25

Total occupancy costs per workstation, end 2012 and 2014 – Middle East and Africa (USD pa)



Source: DTZ Research

Global Occupancy Costs - Offices

North America

Cost savings through space efficiency

All US cities witnessed falls in occupancy costs per workstation during 2012. Demand for space was at a low level, reflecting a sluggish labour market and weak corporate sentiment. However, the biggest reason for the decline was a considerable reduction in space utilisation standard across the board. On average, these fell by 11.8% during 2012. The biggest decreases were recorded in Washington DC (-17%) and Los Angeles (-14%) where greater space efficiency is becoming more of a trend than in previous years (Figure 26). Despite these falls, space utilisation standards remain the highest in the US, averaging 14 sq m compared to the global average of 12 sq m.

In Canada, most markets witnessed renewed confidence feeding through to an increase in occupier demand. In fact, the major Canadian markets returned to pre-recession levels of occupier activity and take-up. Decreasing vacancy rates have put upward pressure on rents. Calgary saw the biggest increase in occupancy costs at 14%. Going forward, we expect demand to continue to outpace supply in both Calgary and Toronto, causing prime rents to rise as quality space is leased up. If the strong demand sustains, many Canadian markets are indeed likely to suffer from a lack of supply, as new construction was slow after the recession.

New York, San Francisco and Denver to see costs grow above the inflation average

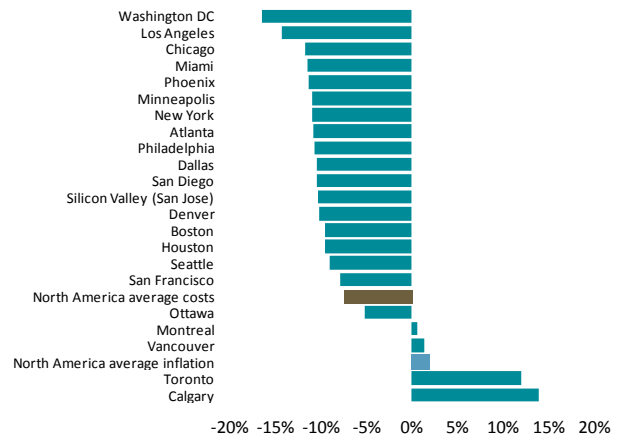
Occupancy costs are forecast to increase across the US over the next two years, albeit at a muted rate. Occupiers in New York will face the greatest uplift, by 3.7% y-o-y to reach USD 15,100 per workstation in 2014 (Figure 27 and Figure 28). However, in a wider global context, New York's growth rate is relatively low, a full eight percentage points below projected growth in costs in Jakarta, our global top performer. Denver and San Francisco will also see costs grow above the inflation average. Occupiers in Phoenix and San Diego will benefit from the lowest growth, of 0.9% pa (Figure 27).

Dallas maintains its position as most affordable city

At USD 3,940 per workstation pa, Dallas currently offers occupiers the most affordable prime office space in the US, followed by Denver, Minneapolis and Seattle (Figure 28). These will remain the most affordable locations in 2014, reaching USD 4,050 in Dallas, USD 4,960 in Denver and USD 5,230 in Minneapolis. At the other end of the scale, New York, Washington DC, Boston and San Francisco continue to be the least affordable office locations in the US, and will maintain their position in our five year forecast period.

Figure 26

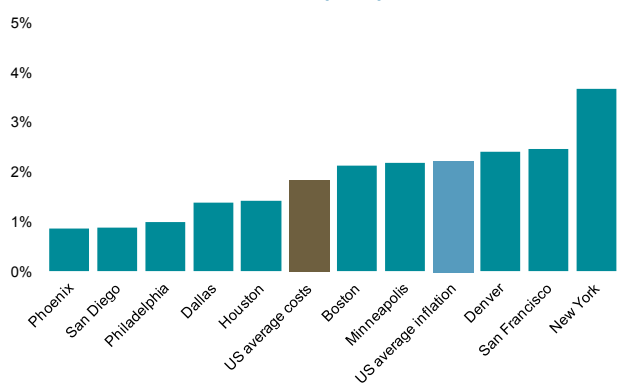
Change in total occupancy costs per workstation, 2012 (USD) – North America



