

# *Occupancy costs advance despite growth hiccups*



CBRE RESEARCH

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# Executive Summary



London (West End) retained its position as the most expensive prime office market worldwide, followed by Hong Kong (Central) and Beijing (Finance Street). Shanghai (Pudong) dropped out of the top 10 most expensive ranking, while New York (Midtown Manhattan) moved up to 10th place.

Of the 127 office markets tracked globally, 62% (79 markets) recorded an annual increase in prime occupancy costs, 22% (28 markets) registered a decline and 16% (20 markets) saw no change, highlighting the slow but steady recovery of the office sector.

Of the 79 markets with occupancy cost growth, nine saw increases of at least 10%, led by Dublin, Seattle (Downtown) and Panama City. By contrast, of the 28 markets with decreases, only two were in double digits—Moscow and Buenos Aires.

Overall, occupancy cost increases were broadly in line with global inflation, rising 2.0% over the 12 months ending Q1 2015. Occupancy costs in EMEA and Asia Pacific increased by 1.5% and 1.4%, respectively, on an annual basis, reflecting the economic pressures that prevailed in these two regions over the past year.

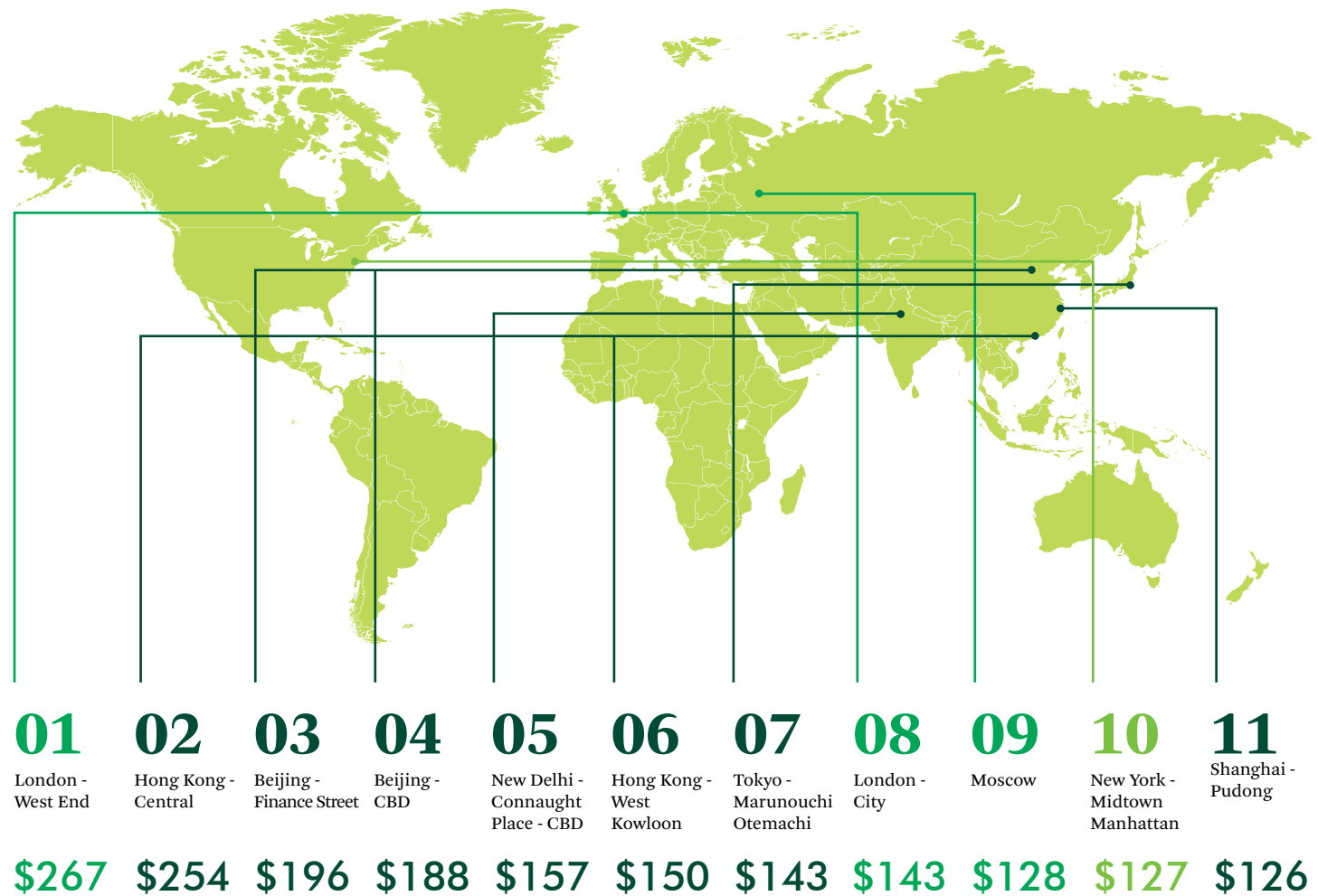
In the Americas, occupancy costs increased by 2.9% year-over-year, driven largely by U.S. markets, where the declining availability of high-quality space is gradually pushing rents higher.

GLOBAL COSTS UP  
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MORE CONFIDENT



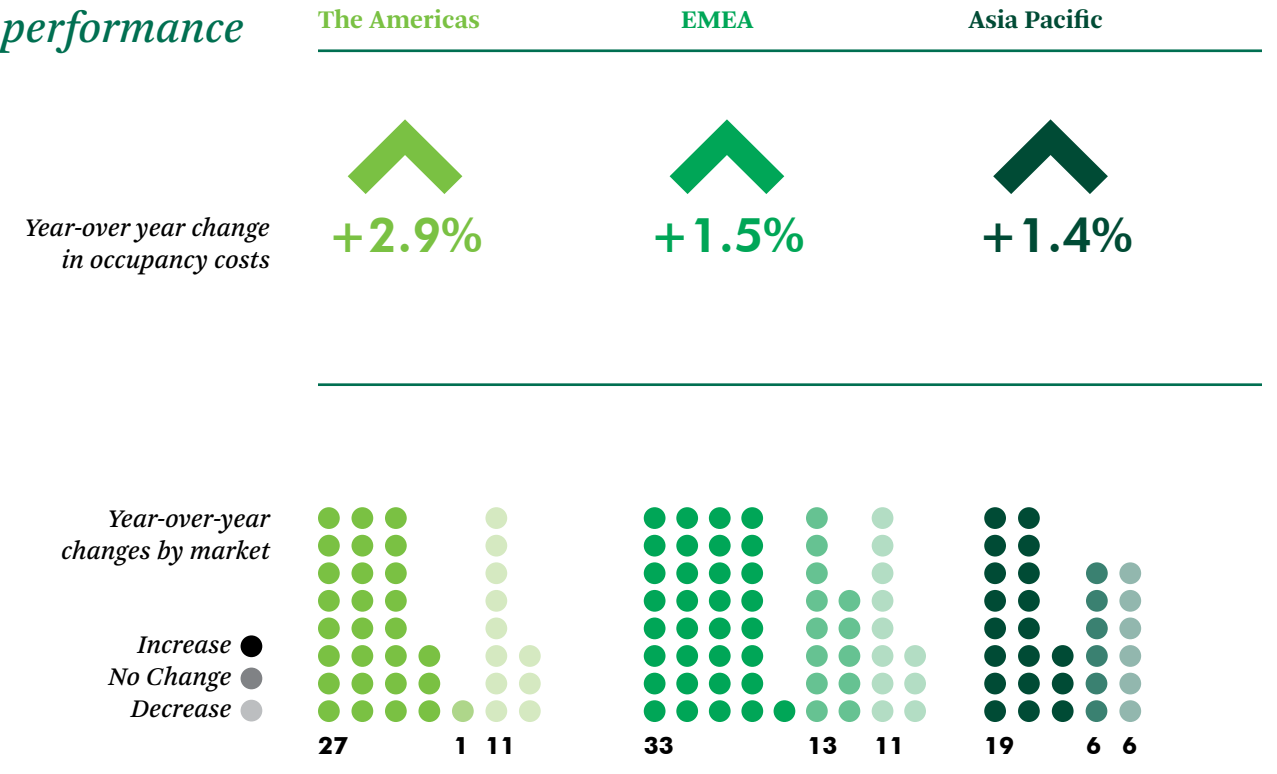
Global prime office occupancy costs keep increasing amid a virtuous cycle of slowly improving—albeit uneven—economic growth, rising demand from more optimistic occupiers and a limited inventory of modern, centrally located buildings.

