



GLOBAL RESEARCH AND CONSULTING



Prime Office Occupancy Costs Office Costs Rise Despite Headwinds

CBRE

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EXECUTIVE SUMMARY

- The global office market recovery has cooled somewhat over the past year amid slowing economic growth in China, recession in Europe and a tepid economic recovery in North America. A marked slowdown in leasing activity from the banking and finance sector also weighed on global office markets. Nonetheless, prime office occupancy costs increased in 74 of the 133 global markets tracked for this report. Occupancy costs declined in 37 office markets and held steady in 22.
- Global office occupancy costs have increased 2.1% over the past year, led by the Americas, with a 5.2% annual increase, and Asia Pacific, with a 2.6% annual increase. Growth in demand from technology companies drove double-digit increases in prime occupancy costs in San Francisco and Seattle.
- Asia Pacific markets had the highest office occupancy costs, with the region accounting for six of the top 10 most expensive markets in Q3 2012. Despite year-over-year occupancy cost declines, Hong Kong (Central) remained the world's most expensive office market.
- Tight market conditions, strong demand for high-quality space and constrained levels of new supply are the major factors driving big increases in occupancy costs in prime office markets across the globe.

Top 10 – Most Expensive

(ranked by prime office space occupancy costs in US\$/sq. ft./annum – as of Q3 2012)

Rank	Market	Occ. Cost
1	Hong Kong (Central), Hong Kong	246.30
2	London - Central (West End), United Kingdom	219.81
3	Tokyo (Marunouchi Otemachi), Japan	197.27
4	Beijing (CBD), China	184.95
5	New Delhi (Connaught Place - CBD), India	183.30
6	Beijing (Finance Street), China	179.57
7	Hong Kong (West Kowloon), Hong Kong	174.13
8	Moscow, Russian Federation	172.82
9	London - Central (City), United Kingdom	131.76
10	São Paulo, Brazil	130.07

Top 10 – Largest Increases

(ranked by 12-month % change increases – as of Q3 2012)

Rank	Market	% Change
1	San Francisco (Downtown), U.S.	36.4
2	Jakarta, Indonesia	28.7
3	San Francisco (Peninsula), U.S.	28.6
4	Seattle (Suburban), U.S.	21.8
5	Beijing (Finance Street), China	19.7
6	Seoul (Yeouido), South Korea	19.6
7	Shanghai (Pudong), China	19.5
8	Calgary (Suburban), Canada	16.3
9	Lima, Peru	15.7
10	Boston (Downtown), U.S.	12.9

Source: CBRE Research, Q3 2012.

TRENDS IN PRIME OCCUPANCY COSTS: EMERGING MARKETS STILL LEAD DESPITE SLOWDOWN

The top five most expensive office markets in the world were dominated by Asia Pacific in Q3 2012. Hong Kong (Central) topped the list as the most expensive office market, as limited new supply and tight market conditions kept its prime occupancy costs the highest in the world.

London – Central (West End) was second on the list. Despite the European slowdown, vacancies were still relatively low and market conditions remained tight, particularly in the West End core, where occupancy costs remained the highest in the city.

Tokyo (Marunouchi Otemachi), Beijing (CBD) and New Delhi (Connaught Place – CBD) rounded out the list of Q3

2012's five most expensive markets. With limited space for new supply other than redevelopments, Tokyo (Marunouchi Otemachi) should continue as one of the most expensive prime office markets, as it remains the preferred market for domestic and global financial and manufacturing firms.

Demand from domestic firms, automotive corporations and pharmaceutical companies helped keep occupancy costs high in Beijing (CBD) where the lack of new prime office space is keeping vacancy rates low.

A central location and excellent connectivity make New Delhi (Connaught Place - CBD) an attractive, albeit expensive, office market for corporate occupiers. With limited availability of prime office space, little new supply and no directly competitive submarkets, occupancy costs should continue to remain high.

Figure 1: Global 50 Index – Most Expensive

(ranked by prime office space occupancy costs in US\$/sq. ft./annum – as of Q3 2012)

1	Hong Kong (Central), Hong Kong	246.30	26	San Francisco (Downtown), U.S.	90.00
2	London - Central (West End), United Kingdom	219.81	27	Zurich, Switzerland	87.98
3	Tokyo (Marunouchi Otemachi), Japan	197.27	28	Boston (Downtown), U.S.	87.50
4	Beijing (CBD), China	184.95	29	Istanbul, Turkey	82.78
5	New Delhi (Connaught Place - CBD), India	183.30	30	Brisbane, Australia	79.04
6	Beijing (Finance Street), China	179.57	31	Luxembourg City, Luxembourg	77.94
7	Hong Kong (West Kowloon), Hong Kong	174.13	32	Los Angeles (Suburban), U.S.	76.84
8	Moscow, Russian Federation	172.82	33	Stockholm, Sweden	76.35
9	London - Central (City), United Kingdom	131.76	34	New York (Downtown Manhattan), U.S.	74.93
10	São Paulo, Brazil	130.07	35	Seoul (Yeouido), South Korea	74.27
11	Mumbai (Bandra Kurla Complex), India	122.19	36	Milan, Italy	74.21
12	Rio de Janeiro, Brazil	121.40	37	Guangzhou, China	72.88
13	Paris Ile-de-France, France	119.78	38	Bogota, Colombia	70.76
14	Sydney, Australia	119.04	39	Calgary (Downtown), Canada	70.59
15	Shanghai (Pudong), China	116.36	40	Aberdeen, United Kingdom	70.20
16	New York (Midtown Manhattan), U.S.	114.30	41	Manchester, United Kingdom	69.80
17	Shanghai (Puxi), China	108.25	42	Edinburgh, United Kingdom	69.02
18	Geneva, Switzerland	105.28	43	Taipei, Taiwan	68.57
19	Singapore, Singapore	104.66	44	Birmingham, United Kingdom	68.36
20	Perth, Australia	96.91	45	Toronto (Downtown), Canada	68.00
21	Caracas, Venezuela	95.68	46	Vancouver (Downtown), Canada	67.20
22	Washington, DC (Downtown), U.S.	94.51	47	Frankfurt am Main, Germany	66.31
23	Dubai, United Arab Emirates	92.56	48	Bristol, United Kingdom	65.10
24	Seoul (CBD), South Korea	91.28	49	Oslo, Norway	64.91
25	Mumbai (Nariman Point - CBD), India	90.80	50	Glasgow, United Kingdom	64.31

Source: CBRE Research, Q3 2012.