Source: DTZ Research, REIS

Figure 27

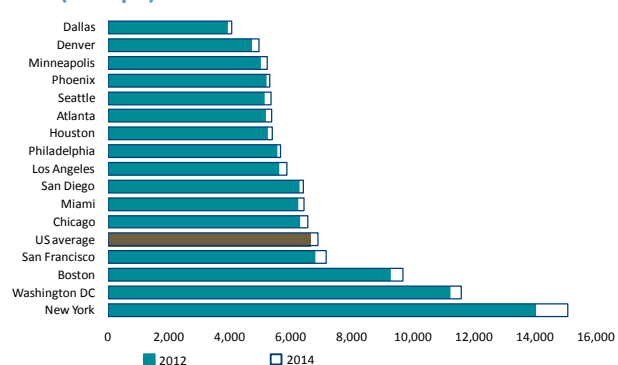
Forecast pa increase in total occupancy costs per workstation, end 2012-2014 (USD)



Source: DTZ Research

Figure 28

Total occupancy costs per workstation, end 2012 and 2014 – US (USD pa)



Source: DTZ Research, REIS

Global Occupancy Costs - Offices

Central & South America

Total occupancy costs hold up despite high levels of new supply in major Latin American cities

Last year's report commented on the exceptionally high growth in occupancy costs per workstation in the Brazilian markets of São Paulo (22%) and Rio de Janeiro (37%) - contrasted against no growth or slight decreases in the Mexican cities. This year's figures present a more balanced and moderate picture across the region as a whole. Whilst São Paulo continued to witness relatively high growth (10%), growth in Rio de Janeiro was more moderate at 5%. By contrast, Mexico City, which witnessed no growth last year, saw occupancy costs per workstation rise by 8% in 2012 (Figure 29).

In general, occupiers in Brazil are now benefitting from more balanced fundamentals, with more stock coming onto the market, providing occupiers with more space options. Mexico City is also witnessing a surge in supply. Even so, prime rents have increased particularly in the CBD and financial corridor of the city, on the back of higher levels of demand than in previous years. We expect further rental growth in Mexico City in the short to medium term. Cancun and Guadalajara are displaying a more balanced outlook.

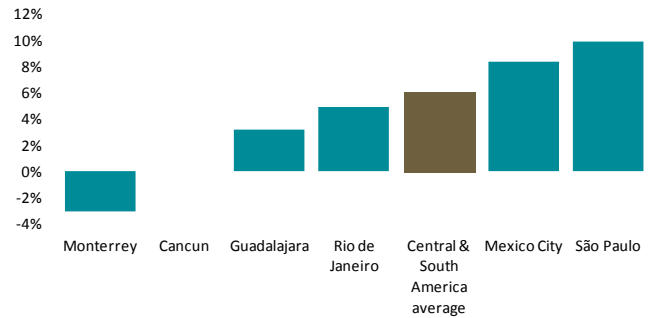
There have been no changes to space utilisation standards per workstation in either market during the year. Space per workstation stands at 12.5 sq m in Brazil and ranges between 8 sq m in Cancun and 10 sq m in Guadalajara, Mexico City, and Monterrey (Mexico). As today's mature and sophisticated occupiers are requiring higher levels of efficiency and sustainability, we anticipate decreasing space utilisations standards going forward and more efficient use of space across the entire region. Meanwhile, outgoings have increased in Brazil as well as Mexico. In Brazil, outgoings have suffered increases in recent years, mainly due to salary adjustments on the part of service providers.

Cancun and Monterrey most affordable Latin American cities

In terms of ranking, Rio de Janeiro and São Paulo remain the most expensive cities in the region in terms of total occupancy costs per workstation, at USD 12,570 and USD 11,090. Globally, Rio de Janeiro ranks the 17th least affordable market, compared to 14th least affordable in 2011 (and 28th in 2010). Cancun and Monterrey are the most affordable Latin American cities covered in our survey - at USD 2,780 and USD 3,720 respectively (Figure 30).

