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## **Hong Kong still costliest place to live and work**

Hong Kong is the world's most expensive city for companies to locate employees, significantly ahead of London and New York, which have been vying for second place over the past two years. Paris completes a list of the top four cities where simply renting living and working space for a single employee costs more than US\$100,000 a year, according to latest analysis from international real estate adviser, Savills.

The Savills World Cities Live-Work Index reveals that it now costs an average of just under US\$76,000 a year per employee to rent residential and office space in a world city, a 21 per cent increase since 2009, when most city rental markets bottomed out.

In Hong Kong, the cost of living and working space per employee averages US\$123,000 a year, 1.6 times more expensive than Singapore, 3.8 times more than Shanghai and some 4.4 times more expensive than Mumbai.

While total live-work costs remained broadly stable across the index over the past year, there were exceptions. They rose by a stratospheric 41 per cent in Dubai, albeit from a relatively low base, to rank the city 7<sup>th</sup> most expensive, although the high costs in part reflect a particularly generous office space allocation per worker, a product of the city's previously high-supply, low rent era. By contrast, costs fell -12 per cent in Mumbai, which ranks as the cheapest location at just US\$28,000 per employee per year for all live-work rental costs.

### Savills world cities 'live-work' index – city rankings

Rank	City	Live-work cost per employee per year	Live-work 5 year cost change	Live-work cost change 2013
1	Hong Kong	\$123,000	21%	-1%
2	London	\$115,000	18%	2%
3	New York	\$112,000	37%	2%
4	Paris	\$107,000	7%	2%
5	Singapore	\$76,000	11%	0%
6	Tokyo	\$74,000	-9%	1%
7	Dubai	\$72,000	35%	41%
8	Moscow	\$70,000	37%	4%
9	Sydney	\$60,000	6%	2%
10	Shanghai	\$44,000	18%	0%
11	Rio de Janeiro	\$30,000	54%	2%
12	Mumbai	\$28,000	-5%	-12%

Source: Savills World Research

Yolande Barnes, director of Savills World Research says: “These findings go some way to demonstrating the rebalancing of world economies as more mature ‘old world’ cities demonstrate stable growth in this recovery cycle. ‘New world’ city growth has slowed markedly, albeit this trend has been slightly counterbalanced by the emergence of new world city real estate markets – notably Rio de Janeiro and Dubai.”

#### **Creative space discount/financial sector premium**

Costs vary significantly from location to location across most cities in the index, with a real discount for space typically occupied by ‘creative industries’, including tech, compared to prime financial district space.

Hong Kong may be the world's most expensive city in which to accommodate financial sector staff (who each occupy live-work space costing an average of US\$144,000 a year), but it is only the third most expensive for tech and creative employee accommodation.

Similarly, second-placed London's creative space discount of -36 per cent ranks it fourth most expensive for these companies, while New York offers creative companies a space discount of just -16 per cent ranking it second most expensive.

Only in Paris and Sydney is there no discount for creative space, meaning that a tech company will pay more for live-work space in Paris than in any other world city, including Hong Kong.

The biggest financial sector premium is seen in Moscow, where Russian money is investing once again, pushing up demand for space in the city," says Barnes. "Similar forces also seem to be at play in Dubai, which has seen the impact of Middle Eastern cash in a market that has shown significant growth, prompting talk of cooling measures.

#### **Savills live-work index – the financial district premium persists**

	<b>Financial sector average</b>	<b>Creative sector average</b>	<b>Creative space discount</b>
Moscow	\$84,000	\$57,000	47%
Hong Kong	\$144,000	\$101,000	43%
London	\$133,000	\$98,000	36%
Dubai	\$82,000	\$61,000	34%
Shanghai	\$50,000	\$38,000	31%
Tokyo	\$82,000	\$65,000	26%
New York	\$120,000	\$104,000	16%
Mumbai	\$30,000	\$26,000	16%
Singapore	\$81,000	\$71,000	15%
Rio de Janeiro	\$31,000	\$29,000	5%
Paris	\$107,000	\$107,000	0%
Sydney	\$60,000	\$60,000	-0%

Source: Savills World Research

The publication of this index marks two new entrants to the Savills world city ranks – Dubai and Rio de Janeiro. “A ‘world class city’ status has as much to do with profile and prominence on the world stage as it has to do with economics or size,” says Barnes. “Rio earns its place in our index as a result of its changing status as upcoming Olympic host, albeit it enters at a low value base, while Dubai is clearly flexing its muscle as the real business and investment hub of the Middle East. Price rises in the city are a clear reflection of asset price inflation over the recent past.”

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