### Most expensive markets

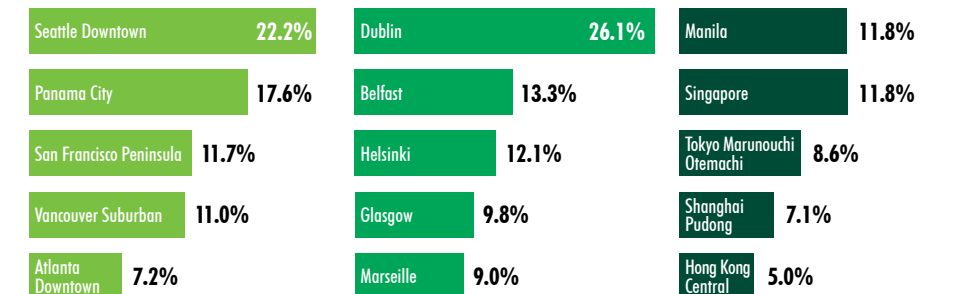


EMEA Asia Pacific The Americas  
Ranked on a US\$ per sq. ft. per annum basis.

### Regional performance



### Top five growth markets



In the U.S., job gains and declining vacancy have driven up rents for high-quality office space, with 19 of 22 markets posting year-over-year increases in costs. Most Canadian markets also saw annual increases in costs, but many Latin America posted declines, with the notable exceptions of Panama City and Santiago.

The uptick in the European economy is stimulating demand for office space across Europe, which, in turn, is driving increases in occupancy costs. However, there are several notable exceptions, including Moscow and Warsaw, which saw big drops in costs due to, respectively, recession and oversupply concerns.

Occupier demand for space has been more mixed in Asia Pacific. Only 12 of the 31 markets tracked saw costs increase by more than 1%. Markets in India and the Philippines benefited from the growing IT back office services. Several Australian markets, on the other hand, continued to report contractions, impacting costs.

Despite a weak start to 2015 for the U.S. economy, volatile bond markets and protracted negotiations over Greek debt, the surprising recovery of the Eurozone and a boost in confidence from recently introduced quantitative easing programs in Europe and Japan have buoyed confidence in the global economic recovery. Business and corporate sentiment continued to improve in spite of pockets of geopolitical stress and a slowdown in the emerging markets.

However, while recent downgrades in China and U.S. economic growth forecasts suggest another year of subpar global growth, they are in contrast to a revived office-based hiring spurt in the U.S. and, to a lesser extent, the Euro-area countries.

Bad weather and the Chinese Lunar New Year contributed to the weakness of U.S. and China's Q1 2015 data, respectively, although many other factors have been at play so far this year. These include the appreciation of the U.S. dollar, the weakening of most other currencies, most notably the euro, and asset purchases by the European Central Bank and the Bank of Japan.

In the Asia Pacific region, average GDP growth is expected to reach 4.5% this year, slightly higher than 2014's figure of 4.3%. The deceleration of China's economy will be offset by policy easing and by improvements in India, Southeast Asia and Japan. The decline in oil prices is also expected to alleviate inflationary pressures facing Southeast Asian countries and India, creating conditions for future rate cuts and increased consumer spending.

Throughout Asia Pacific, technology firms, business process outsourcing (BPO) firms and non-banking financial institutions are in expansionary

## *Business sentiment across Europe has improved markedly in recent months, largely driven by lower oil prices, accommodative monetary policy and the depreciation of the euro.*

mode, stimulating demand for office space, but European and U.S. banks operating in the region continued to rationalize their operations amid modest top-line revenue growth.

Business sentiment across Europe has improved markedly in recent months, largely driven by lower oil prices, accommodative monetary policy and the depreciation of the euro. GDP is forecast to grow by 1.6% and 1.9% in the Eurozone and European Union, respectively, in 2015, the fastest rates since 2011, and prospects are strong for further improvements in 2016.

The exceptions to the improving picture in Europe are Russia and Greece, with the former grappling with the fallout resulting from lower oil prices and sanctions, and the latter mired in protracted debt payment negotiations.

The general improvement in economic conditions has led to stronger leasing activity across much of Europe, with corporate occupiers switching from cost optimization and space reduction to modest head count growth.

In the U.S., the economy contracted during Q1 2015—by 0.7%, according to the latest U.S. government estimate—largely because of the stronger dollar, harsh winter weather and a labor dispute that resulted in a work slowdown at the all-important West Coast ports. However, in the 12 months ending in March, the U.S. economy posted remarkable em-

ployment growth, creating 3 million private sector jobs, including an average of 60,000 office jobs per month. Looking forward, we expect that the U.S. economy will rebound and gain momentum in the coming quarters.

The recent strength of the U.S. technology and energy sectors, which has been driving demand for the last five years, is abating, with the former running into skill shortages and the latter hit by declining oil prices.

The fall in the price of oil has also impacted Canada, leading to 2015 GDP forecast downgrades. Although there are exceptions, most Latin American economies continued to perform below trend, which has resulted in weaker activity among office occupiers.

### *Leasing activity gains pace*

In the U.S., the general economic recovery has boosted demand for office space across most metros despite structural shifts, of which the reduction of space per worker is the most important. Competition for talent is becoming central to occupiers' workplace strategies. Overall, occupier activity has sustained last year's momentum, leading to an increase in prime occupancy costs in 19 of the 22 U.S. markets covered in this survey. Leading the pack was Seattle (Downtown), which has seen tremendous demand from tech tenants looking to tap into the amenities and talent available in the Puget Sound's urban core.

In general, occupiers in EMEA are starting to switch from cost optimiza-

tion and space reduction to expansion. Prime office occupancy costs increased by 1.5% year-over-year, with just 11 out of 57 EMEA markets covered in this survey posting a year-over-year decline in occupancy costs.