Figure 29

Change in total occupancy costs per workstation, 2012 (local currency) – Central and South America



Source: CMI Group, Herzog Imobiliária Ltda

Figure 30

Total occupancy costs per workstation, end 2012 – Central and South America (USD pa)



Source: CMI Group, Herzog Imobiliária Ltda

Global Occupancy Costs - Offices

Appendix 1

Table 2

Top 50 ranking of markets: total occupancy costs per workstation per annum (USD and local currency)

Rank 2012	Rank 2011*	Market	Country/Territory	Region	Total occupancy cost per workstation pa**		YOY change	Total occupancy cost per workstation pa**			YOY change
					(USD)			(Locally quoted)			
					2012	2011		Unit	2012	2011	
1	1	Surabaya	Indonesia	Asia Pacific	1,610	1,680	-4%	IDR	15,420,480	15,231,480	1%
2	3	Hyderabad	India	Asia Pacific	2,280	2,230	2%	INR	120,480	117,480	3%
3	2	Chongqing	China	Asia Pacific	2,300	1,950	18%	RMB	14,520	12,360	17%
4	5	Qingdao	China	Asia Pacific	2,560	2,380	8%	RMB	16,080	15,000	7%
5	8	Pune	India	Asia Pacific	2,620	2,590	1%	INR	138,240	136,800	1%
6	7	Chennai	India	Asia Pacific	2,620	2,570	2%	INR	138,480	135,720	2%
7	4	Wuhan	China	Asia Pacific	2,630	2,290	15%	RMB	16,440	14,400	14%
8	6	Xi'an	China	Asia Pacific	2,670	2,470	8%	RMB	16,800	15,480	9%
9	11	Nanjing	China	Asia Pacific	2,700	2,800	-4%	RMB	16,920	17,640	-4%
10	10	Cancun	Mexico	Central & South America	2,780	2,780	0%	USD	2,760	2,760	0%
11	9	Bangkok	Thailand	Asia Pacific	2,780	2,690	3%	THB	85,800	85,200	1%
12	13	Tianjin	China	Asia Pacific	2,910	2,870	1%	RMB	18,240	18,000	1%
13	12	Manila	Philippines	Asia Pacific	3,110	2,820	10%	PHP	129,960	123,600	5%
14	16	Bengaluru	India	Asia Pacific	3,180	3,100	3%	INR	167,880	163,200	3%
15	22	Lisbon	Portugal	Europe	3,190	3,580	-11%	EUR	2,520	2,760	-9%
16	14	Chengdu	China	Asia Pacific	3,300	2,960	11%	RMB	20,760	18,600	12%
17	21	Budapest	Hungary	Europe	3,330	3,530	-6%	EUR	2,640	2,760	-4%
18	15	Dalian	China	Asia Pacific	3,340	3,010	11%	RMB	21,000	18,960	11%
19	17	Kolkata	India	Asia Pacific	3,490	3,150	11%	INR	184,320	165,600	11%
20	20	Vilnius	Lithuania	Europe	3,510	3,460	1%	EUR	2,760	2,640	5%
21	19	Tallinn	Estonia	Europe	3,660	3,430	7%	EUR	2,880	2,640	9%