ECONOMIC UNCERTAINTY SLOWS GROWTH IN ASIA PACIFIC

Occupancy Cost Increases

Many of the markets with the largest increases in prime occupancy costs have seen strong demand from the energy, automotive or high-tech sectors, as well as low vacancies and limited prospects for new supply. As a result, occupancy costs have increased rapidly in San Francisco (Downtown and Peninsula), Seattle (Suburban), Calgary (Downtown), Vancouver (Downtown), Denver (Downtown), Houston (Suburban) and New York (Downtown) in the Americas; and Jakarta, Bangalore (CBD) and Beijing (CBD) in Asia Pacific.

Cost-conscious corporate occupiers in need of large blocks of space in markets with limited availabilities of prime office space sought opportunities in neighboring submarkets. This trend drove large increases in occupancy costs in Calgary (Suburban), Boston (Downtown) and Houston (Downtown) in the Americas; and Hong Kong (West Kowloon) in Asia Pacific.

In some markets, large increases in occupancy costs were driven by the addition of more expensive stock with high-end finishes to the inventory of prime office space. Rental premiums drove occupancy costs higher in Seoul (Yeouido) in Asia Pacific, and Panama City and São Paulo in the Americas.

Occupancy Cost Declines

Whether it was uncertainty over the global economy, a slowdown in the rate of growth or economic contraction related to the euro zone crisis, economic issues have been at the forefront of occupancy cost declines over the past year. Cost-cutting among large financial institutions and big banks dramatically lowered prime office occupancy costs in Hong Kong (Central)—the world's most expensive market—and Singapore.

Continuing economic contraction in the euro zone led to double-digit or near-double-digit declines in prime occupancy costs in Thessaloniki and Athens, Greece, and Malaga, Spain, as business sentiment suffered and occupiers remained cautious. Subdued demand also led to occupancy cost declines in Portugal and Ireland.

New supply is upsetting the market balance enough to cause occupancy costs to decline in several markets. In the Americas, growth in Guadalajara and Monterrey, Mexico, paused to absorb high levels of new prime office space. In EMEA, significant speculative construction triggered occupancy cost declines in Cape Town, South Africa, and Abu Dhabi, United Arab Emirates.

Figure 2: Global 50 Index – Largest Annual Changes

Prime Office Space Occupancy Cost Local Currency & Measure (ranked by 12-month % change increases and decreases – as of Q3 2012)

Top 35 Increases					
1	San Francisco (Downtown), U.S.	36.4	19	Manila, Philippines	8.4
2	Jakarta, Indonesia	28.7	20	Houston (Downtown), U.S.	7.8
3	San Francisco (Peninsula), U.S.	28.6	21	Beijing (CBD), China	7.4
4	Seattle (Suburban), U.S.	21.8	22	New York (Downtown Manhattan), U.S.	7.3
5	Beijing (Finance Street), China	19.7	23	Hong Kong (West Kowloon), Hong Kong	7.1
6	Seoul (Yeouido), South Korea	19.6	24	Boston (Suburban), U.S.	6.3
7	Shanghai (Pudong), China	19.5	25	São Paulo, Brazil	6.1
8	Calgary (Suburban), Canada	16.3	26	Bangkok, Thailand	5.8
9	Lima, Peru	15.7	27	Munich, Germany	5.4
10	Boston (Downtown), U.S.	12.9	28	Dallas (Suburban), U.S.	5.1
11	Bangalore (CBD), India	12.8	29	Moscow, Russian Federation	4.7
12	Panama City, Panama	11.6	30	Durban, South Africa	4.0
13	Calgary (Downtown), Canada	11.1	31	Hamburg, Germany	3.8
14	Gothenburg, Sweden	10.2	32	Helsinki, Finland	3.8
15	Perth, Australia	9.9	33	Bristol, United Kingdom	3.8
16	Vancouver (Downtown), Canada	9.2	34	Santiago, Chile	3.5
17	Denver (Downtown), U.S.	8.9	35	Bogota, Colombia	3.5
18	Houston (Suburban), U.S.	8.8			
Top 15 Decreases					
1	Hong Kong (Central), Hong Kong	-17.8	9	Valencia, Spain	-6.9
2	Singapore, Singapore	-17.7	10	Oporto, Portugal	-6.4
3	Thessaloniki, Greece	-14.8	11	Tel Aviv, Israel	-6.0
4	Malaga, Spain	-10.8	12	Dublin, Ireland	-5.9
5	Athens, Greece	-9.5	13	Zurich, Switzerland	-5.3
6	Ho Chi Minh City, Vietnam	-8.9	14	Guadalajara, Mexico	-5.3
7	Mumbai (Nariman Point - CBD), India	-7.4	15	Cape Town, South Africa	-5.0
8	Guangzhou, China	-7.1			

Source: CBRE Research, Q3 2012.