The continued economic recovery has led to a revival in leasing activity in markets beyond London and Dublin to regional cities in the U.K. and smaller markets in Central and Eastern Europe, though upward pressure on rents is still limited.

The exceptions to this are the Russian office markets, which have been impacted by a recession caused by the combination of sanctions and the steep drop in oil prices, and Warsaw, where new supply continues to exert downward pressure on rents.

In Asia Pacific, occupancy cost trends were also mixed. Regional surveys have been showing stronger hiring intentions among employers in India, Taiwan, New Zealand, the Philippines and Japan. Elsewhere, however, corpo-

rate hiring activity remained muted. Markets in India and the Philippines continued to benefit from growing IT back office services looking for operational and costs efficiencies. Several Australian markets, on the other hand, continued to report contractions.

Tech, BPO and non-banking financial sector companies expanded while U.S. and European banks in the region continued to rationalize their operations amid modest top-line revenue growth.

## FIGURE 1: TOP 50 LARGEST ANNUAL INCREASES

Prime office space occupancy costs in local currency and measure (ranked by 12-month % change increases as of Q1 2015)

1	Dublin, Ireland	26.1	26	New York (Midtown Manhattan), U.S.	5.3
2	Seattle (Downtown), U.S.	22.2	27	Hong Kong (Central), Hong Kong	5.0
3	Panama City, Panama	17.6	28	Liverpool, United Kingdom	4.8
4	Belfast, United Kingdom	13.3	29	Santiago, Chile	4.8
5	Helsinki, Finland	12.1	30	Belgrade, Serbia	4.7
6	Manila, Philippines	11.8	31	New York (Downtown Manhattan), U.S.	4.6
7	Singapore, Singapore	11.8	32	Johannesburg, South Africa	4.5
8	San Francisco (Peninsula), U.S.	11.7	33	London - Central (City), United Kingdom	4.3
9	Vancouver (Suburban), Canada	11.0	34	Stockholm, Sweden	4.0
10	Glasgow, United Kingdom	9.8	35	Montreal (Downtown), Canada	3.9
11	Marseille, France	9.0	36	New Delhi (Gurgaon), India	3.9
12	Leeds, United Kingdom	8.9	37	Dallas (Suburban), U.S.	3.8
13	Tokyo (Marunouchi Otemachi), Japan	8.6	38	Los Angeles (Suburban), U.S.	3.6
14	London - Central (West End), United Kingdom	8.2	39	Bristol, United Kingdom	3.5
15	Manchester, United Kingdom	7.8	40	Gothenburg, Sweden	3.4
16	Atlanta (Downtown), U.S.	7.2	41	Madrid, Spain	3.4
17	Shanghai (Pudong), China	7.1	42	Edinburgh, United Kingdom	3.3
18	Boston (Downtown), U.S.	6.7	43	Jersey, United Kingdom	3.3
19	Oslo, Norway	6.3	44	Jakarta, Indonesia	3.2
20	Lyon, France	6.0	45	Paris Ile-de-France, France	3.1
21	Dallas (Downtown), U.S.	5.8	46	Houston (Downtown), U.S.	3.1
22	Los Angeles (Downtown), U.S.	5.7	47	Atlanta (Suburban), U.S.	3.1
23	San Francisco (Downtown), U.S.	5.6	48	Montreal (Suburban), Canada	2.6
24	Boston (Suburban), U.S.	5.4	49	Durban, South Africa	2.6
25	Birmingham, United Kingdom	5.3	50	Chicago (Downtown), U.S.	2.5

Source: CBRE Research, Q1 2015.

## FIGURE 2: TOP 25 LARGEST ANNUAL DECREASES

Prime office space occupancy costs in local currency and measure (ranked by 12-month % change decreases as of Q1 2015)

1	Moscow, Russian Federation	-22.4	14	Geneva, Switzerland	-2.5
2	Buenos Aires, Argentina	-10.8	15	Palma de Mallorca, Spain	-2.3
3	Monterrey, Mexico	-6.7	16	Vancouver (Downtown), Canada	-2.2
4	Hong Kong (West Kowloon), Hong Kong	-6.6	17	Tel Aviv, Israel	-2.0
5	Calgary (Downtown), Canada	-4.9	18	Guangzhou, China	-1.9
6	Perth, Australia	-4.7	19	Budapest, Hungary	-1.9
7	Warsaw, Poland	-4.7	20	Houston (Suburban), U.S.	-1.2
8	Rome, Italy	-4.5	21	Denver (Suburban), U.S.	-0.8
9	Lima, Peru	-4.3	22	Mumbai (Bandra Kurla Complex), India	-0.6
10	Hanoi, Vietnam	-4.0	23	Mumbai (Nariman Point - CBD), India	-0.6
11	Istanbul, Turkey	-3.3	24	Aberdeen, United Kingdom	-0.6
12	Rio de Janeiro, Brazil	-2.6	25	Calgary (Suburban), Canada	-0.6
13	São Paulo, Brazil	-2.6			

Source: CBRE Research, Q1 2015.

Only 12 out of the 31 Asian markets tracked saw costs increase of more than 1% year-over-year. Prime office occupancy costs for the region increased by 1.4% annually, with only six out of 31 markets registering a decline in occupancy costs.

### *Asia home to six out of the 10 most expensive markets*

Of the 10 most expensive markets, six were in Asia Pacific, three were in EMEA and one was in the Americas, compared with seven in Asia Pacific and three in EMEA recorded in our December 2014 survey. Once again, London (West End) topped the rankings, followed by Hong Kong (Central). Shanghai (Pudong) dropped out of the top 10 most expensive office locations globally, displaced by New York (Midtown Manhattan).

While the remaining markets in the top 10 maintained their spots, some of the rankings shifted. Moscow dropped

## *79 of 127 markets saw annual increases in occupancy costs, highlighting the slow but steady recovery of the office sector.*

four spots to ninth place, while New Delhi (Connaught Place - CBD), climbed up one slot to fifth place.

Hong Kong (West Kowloon) rose by one spot to sixth place, while Tokyo (Marunouchi Otemachi) jumped up two positions to seventh place.

### *Nearly two-thirds of markets post increases*

Of the 127 office markets covered in this report, 79 markets saw annual increases in prime office occupancy costs, up from 74 recorded in our December 2014 survey, highlighting the slow but steady recovery of the office sector. Regionally, costs in EMEA and Asia Pacific posted annual increases

of 1.5% and 1.4%, respectively, while costs in the Americas increased by 2.9% year-over-year.

Overall, these growth rates reflected underlying regional economic dynamics and supply constraints. Across EMEA, rents and occupancy costs, which are generally indexed to local consumer price indices or some other inflation measure, have not completely decoupled from the deflationary pressures that prevailed over the last year.

In Asia Pacific, occupier activity has been mixed, and in some markets less expansionary, with occupiers looking to optimize existing accommodations rather than expand.

By contrast, in the U.S., the declining availability of quality space and strong occupier demand have driven occupancy costs higher.

Of the 79 markets with cost increases, nine posted double-digit percentage increases, led by Dublin, Seattle (Downtown), Panama City, Belfast, Helsinki and Manila. Only two markets recorded double-digit percentage drops in occupancy costs: Moscow and Buenos Aires.