22	24	Monterrey	Mexico	Central & South America	3,720	3,840	-3%	USD	3,720	3,840	-3%
23	23	Johannesburg	South Africa	Middle East & Africa	3,810	3,720	2%	ZAR	31,680	30,120	5%
24	18	Jakarta	Indonesia	Asia Pacific	3,840	3,360	14%	IDR	36,786,360	30,487,680	21%
25	30	Dallas	United States	North America	3,940	4,390	-10%	USD	3,940	4,400	-10%
26	25	Guadalajara	Mexico	Central & South America	3,950	3,840	3%	USD	3,960	3,840	3%
27	26	Bucharest	Romania	Europe	3,980	3,940	1%	EUR	3,120	3,000	4%
28	28	Riga	Latvia	Europe	4,220	4,260	-1%	EUR	3,240	3,240	0%
29	27	Kuala Lumpur	Malaysia	Asia Pacific	4,290	4,150	3%	MYR	13,080	13,080	0%
30	33	Hangzhou	China	Asia Pacific	4,350	4,520	-4%	RMB	27,360	28,440	-4%
31	31	Al Khobar	Saudi Arabia	Middle East & Africa	4,400	4,390	0%	SAR	16,500	16,500	0%
32	34	Antwerp	Belgium	Europe	4,470	4,570	-2%	EUR	3,470	3,540	-2%
33	35	Ho Chi Minh City	Vietnam	Asia Pacific	4,540	4,660	-3%	USD	4,560	4,680	-3%
34	29	Mexico City	Mexico	Central & South America	4,610	4,320	7%	USD	4,680	4,320	8%
35	39	Hanoi	Vietnam	Asia Pacific	4,640	4,830	-4%	USD	4,680	4,800	-3%
36	36	Barcelona	Spain	Europe	4,640	4,680	-1%	EUR	3,610	3,610	0%
37	32	Marseille	France	Europe	4,680	4,470	5%	EUR	3,640	3,450	6%
38	44	Denver	United States	North America	4,730	5,250	-10%	USD	4,720	5,250	-10%
39	38	Bahrain	Bahrain	Middle East & Africa	4,780	4,780	0%	BHD	1,800	1,800	0%
40	40	Jeddah	Saudi Arabia	Middle East & Africa	4,840	4,840	0%	SAR	18,150	18,150	0%
41	46	Minneapolis	United States	North America	5,010	5,610	-11%	USD	5,000	5,610	-11%
42	47	Seattle	United States	North America	5,140	5,650	-9%	USD	5,134	5,644	-9%
43	50	Atlanta	United States	North America	5,190	5,830	-11%	USD	5,190	5,820	-11%
44	51	Phoenix	United States	North America	5,210	5,870	-11%	USD	5,208	5,875	-11%
45	48	Houston	United States	North America	5,240	5,780	-9%	USD	5,230	5,780	-10%
46	45	Lyon	France	Europe	5,270	5,300	-1%	EUR	4,100	4,100	0%
47	42	Newcastle	United Kingdom	Europe	5,340	5,140	4%	GBP	3,300	3,300	0%
48	49	Shenzhen	China	Asia Pacific	5,440	5,780	-6%	RMB	34,200	36,360	-6%
49	37	Shenyang	China	Asia Pacific	5,480	4,720	16%	RMB	34,440	29,640	16%
50	41	Wellington	New Zealand	Asia Pacific	5,550	5,100	9%	NZD	6,690	6,560	2%