Figure 3: Asia Pacific: Prime Office Occupancy Costs – Q3 2012

Location	Local currency/measure	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
		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.	408.00	-0.9	513.00	1.3	49.57	8.4	414.72	13.0	5	9	40
Auckland, New Zealand	NZD sq.m. p.a.	490.00	-0.5	642.50	0.9	49.59	9.7	414.90	14.4	9	13.5	0
Bangalore (CBD), India	INR sq.ft. p.m.	125.00	13.6	178.38	12.8	40.49	4.8	338.81	9.2	3+3	1	0
Bangkok, Thailand	THB sq.m. p.m.	815.00	5.8	815.00	5.8	29.44	7.0	246.32	11.6	3+3	1	0
Beijing (Finance Street), China	RMB sq.m. p.m.	700.00	20.7	1,013	19.7	179.57	21.6	1,502	26.8	2-3	0	0
Beijing (CBD), China	RMB sq.m. p.m.	700.00	7.7	1,043	7.4	184.95	9.0	1,547	13.7	2-3	0	0
Brisbane, Australia	AUD sq.m. p.a.	693.00	1.3	818.00	1.7	79.04	8.9	661.29	13.5	5	12	136-139
Canberra, Australia	AUD sq.m. p.a.	353.00	0.2	416.00	0.9	40.19	8.0	336.30	12.6	5	9	42
Guangzhou, China	RMB sq.m. p.m.	230.00	-8.0	410.94	-7.1	72.88	-5.6	609.79	-1.6	3	2	0
Hanoi, Vietnam	US\$ sq.m. p.m.	42.97	-4.2	47.27	-4.2	52.69	-4.2	440.88	-0.1	3	1	0
Ho Chi Minh City, Vietnam	US\$ sq.m. p.m.	34.70	-10.4	55.96	-8.9	62.39	-8.9	522.00	-5.0	3	1	0
Hong Kong (Central), Hong Kong	HKD sq.ft. p.m.	141.38	-19.0	159.13	-17.8	246.30	-17.4	2,061	-13.9	3 or 6	2-4	0
Hong Kong (West Kowloon), Hong Kong	HKD sq.ft. p.m.	98.72	6.9	112.50	7.1	174.13	7.6	1,457	12.2	3 or 6	2 - 4	0
Jakarta, Indonesia	IDR sq.m. p.m.	374,900	32.5	458,211	28.7	53.38	19.8	446.59	24.9	3	1-2	0
Kuala Lumpur, Malaysia	MYR sq.ft. p.m.	12.00	0.0	12.00	0.0	47.06	4.3	393.79	8.8	3	1-3	0
Manila, Philippines	PHP sq.m. p.m.	910.00	10.2	1,215.20	8.4	32.45	13.5	271.49	18.3	3-5	2	0
Melbourne, Australia	AUD sq.m. p.a.	492.50	1.4	637.50	1.9	61.60	9.0	515.37	13.7	10	21.5	74
Mumbai (Bandra Kurla Complex), India	INR sq.ft. p.m.	350.00	-4.8	538.24	-4.1	122.19	-10.9	1,022	-7.1	3+3+3	1	0
Mumbai (Nariman Point - CBD), India	INR sq.ft. p.m.	300.00	-7.7	400.00	-7.4	90.80	-14.0	759.75	-10.4	3+3+3	1	0
New Delhi (Connaught Place - CBD), India	INR sq.ft. p.m.	395.00	-1.3	807.46	-1.2	183.30	-8.3	1,534	-4.3	3+3+3	1	0
New Delhi (Gurgaon), India	INR sq.ft. p.m.	125.00	1.6	219.85	1.4	49.91	-5.8	417.58	-1.8	3+3+3	1-4	0
Perth, Australia	AUD sq.m. p.a.	850.00	11.8	1,003	9.9	96.91	17.6	810.85	22.6	5	0	0
Seoul (CBD), South Korea	KRW sq.m. p.m.	36,300	0.0	91,183	0.8	91.28	7.3	763.73	11.9	3	1-2	0
Seoul (Yeouido), South Korea	KRW sq.m. p.m.	27,527	23.8	74,189	19.6	74.27	27.3	621.39	32.7	3	1-2	0
Shanghai (Pudong), China	RMB sq.m. p.m.	425.83	21.7	656.10	19.5	116.36	21.4	973.58	26.6	3	0	0
Shanghai (Puxi), China	RMB sq.m. p.m.	395.42	-3.7	610.38	-3.4	108.25	-1.9	905.74	2.3	3	0	0
Singapore, Singapore	SGD sq.ft. p.m.	10.70	-17.7	10.70	-17.7	104.66	-12.6	875.70	-8.8	3+3	1	0
Sydney, Australia	AUD sq.m. p.a.	1,048	0.8	1,232	1.3	119.04	8.4	995.98	13.0	8.7	22.8	259-290
Taipei, Taiwan	NTD ping. p.m.	3,225	-0.8	5,960	-0.7	68.57	3.2	573.65	7.6	3-5	1-5	0
Tokyo (Marunouchi Otemachi), Japan	JPY tsubo p.m.	40,000	1.3	45,500	0.0	197.27	-0.9	1,650	3.3	5	6	0
Wellington, New Zealand	NZD sq.m. p.a.	380.00	0.7	525.00	2.9	40.52	11.8	339.02	16.6	9	6	0

*Occupancy costs include service charges and taxes and are standardized on a net internal area basis. Source: CBRE Research, Q3 2012.