### *London retains top spot among world's most expensive markets*

In our latest rankings of the world's most expensive markets, which are measured on a U.S. dollar per sq. ft. per year basis, the position of some markets was clearly affected by the currency depreciations seen over the last year.

However, many other factors were also at play, including the increasing level of competition for available

top-quality space and rental rate increases.

Once again, **London (West End)** was the most expensive prime office market in the world, with an occupancy cost of US\$267.14 per sq. ft. per year. Development restrictions, ultra-low vacancy in core locations and strong leasing momentum will continue to drive prime rent growth higher for the remainder of the year.

## FIGURE 3: GLOBAL 50 INDEX – MOST EXPENSIVE

Ranked by prime office space occupancy costs in US\$ per sq. ft. per annum as of Q1 2015

1	London - Central (West End), United Kingdom	267.14	26	Los Angeles (Suburban), U.S.	85.43
2	Hong Kong (Central), Hong Kong	254.23	27	Zurich, Switzerland	82.76
3	Beijing (Finance Street), China	195.82	28	Istanbul, Turkey	81.44
4	Beijing (CBD), China	187.54	29	San Francisco (Peninsula), U.S.	76.31
5	New Delhi (Connaught Place - CBD), India	156.96	30	Mumbai (Nariman Point - CBD), India	75.85
6	Hong Kong (West Kowloon), Hong Kong	150.26	31	Rio de Janeiro, Brazil	75.70
7	Tokyo (Marunouchi Otemachi), Japan	142.78	32	Jakarta, Indonesia	73.08
8	London - Central (City), United Kingdom	142.72	33	Guangzhou, China	72.49
9	Moscow, Russian Federation	128.10	34	Manchester, United Kingdom	72.01
10	New York (Midtown Manhattan), U.S.	127.00	35	Edinburgh, United Kingdom	69.78
11	Shanghai (Pudong), China	126.39	36	São Paulo, Brazil	68.55
12	San Francisco (Downtown), U.S.	114.00	37	Birmingham, United Kingdom	68.30
13	Shanghai (Puxi), China	110.28	38	Aberdeen, United Kingdom	66.82
14	Singapore, Singapore	107.60	39	Glasgow, United Kingdom	66.82
15	Mumbai (Bandra Kurla Complex), India	101.69	40	Taipei, Taiwan	66.12
16	Boston (Downtown), U.S.	100.00	41	Bristol, United Kingdom	66.07
17	Paris Ile-de-France, France	99.90	42	Perth, Australia	65.86
18	Seoul (CBD), South Korea	98.67	43	Dublin, Ireland	64.79
19	Dubai, United Arab Emirates	92.57	44	Leeds, United Kingdom	63.85
20	Shenzhen, China	92.48	45	Ho Chi Minh City, Vietnam	62.59
21	Geneva, Switzerland	92.33	46	Mexico City, Mexico	62.58
22	Seoul (Yeouido), South Korea	89.18	47	Houston (Downtown), U.S.	62.50
23	Washington, D.C. (Downtown), U.S.	87.76	48	Stockholm, Sweden	61.65
24	Sydney, Australia	87.66	49	Milan, Italy	58.67
25	New York (Downtown Manhattan), U.S.	86.36	50	Jersey, United Kingdom	57.91

Source: CBRE Research, Q1 2015.



On the other side of the British capital, London (City), ranked eighth globally at US\$142.72 per sq. ft. per year, also saw very strong leasing activity from an increasingly broad set of technology and creative firms, as well as traditional financial and professional occupiers. Development will not provide immediate relief to the shortage of space in the City, which will keep costs high.

**Hong Kong (Central)**, the second most expensive market globally at US\$254.23 per sq. ft. per year, was the only other market with costs above US\$200. Central is a regional base for many of the world's biggest banking and financial institutions as well as other finance-related companies, like legal and accounting firms. These companies tend to be more willing to pay a premium for large amounts of floor space in top-quality buildings, which are in short supply.

Since the global financial and Euro-zone debt crises, many multinational corporations have grown increasingly costs conscious, which has limited expansion activity. Some have even shed excess space or moved parts, if not all, of their operations to emerging districts. Most recently, Mainland Chinese financial firms have emerged as key demand drivers for space in the CBD, seeking space in the most prestigious buildings and showing a willingness to pay premium rents.

## *In Tokyo, expansions by a wide range of occupiers helped drive the vacancy rate to a six-year low.*

**Hong Kong (West Kowloon)**, the sixth most expensive market at US\$150.26 per sq. ft.—up one spot from our December 2014 survey—is home to traditional business districts such as Tsim Sha Tsui. Easy accessibility to the CBD and relatively lower occupancy costs have made West Kowloon an attractive location for cost-sensitive occupiers looking for quality space in close proximity to the CBD. Insurance firms, retail trades and sourcing companies all have large office footprints in this area.

**In Beijing (Finance Street)**, the third most expensive market at US\$195.82 per sq. ft. per year, high occupancy costs have been driven by demand from domestic companies in the finance sector. Very little new prime office supply has been added over the past few years, which has turned the district into one of the most expensive office markets in the world.

Across the city, **Beijing (CBD)** came in at fourth position at US\$187.54 per sq. ft. per year. The CBD is host to a major cluster of multinational corporations. Since 2011, there has been a limited development pipeline, which has led to some of the highest prime rents in the world. However,

new buildings are expected to be completed through 2018, which will ease upward pressure on rents.

**New Delhi (Connaught Place - CBD)**, came in fifth place at US\$156.96 per sq. ft. Demand for commercial office space, particularly from banking, financial services and media companies, remains high due to the area's central location and transportation links. Rents continue to stay firm in the area, as no fresh supply has been added for almost two years.

**Tokyo (Marunouchi/Otemachi)** came in at seventh place with prime occupancy costs of US\$142.78 per sq. ft. per year. Expansions continued to take place across a wide range of sectors, including manufacturing and financial services firms. An increasing number of tenants expanded either in their existing buildings or by moving to larger premises. The vacancy rate is at a six-year low and options for occupiers are decreasing.

Prime occupancy costs in **Moscow**, ranked ninth at US\$128.10 per sq. ft. per year, were down 22.4% year-over-year. Russia's fragile geopolitical and economic standing has significantly affected inward investments and



occupier activity. Going forward, occupancy costs will likely remain under pressure, as no immediate solution appears to be in sight for the ongoing stalemate, although the economy should begin to recover in 2016.

Rounding out the top 10 most expensive markets was **New York (Midtown Manhattan)**, where prime occupancy costs rose 5.3% year-over-year to US\$127.00 per sq. ft. per year, as top-quality space has become scarcer. However, there are numerous new projects delivering in the next 12 to 24 months.

Activity in **Shanghai (Pudong)**, which came in at 11th place at US\$126.39 per sq. ft. per year, has been driven by strong demand from domestic occupiers in the finance sector. This buoyant demand, combined with extremely tight supply, have made Pudong an overwhelm-

## *Corporate confidence is starting to translate into broad, robust expansionary momentum.*

ingly landlord-favorable market in the past 12 months. The expansion of the Shanghai Free Trade Zone may further boost demand in Pudong, although the growth may be capped by as new developments come on line.