*Note that last year's ranking for some locations may have changed due to data revisions

**Figures have been rounded to the nearest 10

Source: DTZ Research, CMI Group, Herzog Immobilien Ltd, REIS

Global Occupancy Costs - Offices

Appendix 2

Table 3

Top 50 ranking of markets: total occupancy costs per 1,000 sq m (NIA) per annum (USD)

Ranking 2012	Market	Country/Territory	Region	Lease conversion rate	Typical building in prime market	Equivalent to 1,000 sq m (NIA) space requirement	Total Occupancy Cost (USD per sq m per annum)	Total Occupancy Cost (USD per annum) per 1,000 sq m (NIA)
1	Surabaya	Indonesia	Asia Pacific	1.10	Mid/High Rise	1,100	133.08	146,389
2	Kuala Lumpur	Malaysia	Asia Pacific	1.00	Mid/High Rise	1,000	263.72	263,716
3	Bangkok	Thailand	Asia Pacific	1.06	Mid/High Rise	1,060	252.85	268,021
4	Vilnius	Lithuania	Europe	1.06	Average	1,060	270.11	286,320
5	Tallinn	Estonia	Europe	1.06	Average	1,060	281.28	298,160
6	Riga	Latvia	Europe	1.06	Average	1,060	281.28	298,160
7	Dallas	United States	North America	1.28	Average	1,281	239.51	306,771
8	Manila	Philippines	Asia Pacific	1.00	Mid/High Rise	1,000	311.08	311,077
9	Wuhan	China	Asia Pacific	1.43	Mid/High Rise	1,430	219.04	313,229
10	Hyderabad	India	Asia Pacific	1.61	Mid/High Rise	1,610	195.22	314,306
11	Jakarta	Indonesia	Asia Pacific	1.10	Mid/High Rise	1,100	286.71	315,382
12	Antwerp	Belgium	Europe	1.28	Low Rise	1,279	248.23	317,535
13	Al Khobar	Saudi Arabia	Middle East & Africa	1.10	Mid/High Rise	1,100	293.56	322,917
14	Dalian	China	Asia Pacific	1.47	Mid/High Rise	1,470	222.60	327,223
15	Chongqing	China	Asia Pacific	1.43	Mid/High Rise	1,430	230.33	329,375
16	Atlanta	United States	North America	1.28	Average	1,281	262.21	335,834
17	Budapest	Hungary	Europe	1.21	Low Rise	1,210	277.61	335,834
18	Bahrain	Bahrain	Middle East & Africa	1.06	Mid/High Rise	1,065	318.51	339,063
19	Phoenix	United States	North America	1.28	Average	1,281	268.09	343,368
20	Johannesburg	South Africa	Middle East & Africa	1.36	Mid/High Rise	1,360	254.06	345,521
21	Wellington	New Zealand	Asia Pacific	1.16	Mid/High Rise	1,160	298.79	346,598
22	Denver	United States	North America	1.28	Average	1,281	270.61	346,598
23	Rotterdam	Netherlands	Europe	1.16	Low Rise	1,161	300.38	348,750
24	Jeddah	Saudi Arabia	Middle East & Africa	1.10	Mid/High Rise	1,100	322.92	355,209
25	Qingdao	China	Asia Pacific	1.43	Mid/High Rise	1,430	248.40	355,209
26	Minneapolis	United States	North America	1.28	Average	1,281	282.38	361,667
27	The Hague	Netherlands	Europe	1.16	Low Rise	1,161	313.36	363,820
28	Nanjing	China	Asia Pacific	1.43	Mid/High Rise	1,430	256.68	367,049
29	Malmo	Sweden	Europe	1.06	Low Rise	1,061	354.05	375,660
30	Pune	India	Asia Pacific	1.61	Mid/High Rise	1,610	234.67	377,813
31	Xi'an	China	Asia Pacific	1.43	Mid/High Rise	1,430	264.20	377,813
32	Chennai	India	Asia Pacific	1.61	Mid/High Rise	1,610	236.67	381,042
33	Cancun	Mexico	Central & South America	1.12	Low Rise	1,118	347.51	388,577
34	Marseille	France	Europe	1.10	Low Rise	1,100	360.10	396,112
35	Houston	United States	North America	1.28	Average	1,281	316.83	405,799
36	Philadelphia	United States	North America	1.36	Mid/High Rise	1,363	298.54	406,875
37	Barcelona	Spain	Europe	1.25	Low Rise	1,247	331.53	413,334
38	Tianjin	China	Asia Pacific	1.43	Mid/High Rise	1,430	290.55	415,487
39	Bengaluru	India	Asia Pacific	1.61	Mid/High Rise	1,610	264.08	425,174
40	Lisbon	Portugal	Europe	1.22	Low Rise	1,218	354.33	431,632
41	Auckland	New Zealand	Asia Pacific	1.16	Mid/High Rise	1,160	375.81	435,938
42	Monterrey	Mexico	Central & South America	1.19	Mid/High Rise	1,190	371.76	442,396
43	Chengdu	China	Asia Pacific	1.43	Mid/High Rise	1,430	310.87	444,549
44	Lyon	France	Europe	1.10	Low Rise	1,100	405.11	445,625
45	Dubai	United Arab Emirates	Middle East & Africa	1.10	Mid/High Rise	1,100	410.01	451,007
46	Ho Chi Minh City	Vietnam	Asia Pacific	1.00	Mid/High Rise	1,000	454.24	454,237
47	San Diego	United States	North America	1.28	Average	1,281	354.65	454,237
48	Gothenburg	Sweden	Europe	1.06	Low Rise	1,061	431.15	457,466
49	Bucharest	Romania	Europe	1.28	Average	1,281	362.21	463,924
50	Hanoi	Vietnam	Asia Pacific	1.00	Mid/High Rise	1,000	463.92	463,924

Source: DTZ Research, CMI Group, Herzog Immobilienaria Ltda, REIS

Box 1: Occupancy costs per 1,000 sq m per annum

DTZ's Global Occupancy Costs: Offices report tracks occupancy costs per workstation. For the second consecutive year, we have also analysed the cost of taking the equivalent of 1,000 sq m NIA across the markets. This approach cuts through variability of space utilisation standards, taking into account the fact that more people can occupy a building than there are workstations and businesses go through cycles of under- and over- occupancy.