Figure 4: Americas: Prime Office Occupancy Costs – Q3 2012

Location	Local currency/measure	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
		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)
Atlanta (Downtown), U.S.	US\$ sq.ft. p.a.	28.43	0.6	32.69	0.6	32.69	0.6	273.55	4.9	5-10	5-12	30-45
Atlanta (Suburban), U.S.	US\$ sq.ft. p.a.	24.10	0.1	27.72	0.1	27.72	0.1	231.89	4.4	5-10	5-12	25-30
Bogota, Colombia	COP sq.m. p.m.	80,000	4.6	114,286	3.5	70.76	10.7	592.05	15.5	3-5	1-3	360,000 - 540,000
Boston (Downtown), U.S.	US\$ sq.ft. p.a.	70.00	12.9	87.50	12.9	87.50	12.9	732.09	17.7	10	0	55-60
Boston (Suburban), U.S.	US\$ sq.ft. p.a.	34.00	6.3	40.80	6.3	40.80	6.3	341.36	10.8	5-7	1-3	30-40
Buenos Aires, Argentina	US\$ sq.m. p.m.	33.00	-5.7	50.00	-1.1	55.74	-1.1	466.38	3.1	3-5	2-6	200-500
Calgary (Downtown), Canada	CAD sq.ft. p.a.	42.00	18.9	69.44	11.1	70.59	17.7	590.64	22.7	10	0	50
Calgary (Suburban), Canada	CAD sq.ft. p.a.	24.44	24.6	42.05	16.3	42.74	23.2	357.63	28.5	10	0	25
Caracas, Venezuela	VEF sq.m. p.m.	300.00	-3.5	368.42	-3.4	95.68	-3.4	800.52	0.8	3-5	2-6	850-1,000
Chicago (Downtown), U.S.	US\$ sq.ft. p.a.	28.90	1.8	49.15	2.6	49.15	2.6	411.23	7.0	8-15	6-12	55-75
Chicago (Suburban), U.S.	US\$ sq.ft. p.a.	15.25	1.7	27.25	0.9	27.25	0.9	227.99	5.2	5-7	5-8	20-40
Dallas (Downtown), U.S.	US\$ sq.ft. p.a.	26.92	2.8	30.96	2.8	30.96	2.8	259.02	7.2	5-10	6-9	30-50
Dallas (Suburban), U.S.	US\$ sq.ft. p.a.	32.69	5.1	37.59	5.1	37.59	5.1	314.54	9.6	5-10	3-6	20-40
Denver (Downtown), U.S.	US\$ sq.ft. p.a.	37.75	8.9	37.75	8.9	37.75	8.9	315.85	13.5	7-10	6-8	43-48
Denver (Suburban), U.S.	US\$ sq.ft. p.a.	29.50	0.1	29.50	0.1	29.50	0.1	246.82	4.4	7-10	6-8	40-45
Guadalajara, Mexico	US\$ sq.m. p.m.	27.50	-6.3	36.48	-5.3	40.67	-5.3	340.30	-1.2	3-5	2	400-500
Houston (Downtown), U.S.	US\$ sq.ft. p.a.	41.50	7.8	51.88	7.8	51.88	7.8	434.03	12.4	5-10	3	30-50
Houston (Suburban), U.S.	US\$ sq.ft. p.a.	37.00	8.8	43.66	8.8	43.66	8.8	365.29	13.5	5-10	3	30-45
Lima, Peru	US\$ sq.m. p.m.	24.00	15.9	28.95	15.7	32.27	15.7	269.99	20.6	5	1-3	170-280
Los Angeles (Downtown), U.S.	US\$ sq.ft. p.a.	26.00	4.0	46.17	2.5	46.17	2.5	386.29	6.9	5-10	5-10	30-40
Los Angeles (Suburban), U.S.	US\$ sq.ft. p.a.	68.00	3.0	76.84	3.0	76.84	3.0	642.90	7.4	5-10	5-10	25-35
Mexico City, Mexico	US\$ sq.m. p.m.	34.67	-2.3	46.34	-1.9	51.66	-1.9	432.25	2.3	3-5	3-4	450-600
Monterrey, Mexico	US\$ sq.m. p.m.	26.54	-4.4	34.77	-3.6	38.77	-3.6	324.36	0.5	3-5	2	400-500
Montreal (Downtown), Canada	CAD sq.ft. p.a.	20.88	0.0	46.53	0.0	47.30	5.9	395.75	10.5	5	3	25
Montreal (Suburban), Canada	CAD sq.ft. p.a.	14.60	0.0	32.23	0.0	32.77	5.9	274.17	10.5	5	3	25
New York (Downtown Manhattan), U.S.	US\$ sq.ft. p.a.	59.00	7.3	74.93	7.3	74.93	7.3	626.92	11.9	10	12	66
New York (Midtown Manhattan), U.S.	US\$ sq.ft. p.a.	90.00	1.1	114.30	1.1	114.30	1.1	956.32	5.5	10	9	65
Panama City, Panama	US\$ sq.m. p.m.	32.25	12.4	36.83	11.6	41.06	11.6	343.52	16.3	3-5	1-2	300-700
Rio de Janeiro, Brazil	BRL sq.m. p.m.	190.00	0.5	221.05	1.0	121.40	-7.7	1,016	-3.7	5	1-3	1,300-1,800
San Francisco (Downtown), U.S.	US\$ sq.ft. p.a.	75.00	36.4	90.00	36.4	90.00	36.4	753.01	42.2	5-10	0-3	35-60
San Francisco (Peninsula), U.S.	US\$ sq.ft. p.a.	54.00	28.6	62.10	28.6	62.10	28.6	519.58	34.1	3-7	2-4	20-50

*Occupancy costs include service charges and taxes and are standardized on a net internal area basis. Source: CBRE Research, Q3 2012.