### *Conclusion*

Since the release of our December 2014 survey, occupier caution has declined and corporate confidence has been on the rise. Now, this confidence is starting to translate into broad, robust expansionary momentum, which until now, has been largely limited to the U.S., London and a handful of European office markets. We expect cost increases to continue for the remainder of 2015. At the same time, many

office markets are increasingly short of quality, modern, flexible and centrally located office buildings—the type of space corporates are actively seeking to facilitate workplace strategies that drive productivity and attract or retain the talent they are after.

In most markets, the developments that have been launched to close this gap are still months, if not years, away from completion. As a result, we expect the availability of highly sought after, quality buildings to tighten further, forcing late movers to choose between paying premium rents or moving to cheaper, decentralized locations to fulfill their workplace needs.



FIGURE 5: ASIA PACIFIC: PRIME OFFICE OCCUPANCY COSTS – Q1 2015

Location	Prime Rent			Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
	Local currency/measure	Current per local measure	% change 12 months	Current per local measure	% change 12 months	Current per sq. ft./annum	% change 12 months	Current per sq. m./annum	% change 12 months	Typical lease term (years)	Typical rent free (months)	Tenancy improvements (per local currency/measure)
Adelaide, Australia	AUD sq.m. p.a.	415.00	1.8	525.00	1.4	37.26	-16.4	373.40	7.3	5	15	0
Auckland, New Zealand	NZD sq.m. p.a.	502.50	3.6	659.00	2.2	45.90	-11.7	460.02	13.3	9	6	0
Bangalore (CBD), India	INR sq.ft. p.m.	130.00	0.0	189.86	2.2	36.47	-1.9	365.47	25.8	3+3	1	0
Bangkok, Thailand	THB sq.m. p.m.	900.00	0.0	900.00	0.0	30.83	-0.4	308.95	27.8	3+3	1-2	0
Beijing (Finance Street), China	RMB sq.m. p.m.	750.00	0.0	1,089	0.6	195.82	0.9	1962	29.5	2-3	0-1	0
Beijing (CBD), China	RMB sq.m. p.m.	700.00	0.0	1,043	0.0	187.54	0.3	1879	28.7	2-3	0-1	0
Brisbane, Australia	AUD sq.m. p.a.	680.00	-0.9	805	0.0	57.13	-17.6	572.54	5.8	5	19.5	0
Canberra, Australia	AUD sq.m. p.a.	358.50	0.8	421.50	0.9	29.91	-16.8	299.78	6.7	7.5	20.5	0
Guangzhou, China	RMB sq.m. p.m.	225.00	-2.2	403.13	-1.9	72.49	-1.6	726.49	26.2	3-5	2-3	0
Hanoi, Vietnam	US\$ sq.m. p.m.	40.59	-4.0	44.65	-4.0	49.78	-4.0	498.82	23.2	3	2-3	0
Ho Chi Minh City, Vietnam	US\$ sq.m. p.m.	43.88	-1.2	56.14	0.9	62.59	0.9	627.24	29.5	3	3	0
Hong Kong (Central), Hong Kong	HKD sq.ft. p.m.	144.88	5.4	164.24	5.0	254.23	5.1	2548	34.8	3 or 6	1-4	0
Hong Kong (West Kowloon), Hong Kong	HKD sq.ft. p.m.	85.33	-4.9	97.07	-6.6	150.26	-6.6	1506	19.9	3 or 6	1-4	0
Jakarta, Indonesia	IDR sq.m. p.m.	701,222	3.2	857,049	3.2	73.08	-10.4	732.33	15.0	3	1-2	0
Manila, Philippines	PHP sq.m. p.m.	1,291.67	13.7	1,657	11.8	41.32	12.0	414.07	43.7	3-5	1-3	0
Melbourne, Australia	AUD sq.m. p.a.	541.60	2.1	686.70	1.2	48.74	-16.6	488.40	7.0	10	38.9	0
Mumbai (Bandra Kurla Complex), India	INR sq.ft. p.m.	310.00	-2.5	529.41	-0.6	101.69	-4.6	1019	22.4	3+2	1.5	0
Mumbai (Nariman Point - CBD), India	INR sq.ft. p.m.	270.00	0.0	394.87	-0.6	75.85	-4.7	760.08	22.3	3+2	1	0
New Delhi (Connaught Place - CBD), India	INR sq.ft. p.m.	400.00	0.0	817.16	0.0	156.96	2.2	1573	31.1	3+3+3	1	0
New Delhi (Gurgaon), India	INR sq.ft. p.m.	132.00	3.1	230.76	3.9	44.33	-0.3	444.20	27.9	3+3+3	1-4	0
Perth, Australia	AUD sq.m. p.a.	775.00	-5.6	928	-4.7	65.86	-21.5	660.02	0.8	5	19.5	0
Seoul (CBD), South Korea	KRW sq.m. p.m.	38,505	1.5	98,060	0.9	98.67	-3.0	988.77	24.5	3-5	2-4	0
Seoul (Yeouido), South Korea	KRW sq.m. p.m.	31,535	-0.4	88,630	0.9	89.18	-3.0	893.69	24.5	3-5	2-4	500,000
Shanghai (Pudong), China	RMB sq.m. p.m.	456	7.1	703	7.1	126.39	7.4	1266.57	37.8	2-3	0-2	0
Shanghai (Puxi), China	RMB sq.m. p.m.	395.42	0.0	613.27	0.0	110.28	0.3	1105.19	28.7	2-3	0-2	0
Singapore, Singapore	SGD sq.ft. p.m.	12.30	11.8	12.30	11.8	107.60	2.5	1078.33	31.5	3+3	2	0
Sydney, Australia	AUD sq.m. p.a.	1,035	0.7	1,235	0.6	87.66	-17.1	878	6.4	8.4	33.5	0
Taipei, Taiwan	NTD ping. p.m.	3,325	1.5	6,133	1.4	66.12	-1.2	662.55	26.7	3-5	1-3	0
Tokyo (Marunouchi Otemachi), Japan	JPY tsubo p.m.	47,000	5.6	50,760	8.6	142.78	-6.7	1431	19.7	5	6	0
Wellington, New Zealand	NZD sq.m. p.a.	386	1.6	528	0.5	36.74	-13.2	368.23	11.4	9	5.5	0
Shenzhen, China	RMB sq.m. p.m.	330.00	0.0	514.29	0.0	92.48	0.3	926.81	28.7	3-5	1-3	0

\* Occupancy costs include service charges and taxes and are standardized on a net internal area basis. Source: CBRE Research, Q1 2015.

