



Occupier Cost Index

December 2022



Introduction

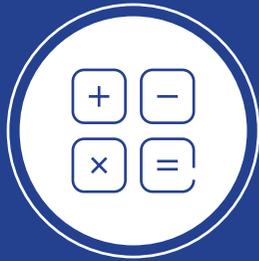
Last year's OCI indicated that despite all the empty workplaces because of COVID, there was little change in company expenditure on having a full-time employee work at the office for a year. The data underlying this year's OCI echo the same status quo from organisations awaiting the effect of the COVID-exit and at the same time interpreting emerging signs of the energy crisis and war in the Ukraine.

Today's OCI for 2021 is 4% below last year's OCI. The office costs in Europe are €9,122 per fte. But never did the harsh reality catch up with an OCI publication so fast. COVID made us recognise an opportunity to rationalise property portfolios to reflect new hybrid working and lower occupancy levels. The same goes for flexible service contracts based on daily occupancy. The events in 2022 now put a price tag on letting these opportunities slip away. With the current OCI as a baseline and our calculated predictions on surging energy costs, rents indexed by CPI and rising labour and materials costs for 2023, we estimate a 14% to 23% higher costs per fte in 2023.

It's time to acknowledge the true impact of hybrid working and wake up and smell the coffee. Whilst the OCI Index represents costs per fte based on people still allocated to the office, the reality is that as we recognise the new norm of occupancy running at 40% on peak days and averages running at 25%, the real cost per fte brings the costs per occupant anywhere between 28% to 46% higher in 2023. This change in occupancy turns an efficient European average of 13.9 sqm per fte in a spacious 27.8 sqm per occupant. This 27.8 sqm is an alarming space density and should put property strategies in the air. The OCI Index is the first published data that recognises the scale of working at home, the true impact on space allocation and ultimately the new space requirement and standards required by most organisations.

This data is clear, the true occupancy levels are evident and a new space requirement is upon us. Reducing office space and switching to flexible service contracts should not just remain opportunities from the COVID lockdowns.

2023 costs will not allow for that.



The Occupier Cost Index (OCI) outlines the office costs per full time equivalent (fte) for 28 European countries based on the European facility management standard EN15221-4. It is a guide that can provide relevant comparators across peer group organisations that can form the basis of improvement plans. With reference across 28 countries this year (Russia being left out), in excess of 3,900 buildings and over 25 million sqm the OCI quality output is based on a data rich foundation.

Management costs increased due to more external advice and outsourced activities and an increased need for business control. Increased fte numbers combined with continuous low occupancy didn't require for extra costs on space, workplace environment and services provided. Therefore Space & Infrastructure and People & Organisation have lower costs per fte, even with the first signs of the energy crisis having effect on utilities costs.

In 2021, the total costs for one FTE in Europe fell by 4% to €9,122

Management increased by 4% from €416 to €432



- Higher external costs. More outsourced management but also more external advice.
- Lower costs for tactical management for the building as well as the services. Last year's increase in account management costs was corrected this year.
- Again the FM support costs for planning, control, administration, servicedesk increased. More and more these activities are outsourced.

ICT decreased by 1% from €1,969 to €1,952



- The shift to more online working continues. Higher costs for telematics.
- Higher labour costs throughout Europe are also reflected in higher ICT costs.

People & Organization decreased by 8% from €1,005 to €929



- Decreased P&O costs despite labour costs increasing by 2% in Europe.
- 2021 was still a COVID year with limited use of services.
- In general, number of fte in an organisation increased while workplace area and service contracts remained the same. Low occupancies did not call for more services. P&O costs decrease because of a bigger denominator, not because of major changes in the numerator.
- In 2021 security was the first activity to show signs of increased labour costs. Also, document management costs increased because of a continued shift to more expensive courier services.