Except for some countries using BOMA (Building Owners and Managers Association) as a generally accepted market practice, every country has a different approach to and definition of "lease area". Whilst a handful of countries have an official measuring code, the majority rely on accepted local market practice, whilst in some emerging markets the definition of a "leasable square metre" may vary depending on the landlord. This means that €200 per sq m in Paris does not compare to €200 per sq m in Delhi.

When leases are based on the UK definition of Net Internal Area (NIA), the tenant pays for net usable space only. Where lease area is based on gross space, floor plate inefficiency is passed onto the tenant, who not only pays for usable floor area, but also for common areas, lifts, structural columns, exterior walls etc. Thus increasing total occupancy costs per sq m.

Global Occupancy Costs - Offices

Appendix 3

Table 4

Forecast total occupancy costs per workstation per annum and change in affordability rank, 2012 and 2014 (USD)

Country/Territory	Market	2012 (USD pa)	Rank 2012	2014 (USD pa)	Rank 2014	Change in rank	Average annual growth end 2012-14	Country/Territory	Market	2012 (USD pa)	Rank 2012	2014 (USD pa)	Rank 2014	Change in rank	Average annual growth end 2012-14
Australia	Brisbane	10,900	73	11,570	76	▼	3.0%	Malaysia	Kuala Lumpur	4,290	19	4,180	17	▲	-1.3%
Australia	Melbourne	8,990	64	9,400	64	-	2.3%	Netherlands	Amsterdam	11,030	75	11,080	70	▲	0.2%
Australia	Perth	13,580	81	15,420	83	▼	6.6%	Netherlands	The Hague	6,110	41	6,400	41	-	2.3%
Australia	Sydney	13,440	80	14,450	80	-	3.7%	Norway	Oslo	15,200	86	16,110	87	▼	2.9%
Belgium	Antwerp	4,470	21	4,570	20	▲	1.1%	Poland	Warsaw	5,970	39	5,940	38	▲	-0.3%
Belgium	Brussels	8,040	57	8,100	56	▲	0.4%	Romania	Bucharest	3,980	17	4,000	15	▲	0.3%
China	Beijing	10,410	72	12,750	78	▼	10.7%	Russia	Moscow	14,650	85	15,860	86	▼	4.0%
China	Chengdu	3,300	9	3,520	10	▼	3.3%	Singapore	Singapore	11,350	78	11,190	71	▲	-0.7%
China	Dalian	3,340	11	3,500	9	▲	2.4%	South Korea	Seoul	9,150	65	9,500	65	-	1.9%
China	Guangzhou	5,980	40	6,180	40	-	1.7%	Spain	Barcelona	4,640	22	4,530	19	▲	-1.2%
China	Hangzhou	4,350	20	4,690	21	▼	3.8%	Spain	Madrid	5,780	37	5,660	33	▲	-1.0%
China	Nanjing	2,700	5	2,850	3	▲	2.7%	Sweden	Gothenburg	8,190	58	8,290	58	-	0.6%
China	Qingdao	2,560	2	2,710	2	-	2.9%	Sweden	Malmo	7,080	51	7,080	46	▲	0.0%
China	Shanghai	10,130	70	11,270	73	▼	5.5%	Sweden	Stockholm	14,040	82	14,900	81	▲	3.0%
China	Shenyang	5,480	33	5,770	35	▼	2.6%	Switzerland	Geneva	17,560	90	17,820	89	▲	0.7%
China	Shenzhen	5,440	32	5,430	31	▲	-0.1%	Switzerland	Zurich	16,420	88	16,460	88	-	0.1%
China	Tianjin	2,910	7	2,990	6	▲	1.4%	Taiwan	Taipei	8,010	56	8,330	59	▼	2.0%
Czech Republic	Prague	5,940	38	6,010	39	▼	0.6%	Thailand	Bangkok	2,780	6	2,860	4	▲	1.4%
Denmark	Copenhagen	7,070	50	7,240	51	▼	1.2%	Turkey	Istanbul	9,360	67	9,940	68	▼	3.1%
Estonia	Tallinn	3,660	14	3,820	13	▲	2.2%	Ukraine	Kyiv (Kiev)	6,910	47	6,780	45	▲	-0.9%