FIGURE 6: AMERICAS: PRIME OFFICE OCCUPANCY COSTS – Q1 2015

Location	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms			Tenancy improvements (per local currency/ measure)
	Local currency/measure	Current per local measure	% change 12 months	Current per local measure	% change 12 months	Current per sq. ft./annum	% change 12 months	Current per sq. m./annum	% change 12 months	Typical lease term (years)	Typical rent free (months)	
Atlanta (Downtown), U.S.	US\$ sq.ft. p.a.	31.70	7.2	36.46	7.2	36.46	7.2	365.32	37.5	5-10	5-10	30-35
Atlanta (Suburban), U.S.	US\$ sq.ft. p.a.	26.10	3.1	30.02	3.1	30.02	3.1	300.79	32.3	5-10	5-10	25-30
Boston (Downtown), U.S.	US\$ sq.ft. p.a.	80.00	6.7	100.00	6.7	100.00	6.7	1002.12	36.9	10	3-6	65-70
Boston (Suburban), U.S.	US\$ sq.ft. p.a.	39.00	5.4	46.80	5.4	46.80	5.4	468.99	35.2	5-7	1-3	30-40
Buenos Aires, Argentina	US\$ sq.m. p.m.	29.00	-1.7	39.71	-10.8	44.27	-10.8	443.68	14.4	3-5	2-4	0
Calgary (Downtown), Canada	CAD sq.ft. p.a.	33.66	-13.4	56.46	-4.9	44.58	-17.1	446.70	6.3	14	2	50
Calgary (Suburban), Canada	CAD sq.ft. p.a.	24.28	-2.3	40.47	-0.6	31.95	-13.3	320.19	11.2	7	3	30
Chicago (Downtown), U.S.	US\$ sq.ft. p.a.	31.00	2.5	51.25	2.5	51.25	2.5	513.59	31.5	1-17	5-12	66-95
Chicago (Suburban), U.S.	US\$ sq.ft. p.a.	15.00	3.4	27.00	0.9	27.00	0.9	270.57	29.5	3-11	3-12	15-67
Dallas (Downtown), U.S.	US\$ sq.ft. p.a.	35.53	5.8	40.86	5.8	40.86	5.8	409.46	35.8	5-10	4-8	35-50
Dallas (Suburban), U.S.	US\$ sq.ft. p.a.	31.53	3.8	36.26	3.8	36.26	3.8	363.36	33.2	3-8	2-7	10-40
Denver (Downtown), U.S.	US\$ sq.ft. p.a.	42.00	2.4	42.00	2.4	42.00	2.4	420.89	31.4	7-10	3-5	40-46
Denver (Suburban), U.S.	US\$ sq.ft. p.a.	30.50	-0.8	30.50	-0.8	30.50	-0.8	305.65	27.3	7-10	3-6	32-38
Guadalajara, Mexico	US\$ sq.m. p.m.	25.00	0.0	35.05	0.0	39.08	0.0	391.64	28.3	3-5	2	500-600
Houston (Downtown), U.S.	US\$ sq.ft. p.a.	50.00	3.1	62.50	3.1	62.50	3.1	626.32	32.3	5-10	1-4	25-45
Houston (Suburban), U.S.	US\$ sq.ft. p.a.	42.50	-1.2	50.15	-1.2	50.15	-1.2	502.56	26.8	5-10	1-3	25-45
Lima, Peru	US\$ sq.m. p.m.	23.00	-8.0	29.23	-4.3	32.59	-4.3	326.57	22.8	5	1-3	0
Los Angeles (Downtown), U.S.	US\$ sq.ft. p.a.	26.75	7.0	47.60	5.7	47.60	5.7	476.96	35.6	5-10	5-10	30-60
Los Angeles (Suburban), U.S.	US\$ sq.ft. p.a.	75.60	3.6	85.43	3.6	85.43	3.6	856.09	32.9	5-10	3-5	30-60
Mexico City, Mexico	US\$ sq.m. p.m.	40.55	1.4	56.13	0.7	62.58	0.7	627.11	29.1	3-5	3-4	600-750
Monterrey, Mexico	US\$ sq.m. p.m.	28.00	-6.7	38.04	-6.7	42.41	-6.7	425.02	19.7	3-5	2	500-600
Montreal (Downtown), Canada	CAD sq.ft. p.a.	22.99	5.8	44.03	3.9	34.76	-9.4	348.36	16.2	5	6	25
Montreal (Suburban), Canada	CAD sq.ft. p.a.	15.21	5.1	27.93	2.6	22.05	-10.5	220.98	14.8	5	3	20
New York (Downtown Manhattan), U.S.	US\$ sq.ft. p.a.	68.00	4.6	86.36	4.6	86.36	4.6	865.43	34.2	10	12	70
New York (Midtown Manhattan), U.S.	US\$ sq.ft. p.a.	100.00	5.3	127.00	5.3	127.00	5.3	1272.69	35.1	10	10	70
Panama City, Panama	US\$ sq.m. p.m.	31.00	19.2	38.35	17.6	42.76	17.6	428.51	50.9	3-5	1-3	0
Rio de Janeiro, Brazil	BRL sq.m. p.m.	175.00	-5.4	217.37	-2.6	75.70	-31.4	758.63	-11.9	5	4-8	0
San Francisco (Downtown), U.S.	US\$ sq.ft. p.a.	95.00	5.6	114.00	5.6	114.00	5.6	1142.42	35.4	5-10	0-3	40-70
San Francisco (Peninsula), U.S.	US\$ sq.ft. p.a.	66.36	11.7	76.31	11.7	76.31	11.7	764.76	43.3	4-8	3-6	15-40
Santiago, Chile	CLF sq.m. p.m.	0.72	5.9	0.98	4.8	53.68	7.4	538.09	37.9	3-5	1-3	0
São Paulo, Brazil	BRL sq.m. p.m.	155.00	-3.1	196.84	-2.6	68.55	-31.4	686.99	-11.9	5	6-12	0

\* Occupation costs include service charges and taxes and are standardized on a net internal area basis  
Source: CBRE Research, Q1 2015.

FIGURE 6: AMERICAS: PRIME OFFICE OCCUPANCY COSTS – Q1 2015

Location	Prime Rent			Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
	Local currency/measure	Current per local measure	% change 12 months	Current per local measure	% change 12 months	Current per sq. ft./annum	% change 12 months	Current per sq. m./annum	% change 12 months	Typical lease term (years)	Typical rent free (months)	Tenancy improvements (per local currency/ measure)
Seattle (Downtown), U.S.	US\$ sq.ft. p.a.	44.00	22.2	51.92	22.2	51.92	22.2	520.30	56.8	5-10	3-7	30-60
Seattle (Suburban), U.S.	US\$ sq.ft. p.a.	44.00	2.3	50.16	2.3	50.16	2.3	502.66	31.3	5-10	3-7	30-60
Toronto (Downtown), Canada	CAD sq.ft. p.a.	34.12	3.2	65.28	1.8	51.54	-11.3	516.49	13.8	5	3	25
Toronto (Suburban), Canada	CAD sq.ft. p.a.	17.36	2.9	32.42	1.9	25.60	-11.2	256.50	14.0	5	4	25
Vancouver (Downtown), Canada	CAD sq.ft. p.a.	33.03	-3.2	54.28	-2.2	42.85	-14.8	429.46	9.4	5	3	25
Vancouver (Suburban), Canada	CAD sq.ft. p.a.	24.68	15.7	38.05	11.0	30.04	-3.2	301.05	24.1	5	3	35
Washington, D.C. (Downtown), U.S.	US\$ sq.ft. p.a.	73.13	2.4	87.76	2.4	87.76	2.4	879.42	31.4	5-12	5-12	70-110
Washington, D.C. (Suburban), U.S.	US\$ sq.ft. p.a.	41.80	-0.1	50.16	-0.1	50.16	-0.1	502.66	28.2	5-7	5-7	40-70

\* Occupation costs include service charges and taxes and are standardized on a net internal area basis  
Source: CBRE Research, Q1 2015.