Figure 4: Americas: Prime Office Occupancy Costs – Q3 2012

Location	Local currency/measure	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
		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)
San Jose, Costa Rica	CRC sq.m. p.m.	16,800	-2.3	19,677	-2.1	43.80	-0.6	366.51	3.7	3-5	1-2	100,000-150,000
Santiago, Chile	CLF sq.m. p.m.	0.73	4.3	0.99	3.5	53.00	16.5	443.39	21.5	3-5	1-3	8-10
São Paulo, Brazil	BRL sq.m. p.m.	200.00	5.3	236.84	6.1	130.07	-2.9	1,088	1.2	5	1-3	1,300-2,800
Seattle (Downtown), U.S.	US\$ sq.ft. p.a.	35.50	2.9	41.89	2.9	41.89	2.9	350.48	7.3	5-10	3-10	15-55
Seattle (Suburban), U.S.	US\$ sq.ft. p.a.	33.50	21.8	38.19	21.8	38.19	21.8	319.53	27.0	5-10	5-10	25-55
Toronto (Downtown), Canada	CAD sq.ft. p.a.	30.46	-8.4	66.90	-4.2	68.00	1.5	568.97	5.9	10	0	25
Toronto (Suburban), Canada	CAD sq.ft. p.a.	16.75	0.0	35.18	0.0	35.76	5.9	299.19	10.5	5	3	15
Vancouver (Downtown), Canada	CAD sq.ft. p.a.	37.20	10.2	66.10	9.2	67.20	15.7	562.23	20.6	5	0	16
Vancouver (Suburban), Canada	CAD sq.ft. p.a.	21.39	-0.5	39.15	0.7	39.79	6.7	332.95	11.3	5	2	20
Washington, DC (Downtown), U.S.	US\$ sq.ft. p.a.	50.00	0.0	94.51	0.0	94.51	0.0	790.76	4.3	5-10	6-12	80-100
Washington, DC (Suburban), U.S.	US\$ sq.ft. p.a.	50.00	2.0	60.00	2.0	60.00	2.0	502.01	6.4	5-10	3-6	35-50

*Occupancy costs include service charges and taxes and are standardized on a net internal area basis.
Source: CBRE Research, Q3 2012.

Figure 5: EMEA: Prime Office Occupancy Costs – Q3 2012

Location	Local currency/measure	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
		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.	31.50	1.6	44.75	2.9	70.20	3.6	595.40	9.5	10	6	3.25-3.50
Abu Dhabi, United Arab Emirates	AED sq.m. p.a.	1,800	-5.3	2,050	-4.7	51.85	-4.7	433.81	-0.6	1-5	1-2	0
Amsterdam, Netherlands	EUR sq.m. p.a.	338.00	0.0	410.68	-0.3	49.08	-4.4	410.68	-0.3	5+5	12-48	0
Athens, Greece	EUR sq.m. p.m.	23.00	-11.5	30.70	-9.5	44.03	-13.2	368.39	-9.5	12+4	2	
Barcelona, Spain	EUR sq.m. p.a.	216.00	-4.0	289.89	-3.4	34.65	-7.3	289.89	-3.4	3+2	4	50-100
Belfast, United Kingdom	GBP sq.ft. p.a.	12.50	0.0	21.50	0.0	33.73	0.7	286.06	6.5	5	6	6.25
Belgrade, Serbia	EUR sq.m. p.m.	15.00	2.0	20.66	1.5	29.63	-2.6	247.92	1.5	5	3	100-150
Berlin, Germany	EUR sq.m. p.m.	22.00	0.0	25.50	0.0	36.57	-4.1	306.00	0.0	5+5	1-2	50-350
Birmingham, United Kingdom	GBP sq.ft. p.a.	28.50	0.0	43.58	0.0	68.36	0.7	579.83	6.5	10 with 5y break	21 if 5y break	3.25-3.50
Bratislava, Slovakia	EUR sq.m. p.m.	17.00	0.0	26.58	0.0	38.12	-4.1	318.93	0.0	5	2-8	200-250
Bristol, United Kingdom	GBP sq.ft. p.a.	27.50	0.0	41.50	3.8	65.10	4.5	552.16	10.5	10 with 5y break	15 if 5y break	3.25-3.50
Brussels, Belgium	EUR sq.m. p.a.	285.00	0.0	436.36	0.0	52.15	-4.1	436.36	0.0	3/6/9	1 year secured	24-47
Bucharest, Romania	EUR sq.m. p.m.	19.00	-2.6	24.25	-2.0	34.78	-6.0	291.00	-2.0	3-5	3-5	15 - 50
Budapest, Hungary	EUR sq.m. p.m.	20.00	0.0	26.89	0.0	38.57	-4.1	322.67	0.0	3-4	4-6	100-150
Cape Town, South Africa	ZAR sq.m. p.m.	95.00	-5.0	95.00	-5.0	12.83	-7.4	107.38	-3.5	3-5	Open to negotiation	300-450
Copenhagen, Denmark	DKK sq.m. p.a.	1,700	-1.4	2,529	-0.5	40.55	-4.7	339.29	-0.6	3-5 (tenant) /5-10 (landlord)	0	0
Dubai, United Arab Emirates	AED sq.ft. p.a.	280.00	0.0	340.00	3.0	92.56	3.0	774.45	7.4	3	2	0
Dublin, Ireland	EUR sq.m. p.a.	296.00	-8.4	434.00	-5.9	51.87	-9.7	434.00	-5.9	10	18	403.50 -444
Durban, South Africa	ZAR sq.m. p.m.	130.00	4.0	130.00	4.0	17.56	1.4	146.94	5.7	3-5	1	250-350
Edinburgh, United Kingdom	GBP sq.ft. p.a.	27.00	-1.8	44.00	-1.1	69.02	-0.4	585.42	5.3	10	30	3.25-3.50
Frankfurt am Main, Germany	EUR sq.m. p.m.	38.00	0.0	46.24	0.0	66.31	-4.1	554.84	0.0	5+5	6-9	50-350
Geneva, Switzerland	CHF sq.m. p.a.	1,000	2.6	1,065	2.4	105.28	-1.0	880.85	3.2	5	3	0
Glasgow, United Kingdom	GBP sq.ft. p.a.	27.00	0.0	41.00	1.2	64.31	1.9	545.51	7.8	10	24-27	3.25-3.50
Gothenburg, Sweden	SEK sq.m. p.a.	2,500	8.7	3,056	10.2	43.29	15.5	362.20	20.4	3 or 5	0-3	
Hamburg, Germany	EUR sq.m. p.m.	24.00	4.3	29.14	3.8	41.79	-0.4	349.68	3.8	5+5	5-6	50-350
Helsinki, Finland	EUR sq.m. p.a.	380.00	3.8	422.22	3.8	49.78	-1.8	422.22	3.8	3-5	None	0-40
Istanbul, Turkey	US\$ sq.m. p.m.	43.00	0.0	74.25	0.0	82.78	0.0	692.59	4.3	3-5	1-2	0
Jersey, United Kingdom	GBP sq.ft. p.a.	32.00	0.0	38.00	0.7	59.61	1.4	505.59	7.2	15	12	3.25-3.50
Johannesburg, South Africa	ZAR sq.m. p.m.	175.00	2.9	175.00	2.9	23.64	0.3	197.81	4.6	5	0	350 - 450

*Occupancy costs include service charges and taxes and are standardized on a net internal area basis. Source: CBRE Research, Q3 2012.