Finland	Helsinki	11,110	76	11,490	75	▲	1.7%	United Kingdom	Birmingham	6,920	48	7,180	50	▼	1.9%
France	Lyon	5,270	30	5,380	29	▲	1.0%	United Kingdom	Bristol	6,960	49	7,140	48	▲	1.3%
France	Marseille	4,680	23	4,870	23	-	2.0%	United Kingdom	Cardiff	5,730	36	5,880	37	▼	1.3%
France	Paris	15,320	87	15,530	84	▲	0.7%	United Kingdom	Edinburgh	7,830	55	8,200	57	▼	2.3%
Germany	Berlin	8,410	60	8,860	60	-	2.6%	United Kingdom	Glasgow	7,480	53	7,660	53	-	1.2%
Germany	Dusseldorf	8,880	63	9,080	61	▲	1.1%	United Kingdom	Leeds	6,780	45	7,080	46	▼	2.2%
Germany	Frankfurt	12,600	79	13,300	79	-	2.7%	United Kingdom	London City	14,620	84	15,680	85	▼	3.6%
Germany	Hamburg	8,770	61	9,120	62	▼	2.0%	United Kingdom	London West	23,500	92	25,370	91	▲	3.9%
Germany	Munich	10,920	74	11,350	74	-	1.9%	United Kingdom	Manchester	7,740	54	8,090	55	▼	2.2%
Hong Kong SAR	Hong Kong	22,190	91	25,830	92	▼	7.9%	United Kingdom	Newcastle	5,340	31	5,590	32	▼	2.3%
Hungary	Budapest	3,330	10	3,380	8	▲	0.7%	United States	Atlanta	5,190	27	5,370	28	▼	1.7%
India	Bengaluru	3,180	8	3,560	12	▼	5.8%	United States	Boston	9,280	66	9,680	66	-	2.1%
India	Chennai	2,620	4	2,930	5	▼	5.8%	United States	Chicago	6,310	44	6,560	44	-	2.0%
India	Delhi	9,810	69	11,200	72	▼	6.8%	United States	Dallas	3,940	16	4,050	16	-	1.4%
India	Hyderabad	2,280	1	2,580	1	-	6.4%	United States	Denver	4,730	24	4,960	24	-	2.4%
India	Kolkata	3,490	12	3,820	13	▼	4.6%	United States	Houston	5,240	29	5,390	30	▼	1.4%
India	Mumbai	8,870	62	9,300	63	▼	2.4%	United States	Los Angeles	5,620	35	5,860	36	▼	2.1%
India	Pune	2,620	3	3,060	7	▼	8.1%	United States	Miami	6,250	42	6,430	43	▼	1.4%
Indonesia	Jakarta	3,840	15	4,810	22	▼	11.9%	United States	Minneapolis	5,010	25	5,230	25	-	2.2%
Ireland	Dublin	7,270	52	7,360	52	-	0.6%	United States	New York	14,050	83	15,100	82	▲	3.7%
Italy	Milan	9,800	68	9,840	67	▲	0.2%	United States	Philadelphia	5,550	34	5,660	33	▲	1.0%
Italy	Rome	8,290	59	7,940	54	▲	-2.1%	United States	Phoenix	5,210	28	5,300	26	▲	0.9%
Japan	Tokyo	17,280	89	20,280	90	▼	8.3%	United States	San Diego	6,290	43	6,400	41	▲	0.9%
Latvia	Riga	4,220	18	4,370	18	-	1.8%	United States	San Francisco	6,810	46	7,150	49	▼	2.5%
Lithuania	Vilnius	3,510	13	3,550	11	▲	0.6%	United States	Seattle	5,140	26	5,350	27	▼	2.0%
Luxembourg	Luxembourg	10,310	71	10,810	69	▲	2.4%	United States	Washington	11,240	77	11,600	77	-	1.6%

Source: DTZ Research, REIS

NB: Our forecasts do not cover all 126 markets. Figures have been rounded to the nearest 10

Global Occupancy Costs - Offices

Definitions

- **Total occupancy cost**

Total occupancy cost is defined as the average total cost of leasing prime net usable space.

It includes rents and outgoings, such as maintenance costs and property tax, if these are normally payable by the occupier.

It excludes leasing incentives, such as rent-free periods and fitting-out costs, as well as facilities costs specific to the tenant, such as cleaning or IT. It also excludes amortization of capital and related expenditure.