Space & Infrastructure decreased by 4% from €6,078 to €5,808



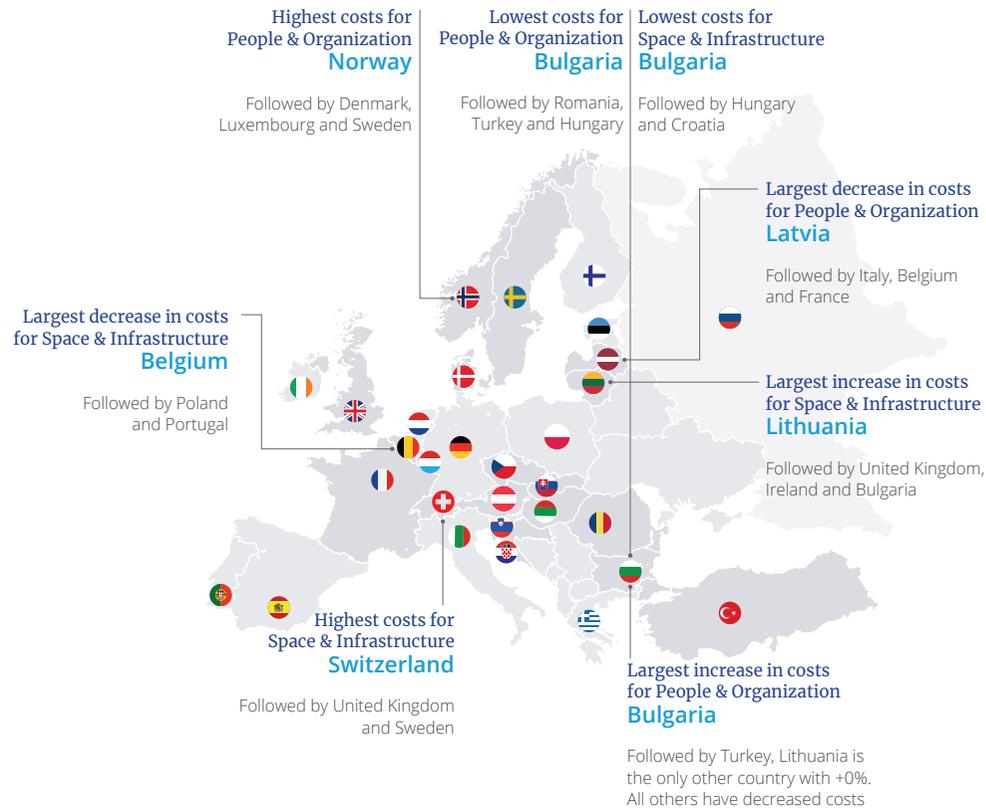
- Central business district rents increased, but less than increase in non CBD rents. Weighed CBD+Periphery rents increased by 2%.
- Increased fte without a need for more workspace area due to low occupancies, results in lower costs per fte.
- Building insurance costs increased by 11%.
- Lower maintenance costs but first signs of increasing energy costs.

European Occupier Cost Index 2022



	Space & Infrastructure	People & Organization	ICT	Management	Total	Trend
Bulgaria	€ 1,681	€ 332	€ 732	€ 90	€ 2,835	5%
Hungary	€ 2,594	€ 433	€ 942	€ 128	€ 4,097	-2%
Romania	€ 2,920	€ 355	€ 773	€ 111	€ 4,159	-1%
Croatia	€ 2,595	€ 451	€ 977	€ 156	€ 4,178	3%
Slovakia	€ 2,660	€ 565	€ 1,224	€ 203	€ 4,651	4%
Turkey	€ 3,234	€ 415	€ 864	€ 192	€ 4,706	3%
Poland	€ 3,324	€ 440	€ 947	€ 143	€ 4,854	-3%
Latvia	€ 3,185	€ 486	€ 1,063	€ 167	€ 4,902	-3%
Lithuania	€ 3,373	€ 468	€ 1,018	€ 163	€ 5,022	8%
Estonia	€ 3,305	€ 575	€ 1,243	€ 204	€ 5,328	0%
Portugal	€ 3,686	€ 618	€ 1,332	€ 218	€ 5,853	-4%
Czech Republic	€ 4,183	€ 568	€ 1,220	€ 253	€ 6,224	2%
Greece	€ 4,809	€ 629	€ 1,348	€ 251	€ 7,037	-2%
Spain	€ 5,516	€ 783	€ 1,662	€ 326	€ 8,288	0%
Europe	€ 5,808	€ 929	€ 1,952	€ 432	€ 9,122	-4%
Netherlands	€ 4,832	€ 1,173	€ 2,432	€ 716	€ 9,152	-2%
Austria	€ 5,312	€ 1,151	€ 2,403	€ 589	€ 9,455	-2%
Ireland	€ 6,927	€ 1,080	€ 2,272	€ 498	€ 10,777	3%
Italy	€ 7,515	€ 926	€ 1,943	€ 423	€ 10,807	1%
Finland	€ 6,853	€ 1,134	€ 2,386	€ 629	€ 11,001	-1%
Belgium	€ 6,579	€ 1,218	€ 2,524	€ 747	€ 11,067	-4%
Germany	€ 7,100	€ 1,129	€ 2,355	€ 601	€ 11,185	-2%
Denmark	€ 7,325	€ 1,399	€ 2,907	€ 832	€ 12,463	-2%
France	€ 10,726	€ 1,135	€ 2,361	€ 504	€ 14,726	-2%
Luxembourg	€ 10,111	€ 1,303	€ 2,715	€ 766	€ 14,895	0%
United Kingdom	€ 11,584	€ 989	€ 2,098	€ 413	€ 15,084	5%
Sweden	€ 11,526	€ 1,240	€ 2,597	€ 723	€ 16,087	-1%
Norway	€ 10,825	€ 1,517	€ 3,150	€ 878	€ 16,369	-2%
Switzerland	€ 14,103	€ 1,188	€ 2,541	€ 562	€ 18,394	-2%