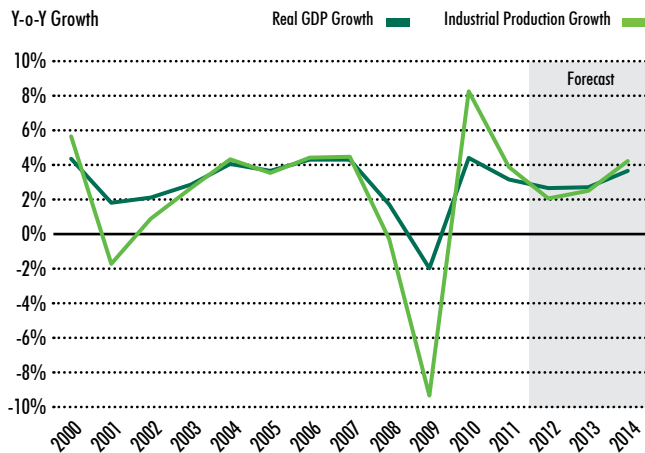
Figure 5: EMEA: Prime Office Occupancy Costs – Q3 2012

Location	Local currency/measure	Prime Rent		Total Occupancy Cost Local Currency/Measure*		Total Occupancy Cost US\$*		Total Occupancy Cost Euro €*		Terms		
		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)
Leeds, United Kingdom	GBP sq.ft. p.a.	24.00	0.0	37.00	0.0	58.04	0.7	492.29	6.5	10 with 5y break	12 if 5y break	3.25-3.50
Lille, France	EUR sq.m. p.a.	200.00	0.0	279.57	0.0	33.41	-4.1	279.57	0.0	3/6/9	3/6	
Lisbon, Portugal	EUR sq.m. p.m.	18.50	0.0	24.73	0.0	35.46	-4.1	296.70	0.0	3-5	5-7	
Liverpool, United Kingdom	GBP sq.ft. p.a.	20.00	0.0	32.00	1.6	50.20	2.3	425.76	8.2	10 with 5y break	24 if 5y break	3.25-3.50
London - Central (City), United Kingdom	GBP sq.ft. p.a.	55.00	0.0	84.00	2.1	131.76	2.8	1,118	8.7	10	27	3.25 - 3.50
London - Central (West End), United Kingdom	GBP sq.ft. p.a.	92.50	0.0	140.13	1.7	219.81	2.4	1,864	8.3	10	18-21	3.25 - 3.50
Luxembourg City, Luxembourg	EUR sq.m. p.m.	40.00	0.0	54.34	0.0	77.94	-4.1	652.07	0.0	3/6/9	1.5	2.00-3.00
Lyon, France	EUR sq.m. p.a.	285.00	1.8	383.87	1.4	45.88	-2.7	383.87	1.4	3-6-9	4.5-6	
Madrid, Spain	EUR sq.m. p.a.	306.00	-1.9	434.12	-1.6	51.89	-5.6	434.12	-1.6	3+2	3	50 - 150
Malaga, Spain	EUR sq.m. p.a.	144.00	-7.7	204.71	-10.8	24.47	-14.4	204.71	-10.8	3+2	2	
Manchester, United Kingdom	GBP sq.ft. p.a.	30.00	3.4	44.50	2.3	69.80	3.0	592.07	8.9	10	24-30	3.25-3.50
Marseille, France	EUR sq.m. p.a.	250.00	0.0	338.71	0.0	40.48	-4.1	338.71	0.0	3-6-9	3-6	
Milan, Italy	EUR sq.m. p.a.	520.00	0.0	620.88	0.0	74.21	-4.1	620.88	0.0	6+6	8-9	
Moscow, Russian Federation	US\$ sq.m. p.a.	1,200	4.3	1,860	4.7	172.82	4.7	1,446	9.2	3-5	0-3	0
Munich, Germany	EUR sq.m. p.m.	31.50	5.0	38.79	5.4	55.64	1.0	465.49	5.4	5+5	3-6	50-350
Oporto, Portugal	EUR sq.m. p.m.	12.50	-7.4	16.15	-6.4	23.17	-10.2	193.85	-6.4			
Oslo, Norway	NOK sq.m. p.a.	3,600	2.9	4,000	2.9	64.91	5.5	543.08	10.0	3-5	0-3	1,000 - 5,000
Palma de Mallorca, Spain	EUR sq.m. p.a.	138.00	-4.2	186.94	-0.4	22.34	-4.5	186.94	-0.4	5	2	
Paris Ile-de-France, France	EUR sq.m. p.a.	830.00	0.0	1,002	0.1	119.78	-4.0	1,002	0.1	3/6/9	6-15	
Prague, Czech Republic	EUR sq.m. p.m.	21.00	0.0	33.00	0.0	47.33	-4.1	396.00	0.0	5	5 to 10	50 - 70
Rome, Italy	EUR sq.m. p.a.	410.00	-2.4	494.51	-2.2	59.10	-6.2	494.51	-2.2	6+6	6	
Rotterdam, Netherlands	EUR sq.m. p.a.	210.00	0.0	272.40	-0.4	32.56	-4.5	272.40	-0.4	5+5	12-48	0
Sofia, Bulgaria	EUR sq.m. p.m.	13.00	-3.7	18.18	-3.0	26.08	-7.0	218.18	-3.0	3-5	1-3	50-200
Southampton, United Kingdom	GBP sq.ft. p.a.	18.00	0.0	29.25	0.9	45.88	1.6	389.17	7.4	10 with 5y break	12 if 5y break	3.25-3.50
Stockholm, Sweden	SEK sq.m. p.a.	4,400	0.0	5,389	0.0	76.35	4.8	638.79	9.2	3 or 5	0-6	
Tel Aviv, Israel	US\$ sq.m. p.m.	30.00	-6.3	52.31	-6.0	58.32	-6.0	487.95	-1.9	3-5	None	
Thessaloniki, Greece	EUR sq.m. p.m.	10.50	-19.2	15.43	-14.8	22.13	-18.3	185.16	-14.8	12+4	2	
Valencia, Spain	EUR sq.m. p.a.	150.00	-13.8	232.00	-6.9	27.73	-10.7	232.00	-6.9	1+4	2-3	
Vienna, Austria	EUR sq.m. p.m.	24.50	3.2	30.00	2.7	43.03	-1.5	360.00	2.7	5	3-5	150-250
Warsaw, Poland	EUR sq.m. p.m.	27.00	3.8	36.67	3.1	52.59	-1.1	440.00	3.1	3-5	3-5	150 - 200
Zurich, Switzerland	CHF sq.m. p.a.	850.00	-5.6	890.00	-5.3	87.98	-8.5	736.11	-4.6	5	2-5	70-300