- **Space utilisation standard per workstation**

Space utilisation standard per workstation is defined as the net internal area divided by the number of planned workstations for which the space is intended. It relates to the type of occupier that typically occupies prime Grade A office space for which this survey is intended. It gives a comparison of the amount of space required in different business districts, based on a given number of workstations.

Space utilisation standard does not change significantly from year to year as it is closely correlated to long-established working cultures/styles, building design and nature of the office markets. Nevertheless, it does evolve over time, reflecting changing work styles and technology.

- **Total occupancy cost per workstation**

Total occupancy cost on a per workstation basis provides a better comparison of costs around business districts, as it reflects the way organisations occupy and use space in different parts of the world.

- **Prime space**

Buildings newly developed or comprehensively refurbished (involving structural alteration, and/or the substantial replacement of the main services and finishes), not previously occupied, including sublet space not previously occupied.

- **Prime rent**

The highest rent that could be achieved for a typical building/unit of the highest quality and specification in the best location to a tenant with a good (i.e. secure) covenant.

(NB. This is a net rent, excluding service charge or tax, and is based on a standard lease, excluding exceptional deals for that particular market.

- **Gross lettable area (GLA)**

GLA is the total of all covered areas occupied by the tenant. There is no standard global definition of “lease area”; whilst a handful of countries have an official measuring code, the majority rely on accepted local market practice, whilst in some emerging markets the definition of a “leasable square metre” may vary depending on the landlord. This means that €200 per sq m in Paris does not compare to €200 per sq m in Delhi. For cross-border comparison, this report uses conversion rates based on the RICS Net Internal Area (NIA) definition.

- **Net internal area (NIA)**

NIA refers to space functional to the occupier.

It includes internal circulation space and meeting rooms. The area occupied by partitions within the premises is considered part of the net usable area as partitions are often an occupier’s option.

It excludes areas occupied by structural columns and common areas such as stairwells, lifts, lobbies, external walls, vertical ducts and common passages that are not used exclusively by the occupier.

Global Occupancy Costs - Offices

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The TMT Sector - October 2012

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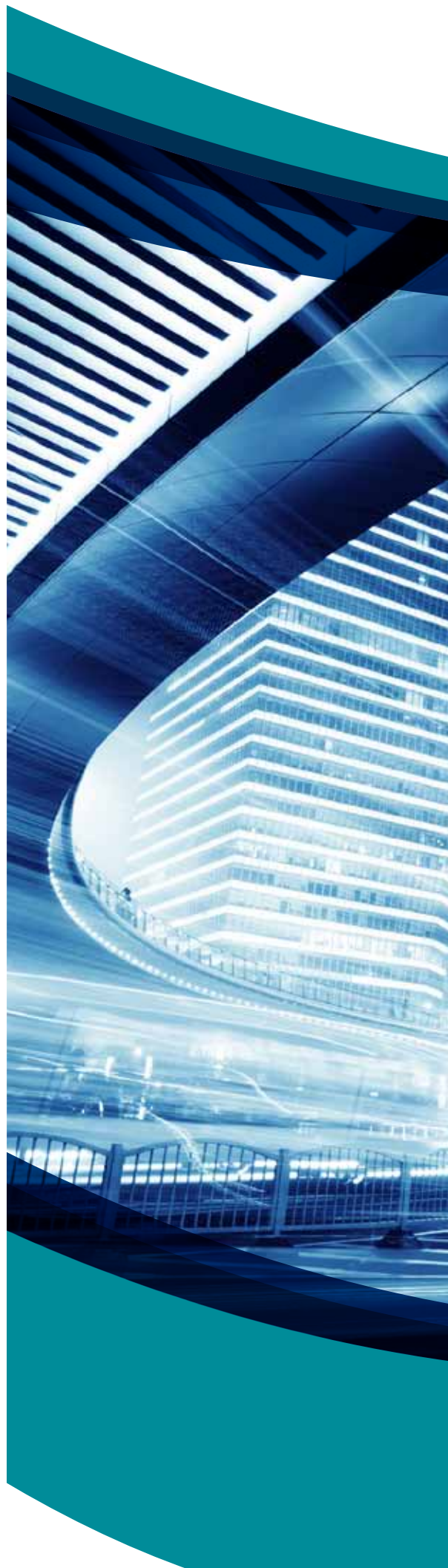
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