Main drivers influencing OCI



Price level index

- ▶ Average change in price level in Europe was 0%
- ▶ Switzerland, Norway and Luxembourg have the highest price level.
- ▶ The lowest index is in Turkey, Romania and Bulgaria.
- ▶ The largest increase is in Norway, then Czech Republic, Lithuania, Sweden, United Kingdom.
- ▶ Price level index dropped another 8% in Turkey. Switzerland has a 2% lower index.

Labor costs

- ▶ Labour cost index in Europe increased by 2% in 2021.
- ▶ Norway and Denmark continue to top the table for labor costs. Next are Luxembourg and Belgium.
- ▶ Lowest labour cost index is in Bulgaria, Romania and Hungary.
- ▶ Eastern Europe again has the highest increase in this index: Turkey, Czech Republic and Lithuania lead this group.
- ▶ Only Italy has a decrease in the labour cost index. Spain has the same value as last year. Belgium, France, Switzerland, United Kingdom go up only 1%.

Rents

- ▶ Rent, as a weighted average of central business district and periphery, increased by 2% in Europe.
- ▶ The highest rents are traditionally found in France, Switzerland and the United Kingdom.
- ▶ The lowest rents are in Bulgaria, Slovakia and Croatia.
- ▶ Highest increase in rents is in France, Switzerland, United Kingdom, Luxembourg and Sweden.
- ▶ Lower weighed rents are in Turkey, Spain, Poland and Italy.

Currency

- ▶ The Turkish Lira keeps losing value to the Euro in large percentages.
- ▶ Switzerland, Hungary and Poland lost 1-3% value to the Euro. Croatia and Denmark didn't change.
- ▶ Currency in Czech Republic, United Kingdom and Sweden became stronger (+3%). In Norway it was even 5%.

Energy tariffs

- ▶ 2021 already showed 14% increase on electricity tariffs in Europe.
- ▶ Only Turkey, Slovakia and Portugal had lower energy tariffs. Norway, Greece and Bulgaria had the highest increase in electricity costs per kWh.
- ▶ Higher tariffs didn't affect the country cost levels for electricity yet. Costs per fte remained close to last year's cost level.
- ▶ Gas tariffs already increased by 39% in 2021, but ended up at (only) 4.9ct per m³.
- ▶ In Lithuania, Estonia, Bulgaria gas tariffs doubled. Spain, Czech Republic, Portugal increased by 'only' 10-15%.
- ▶ In the OCI, costs per fte for gas increased by 23% in 2021 with Denmark, Finland and Sweden topping the list.

Space usage

- ▶ Trend in space usage (sqm per fte) is -3% in Europe. Increased fte numbers in the already existing offices is the main reason for a lower OCI for 2021.



People & Organization

Services to create and maintain a safe and comfortable environment. These include catering, document management, office supplies, reception and security.



Management

Management consists of the strategic and tactical management of the facility service organization. It also includes supporting facility functions such as service desks and procurement.



ICT

Services and products to make sure employees have all the necessary resources (digital and otherwise) to carry out their work. This includes connectivity services, training, hardware and software.



Space & infrastructure

Services and means for the provision of accommodation. This includes rents, (depreciation) costs for renovations and adjustments to the working environment, furniture, taxes, maintenance, cleaning and energy.



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About Colliers

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Connecting global market developments, data and the world of occupiers, tenants and investors, ensures that we understand what tomorrow's real estate sector looks like. This allows us to give our clients future-proof advice.

By using these insights, we can add value to the different stages in the real estate cycle and build long-lasting relationships. We offer creative real estate solutions that are not only attractive today but also relevant and sustainable later.

Together we shape the future of real estate.

In the Netherlands our 310 professionals think differently and share the best ideas in a culture of entrepreneurship. Our clients can count on a reliable partner that gives sound advice and shows the right opportunities in the real estate sectors:



Retail



Food & Beverage



Residential



Hotels



Offices



Logistics & industrial



Healthcare



Religious real estate

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