

For Immediate Release

Asia Pacific's post-pandemic office: more expensive to build, but as important as ever

- *Japanese cities the most expensive to fit out in Asia Pacific; regional average increase 18 percent*
- *Return-to-office, and how to achieve it, still driving fit out decision-making*
- *"More considered" decisions see occupiers opt for quality over quantity*

SINGAPORE, March 30, 2023 – Persistent inflation, tight labour markets, and ongoing supply chain delays have increased average fit out costs across Asia Pacific, according to Cushman & Wakefield's 2023 Asia Pacific Office Fit Out Cost Guide, but major occupiers are absorbing the higher spend in their quest to improve return-to-office rates.

Head of International Research and co-author of the report Dr Dominic Brown said that while fit out costs were up across the region by an average of 18 percent in local currency (7 percent in US dollar terms), there were early signs of easing pressure.

"Although costs remain above historic levels, supply chain stress has eased slightly along with the cost of shipping, and declines from the commodities pricing peak in 2022 have reduced pressure on energy and fuel pricing. Inflation, while still high, is believed in many economies to have either peaked or to be close to peak," Brown said.

The report showed that North Asia markets remained the most expensive to fit out in a 'Collaborative Hybrid'¹ style, with only Canberra, Australia also appearing among the top five. Within the top 10, Hong Kong was the only market outside of North Asia and Australia/New Zealand to feature.

¹ A mid-point between a traditional office with one-to-one workstations and limited other spaces and an advanced, post-pandemic destination office characterised by majority non-assigned workstations and a variety of collaborative and lifestyle zones.

| RANK | CITY | AVERAGE COST (USD PSF) |
|------|-----------|---------------------------|
| 1 | Tokyo | 201 |
| 2 | Osaka | 196 |
| 3 | Nagoya | 192 |
| 4 | Canberra | 164 |
| 5 | Seoul | 156 |
| 6 | Auckland | 151 |
| 7 | Sydney | 146 |
| 8= | Busan | 143 |
| 8= | Melbourne | 143 |
| 10 | Hong Kong | 140 |

Fig 1: Top 10 most expensive locations for a collaborative hybrid fit out in Asia Pacific.

Cushman & Wakefield’s Asia Pacific Head of Project & Development Services Tom Gibson said despite higher costs and constraints on capital expenditure, the conversation with occupiers remained focused on the changing working environment:

“How much space do I need, and what is it going to look like?” he said. “Finding the balance between working from home and having people in the office – and how the right design can facilitate that – is still the number one conversation in most markets.”

Gibson said general economic volatility had slowed occupier decision making as capital expenditure across all sectors came under closer scrutiny. But he said the flight to quality being witnessed in leasing transactions was also being reflected in fit out decisions.

“Occupiers are looking at how they can optimise their spend,” he said. “They see real estate as an essential expense and so they are looking to use their real estate to improve the employee experience.”

He said that in many cases, that meant taking on less space that was of higher quality.



“Occupiers are increasingly wanting to create destination offices for their employees. ‘Destination’ means different things to different companies – it could be creating a hospitality feel, or more social spaces – but ultimately, it is about creating a ‘stickiness’ that makes people want to come to the office.”

Extended report format better reflects more complex client needs

In addition to fit out costs, the report showed larger percentage increases for reinstatement and retrofit costs, although it noted that these were off a much lower base than fit out costs.

The report also contained sections on sustainability, technology, procurement, and workplace strategy and change management to better assist clients considering a fit out.

Gibson said the more comprehensive format would help clients as they navigated the increasing complexity of office fit outs post-pandemic.

“The office fit out process has taken on greater significance as occupiers look to their real estate to achieve their employee experience, sustainability, and diversity, equity and inclusion goals.

“Real estate decisions used to be made by only a handful of people within an organisation. Now we see a more collaborative approach across business functions, with more emphasis on employee needs. Our conversations with clients are now about human resources as much as they are about construction.”

--ENDS--

Note to Editors:

Read the [2023 Asia Pacific Office Fit Out Cost Guide](#).

Learn more about Cushman & Wakefield’s [Project & Development Services](#).



About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or [follow our LinkedIn](#) page.