FIGURE 7: EMEA: PRIME OFFICE OCCUPANCY COSTS – Q1 2015

Location	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms			
	Local currency/measure	Current per local measure	% change 12 months	Current per local measure	% change 12 months	Current per sq. ft./annum	% change 12 months	Current per sq. m./annum	% change 12 months	Typical lease term (years)	Typical rent free (months)	Tenancy improvements (per local currency/ measure)
Aberdeen, United Kingdom	GBP sq.ft. p.a.	32.00	0.0	45.00	-0.6	66.82	-11.4	669.56	13.7	15	3	3.25-3.50
Abu Dhabi, United Arab Emirates	AED sq.m. p.a.	1,900.00	2.7	2,150.00	2.4	54.38	2.4	544.99	31.4	1-4	1-2	0
Amsterdam, Netherlands	EUR sq.m. p.a.	345.00	0.0	415.67	-0.4	41.48	-22.4	415.67	-0.4	5+5	15 or 30	0
Barcelona, Spain	EUR sq.m. p.m.	18.00	1.4	24.72	1.1	29.60	-21.2	296.63	1.1	2+3	6	50-100
Belfast, United Kingdom	GBP sq.ft. p.a.	15.00	11.1	25.50	13.3	37.86	0.9	379.42	29.5	5	6	0
Belgrade, Serbia	EUR sq.m. p.m.	15.50	3.3	22.50	4.7	26.94	-18.4	270.00	4.7	5	3	0
Berlin, Germany	EUR sq.m. p.m.	22.50	0.0	26.30	0.0	31.49	-22.1	315.60	0.0	5+5	1	50-400
Birmingham, United Kingdom	GBP sq.ft. p.a.	30.00	5.3	46.00	5.3	68.30	-6.2	684.44	20.3	10	24	3.25-3.50
Bratislava, Slovakia	EUR sq.m. p.m.	16.00	0.0	25.47	0.0	30.50	-22.1	305.60	0.0	5	2-8	200-500
Bristol, United Kingdom	GBP sq.ft. p.a.	28.50	3.6	44.50	3.5	66.07	-7.8	662.12	18.3	10	21	3.25-3.50
Brussels, Belgium	EUR sq.m. p.a.	285.00	0.0	442.42	1.4	44.15	-21.0	442.42	1.4	3/6/9	1 year secured	24-47
Bucharest, Romania	EUR sq.m. p.m.	18.50	2.8	23.95	2.1	28.68	-20.4	287.40	2.1	3-5	3-6	25-100
Budapest, Hungary	EUR sq.m. p.m.	20.00	0.0	26.39	-1.9	31.60	-23.5	316.67	-1.9	5	5	170-200
Cape Town, South Africa	ZAR sq.m. p.m.	150.00	0.0	176.00	1.1	16.20	-12.2	162.31	12.7	3	1	1400
Copenhagen, Denmark	DKK sq.m. p.a.	1,650.00	0.0	2,476.47	0.0	33.08	-22.1	331.54	0.0	3-5 (tenant) /5-10 (landlord)	0-6	0
Dubai, United Arab Emirates	AED sq.ft. p.a.	280.00	0.0	340.00	0.0	92.57	0.0	927.68	28.3	3	2	0
Dublin, Ireland	EUR sq.m. p.a.	511.30	35.6	649.30	26.1	64.79	-1.7	649.30	26.1	10	10	403.30
Durban, South Africa	ZAR sq.m. p.m.	135.00	0.0	159.00	2.6	14.63	-10.9	146.63	14.3	3-5	3	350-500
Edinburgh, United Kingdom	GBP sq.ft. p.a.	30.00	5.3	47.00	3.3	69.78	-8.0	699.32	18.1	10	18	3.25-3.50
Frankfurt am Main, Germany	EUR sq.m. p.m.	39.00	2.6	47.31	2.3	56.65	-20.2	567.74	2.3	5+5	3-6	50-350
Geneva, Switzerland	CHF sq.m. p.a.	900.00	-2.7	965.00	-2.5	92.33	-11.3	925.25	13.8	5	6	0
Glasgow, United Kingdom	GBP sq.ft. p.a.	29.50	9.3	45.00	9.8	66.82	-2.2	669.56	25.4	10	24	3.25-3.50
Gothenburg, Sweden	SEK sq.m. p.a.	2,800.00	3.7	3,388.89	3.4	36.51	-22.3	365.89	-0.3	3 or 5	0-3	0
Hamburg, Germany	EUR sq.m. p.m.	24.50	2.1	29.68	1.8	35.54	-20.6	356.13	1.8	5+5	5-6	50-350
Helsinki, Finland	EUR sq.m. p.a.	444.00	12.1	493.33	12.1	49.23	-12.6	493.33	12.1	-2	-2	0-50
Istanbul, Turkey	USD sq.m. p.m.	45.00	0.0	73.05	-3.3	81.44	-3.3	816.17	24.0	3-5	1-2	0
Jersey, United Kingdom	GBP sq.ft. p.a.	33.00	3.1	39.00	3.3	57.91	-8.0	580.29	18.1	21	15	3.25-3.50
Johannesburg, South Africa	ZAR sq.m. p.m.	185.00	2.8	230.00	4.5	21.17	-9.2	212.11	16.5	5-10	0	600
Leeds, United Kingdom	GBP sq.ft. p.a.	26.00	2.0	43.00	8.9	63.85	-3.0	639.80	24.4	10	15	3.25-3.50
Lille, France	EUR sq.m. p.a.	220.00	0.0	301.08	0.0	30.04	-22.1	301.08	0.0	3/6/9	3/6	0
Lisbon, Portugal	EUR sq.m. p.m.	18.50	0.0	24.73	0.0	29.61	-22.1	296.70	0.0	5	5-7	0

\* Occupation costs include service charges and taxes and are standardized on a net internal area basis  
Source: CBRE Research, Q3 2014.