*Occupancy costs include service charges and taxes and are standardized on a net internal area basis. Source: CBRE Research, Q3 2012.

GLOBAL ECONOMIC TRENDS: A MULTI-SPEED GLOBAL RECOVERY

Figure 6: World Outlook: No Real Momentum



Source: IHS Global Insight, November 2012.

Asia Pacific

Asia Pacific is the fastest-growing region, but performance is mixed with China probably bottoming out, Japan contracting and most of Southeast Asia slowing but still registering healthy growth. While Australasia is expected to slow somewhat, growth across much of Asia, excluding Japan, is likely to pick up slightly in 2013.

China is the bright spot in the forecast, where improving data in October suggests the slowdown may have reached its trough. The Purchasing Managers' Index (PMI) for China is now above 50, indicating expansion, with GDP growth now expected to accelerate towards 8% in 2013.

Japan is suffering from a collapse in exports to China due, in part, to territorial disputes and slowing consumer spending. The PMI has shown signs of contraction over the past five months, with the economy now expected to expand only modestly in 2013. The outlook for India is mixed where exports and fiscal balances remain weak, but auto sales and manufacturing are above expectations. The PMI shows India to be in expansion mode and, with the government working hard to introduce much-needed structural reforms, growth should accelerate slightly in 2013.

EMEA

EMEA is the slowest-growing economic region, hindered by economic recession in much of Europe. The euro zone is in contraction, with the PMI in its 15th month of decline. Expectations are that Spain will ask for a bailout and, as widely expected, the German parliament recently signed off

on the new Greek bailout package. Uncertainty surrounds the Greek bond buyback plan, however. The decline in the euro finally stabilized, with the European Central Bank's decision to backstop Spain and Italy's bonds, driving down yield requirements.

GDP data shows that the U.K. is officially out of recession, having posted a largely technical rebound in Q3 2012. The euro zone, however, continues to contract, with Q3 2012 data showing declines in a number of countries including Spain, Italy, Portugal and The Netherlands.

Both the U.K. and, more markedly, the euro zone will have posted GDP declines in 2012. While the U.K. is expected to see positive, though sub-trend, growth in 2013—driven mainly by private consumption—the euro zone is forecast to see further contraction. Southern European economies, such as Spain, Portugal and Italy, are expected to be particularly weak, reflecting, in part, the dampening impact of ongoing austerity programs on economic activity.

More positively, there is an expectation of stronger growth in parts of Central and Eastern Europe, notably Poland and Russia, and also in Turkey, driven mainly by accelerating consumer spending and, in some cases, resumption in inward investment activity.

The Americas

If there is no compromise and the U.S. goes over the fiscal cliff, the impact of the tax cut expirations and spending cuts will shave off an estimated 5% from U.S. growth. We expect, however, that the most likely outcome is that the fiscal cliff will be averted with some close calls. Record-low mortgage rates are supporting a nascent recovery in the housing market, the only bright spot in the current environment. We expect the U.S. economy to grow by 2.1% in 2012 and between 1.5 to 2.0% in 2013—still sub-par, but no recession.

Domestic demand is holding up well in Canada despite dramatic drop in exports as international trade experiences a synchronized slowdown. Consumer debt levels are still high and the government has taken steps to cool housing price increases before the market gets overheated. GDP is forecast to grow at 2.1% in 2012 and a slightly lower 1.9% in 2013 due to the slowing U.S. economy.

The economic outlook is a mixed bag for the major emerging market of Brazil. Industrial output has been weak for the past two years due to an overvalued exchange rate. Tax cuts are helping to boost retail sales for autos and other durable goods. Government spending on infrastructure will help boost GDP in 2013 to 3.8%, up from 1.5% in 2012.

Retail sales, construction and manufacturing output are all trending positive for Mexico. The unemployment rate is at its lowest rate in four years, although still above its pre-crisis level. GDP growth is forecast at 3.7% in 2012 and 3.5% in 2013. We expect that the moderate level of U.S. exports will offset weaker, but still positive, domestic demand.

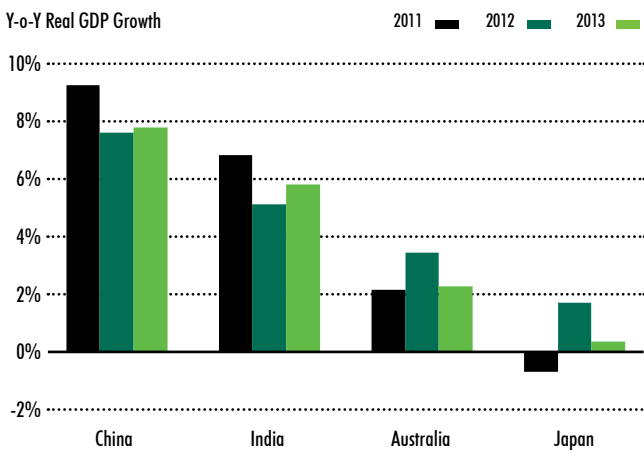
CURRENCY PERFORMANCE RELATIVE TO THE DOLLAR

The Global 50 Index – Most Expensive table (Figure 1) ranks all occupancy costs in U.S. dollar terms. As such, movements in exchange rates should be considered in assessing occupancy costs.

In recent weeks, currency markets have reflected uncertainty over the Japanese yen because of the slowdown, making the U.S. dollar stronger relative to the yen. Meanwhile, the euro has now stabilized, and the Chinese renminbi has strengthened due to China’s improving economic indicators.

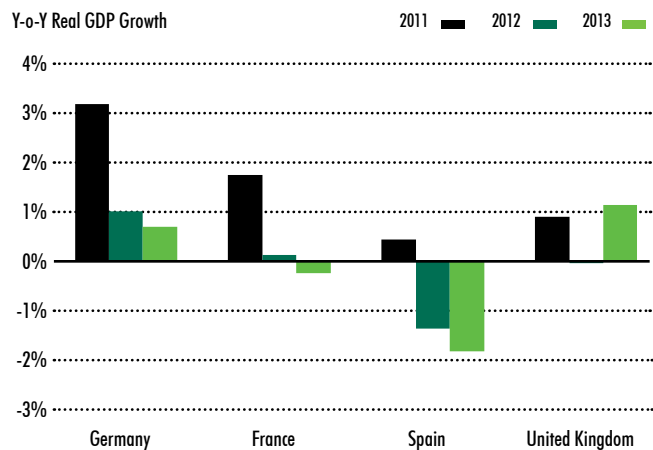
Going over the fiscal cliff could have a perverse positive impact on the value of the U.S. dollar. The likelihood of default would be reduced if tax revenues increase and entitlement spending is pared back. U.S. government bond yields would rise. This would have the effect of strengthening the U.S. dollar, which would impact all occupancy costs that are reported in U.S. dollar terms.

Figure 7a: Disparate Growth Across Asia Pacific



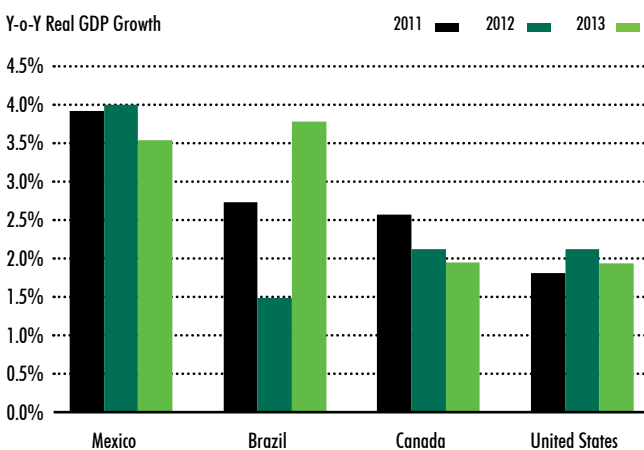
Source: IHS Global Insight, November 2012.

Figure 7b: Weakness in Euro Zone



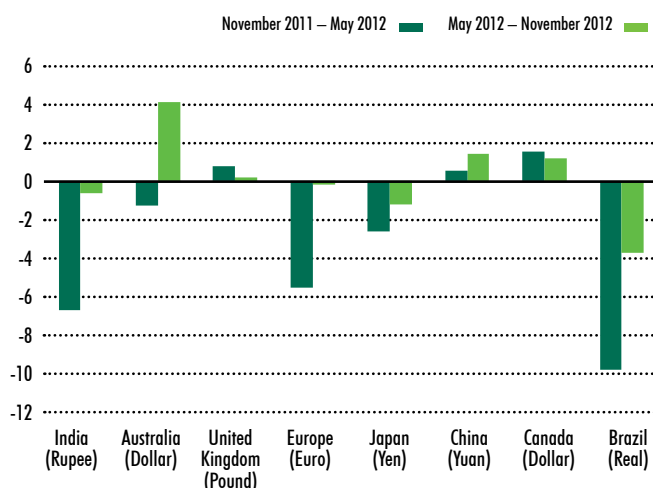
Source: IHS Global Insight, November 2012.

Figure 7c: Emerging Markets Lead Americas



Source: IHS Global Insight, November 2012.

Figure 8: Local Currency Appreciation vs. U.S. Dollar, %



Source: Federal Reserve Bank.

TERMS AND DEFINITIONS

Prime Office Occupancy Costs provides a semi-annual snapshot of occupancy costs for prime office space throughout the world. Since office occupancy lease rates and expenses can vary substantively, 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, Prime Office Occupancy Costs also reports local office occupancy costs in two common currencies, U.S. dollars in square feet (sq. ft.) and euros in square meters (sq. m.). Changes over the past 12 months are also reported in local currency, U.S. dollars and euros.

Explanation of Columns

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 approximately 36 sq. ft. Each is the traditional measure of area in its respective country, based on the equivalent measurement of two tatami mats.

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.

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 is the typical allowance that a landlord may make towards any fit-out costs and is reported in local currency/measurement.

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