FIGURE 7: EMEA: PRIME OFFICE OCCUPANCY COSTS – Q1 2015

Location	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms			
	Local currency/measure	Current per local measure	% change 12 months	Current per local measure	% change 12 months	Current per sq. ft./annum	% change 12 months	Current per sq. m./annum	% change 12 months	Typical lease term (years)	Typical rent free (months)	Tenancy improvements (per local currency/ measure)
Liverpool, United Kingdom	GBP sq.ft. p.a.	20.50	5.1	33.00	4.8	49.00	-6.7	491.01	19.7	10	24	3.25-3.50
London - Central (City), United Kingdom	GBP sq.ft. p.a.	65.00	11.1	96.12	4.3	142.72	-7.1	1,430.19	19.2	10	21	3.25-3.5
London - Central (West End), United Kingdom	GBP sq.ft. p.a.	117.50	11.9	179.92	8.2	267.14	-3.6	2,677.06	23.6	10	12-15	3.25-3.5
Lyon, France	EUR sq.m. p.a.	280.00	7.7	378.49	6.0	37.77	-17.4	378.49	6.0	3-6-9	4.5-6	0
Madrid, Spain	EUR sq.m. p.m.	25.50	4.1	36.18	3.4	43.32	-19.4	434.12	3.4	3+2	4	50-150
Malaga, Spain	EUR sq.m. p.m.	12.00	0.0	17.06	0.0	20.43	-22.1	204.71	0.0	3+3	2	0
Manchester, United Kingdom	GBP sq.ft. p.a.	32.00	6.7	48.50	7.8	72.01	-4.0	721.64	23.2	10	24	3.25-3.50
Marseille, France	EUR sq.m. p.a.	300.00	11.1	392.47	9.0	39.16	-15.1	392.47	9.0	3-6-9	3-6	0
Milan, Italy	EUR sq.m. p.a.	490.00	2.1	587.91	1.9	58.67	-20.6	587.91	1.9	6+6	8-12	0
Moscow, Russian Federation	USD sq.m. p.a.	900.00	-25.0	1,378.88	-22.4	128.10	-22.4	1,283.75	-4.9	3-5	6-12	600
Munich, Germany	EUR sq.m. p.m.	33.50	1.5	40.99	1.4	49.08	-21.0	491.87	1.4	5+5	3-8	50-350
Oporto, Portugal	EUR sq.m. p.m.	12.00	0.0	15.60	0.0	18.69	-22.1	187.25	0.0	3	1-3	0
Oslo, Norway	NOK sq.m. p.a.	4,250.00	6.3	4,722.22	6.3	54.45	-21.0	545.65	1.3	3-5	0-3	1000-5000
Palma de Mallorca, Spain	EUR sq.m. p.m.	9.00	-5.3	12.74	-2.3	15.26	-23.8	152.89	-2.3	5	1	0
Paris Ile-de-France, France	EUR sq.m. p.a.	800.00	0.0	1,001.08	3.1	99.90	-19.6	1,001.08	3.1	3/6/9	7-17	0
Prague, Czech Republic	EUR sq.m. p.m.	19.50	0.0	31.56	0.0	37.79	-22.1	378.67	0.0	5	5	150
Rome, Italy	EUR sq.m. p.a.	380.00	-5.0	461.54	-4.5	46.06	-25.6	461.54	-4.5	6+6	6	0
Rotterdam, Netherlands	EUR sq.m. p.a.	225.00	0.0	287.45	-0.2	28.68	-22.3	287.45	-0.2	5+5	50 or 30	0
Sofia, Bulgaria	EUR sq.m. p.m.	13.00	0.0	18.18	0.0	21.77	-22.1	218.18	0.0	3-5	1-3	50-200
Southampton, United Kingdom	GBP sq.ft. p.a.	18.50	2.8	29.50	0.0	43.80	-10.9	438.94	14.3	10	18	3.25-3.50
Stockholm, Sweden	SEK sq.m. p.a.	4,700.00	4.4	5,722.22	4.0	61.65	-21.8	617.81	0.4	3 or 5	0-3	0
Tel Aviv, Israel	ILS sq.m. p.m.	105.00	-2.8	187.50	-2.0	52.57	-13.9	526.84	10.4	3-5	1-2	0
Valencia, Spain	EUR sq.m. p.m.	10.50	0.0	16.18	0.0	19.37	-22.1	194.12	0.0	2+4	2	0
Vienna, Austria	EUR sq.m. p.m.	25.75	2.0	30.79	1.7	36.87	-20.7	369.47	1.7	5	3-4	100-150
Warsaw, Poland	EUR sq.m. p.m.	24.50	-5.8	33.89	-4.7	40.58	-25.7	406.67	-4.7	3-5	6-9	150-250
Zurich, Switzerland	CHF sq.m. p.a.	825.00	0.0	865.00	0.0	82.76	-9.0	829.37	16.7	5	2-5	70-300

\* Occupation costs include service charges and taxes and are standardized on a net internal area basis  
Source: CBRE Research, Q1 2015.



## TERMS AND DEFINITIONS

The Global Prime Office Occupancy Costs survey provides a semi-annual snapshot of occupancy costs for prime office space throughout the world. Since office occupancy lease rates and expenses can vary substantially, not only across world markets but also within the same market area, this data is meant to provide comparative benchmarks only.

### *Comparative Office Occupancy Costs*

In comparing international office cost quotations and leasing practices, the most common differences in reporting are the units of measure and currency, and how occupancy-related costs are reflected in quoted prime rents. For example, in the U.S., office units are measured in sq. ft., while Japan uses the tsubo. Great Britain quotes office rents in pounds, while Thailand uses the baht. Also, in the U.S., rents are most often reported in “gross” terms that reflect virtually all costs of occupancy, while lease rates in many countries may be reported on a “net” basis and exclude such costs as management, property taxes and basic ongoing building maintenance.

### *Benchmarks For Measure, Currency and Terms*

To facilitate comparisons across markets, Global Prime Office Occupancy Costs also reports local office occupancy costs in two common

currencies, U.S. dollars in sq. ft. and euros in sq. m. Changes over the past 12 months are also reported in local currency, U.S. dollars and euros.

### *Explanation of Columns*

**Percentage Change:** Documents the rate of change in local rents over the preceding 12 months. When expressed in the local currency, they can vary dramatically from the euro- and U.S. dollar-adjusted changes reported under Total Occupancy Cost.

**Prime Rent-Local Currency/Measure:** The rent quoted is the typical “achievable” rent for a 1,000-sq.-m. (10,000-sq.-ft.) unit in a top-quality (Class A) building in a prime location. Rents are expressed as headline rent, without accounting for any tenant incentives that may be necessary to achieve it.

Rents are stated in the local currency and prevailing unit of measure, as well as in those terms—gross or net—that are customarily employed in the respective market.

Office rents in Taiwan are quoted as “ping per month,” and in Japan as “tsubo per month.” The ping and tsubo are each approximately 36 sq. ft. Each is the traditional measure of area in its respective country, based on the equivalent measurement of two tatami mats.

**Total Occupancy Cost:** Local office costs are reported in local currency, euros and U.S. dollars on a per annum basis. This number reflects all occupancy costs, and therefore corresponds to “gross” rents for all markets. All occupancy cost figures are standardized to a net internal area basis of measurement.

**Typical Lease Term, Typical Rent Free Period and Typical Tenancy Improvements:** Typical lease term refers to the usual duration of contracted leases for prime office space in each respective market. The rent free column documents the time period, if any, for which no rent is collected for prime office space in the respective local market. Typically, the less “free rent” available, the stronger the market. Tenancy improvements refers to the typical allowance that a landlord may make towards any fit-out costs and is reported in local currency/measurement.

### *Regional and Global Percent Changes*

Aggregated changes in occupancy costs both at the global and regional level are based on a weighted average of the local currency change in the individual cities. The weighting for each city is determined by the country GDP, which is divided among the cities in that country covered in the report according to the importance of each city as a commercial real estate market.



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CBRE's Global Prime Office Occupancy Cost survey measures and compares office occupancy costs in 127 markets across the world. The survey is performed semi-annually in the first and third quarter of the year and is a collaborative effort among CBRE Research professionals around the world led by Andrea Walker. We would like to acknowledge Cynthia Chan, Richard Holberton, Fulgence Kayiranga, Carla Lopez and Roelof van Dijk for their contributions to the report.

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