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HD London overtakes Hong Kong as most expensive city: UK capital twice as pricey as Sydney, report finds High rents and strong pound blamed for ranking
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London has overtaken Hong Kong as the world's most expensive city to live and work in, with a new study suggesting it is almost twice as pricey as Sydney, and four times more costly than Rio de Janeiro.

Estate agent Savills said that in London, rising rents and the strong pound had pushed up the typical cost per individual employee of renting somewhere to live and leasing office space to \$120,000 (pounds 73,800) a year.

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That puts the capital well ahead of other global hubs such as New York and Paris which, aside from Hong Kong, are the only other locations where the combined annual costs of renting residential and office space top \$100,000 per employee.

London's rise to the top of the rankings was blamed partly on its soaring property prices, which according to Savills have jumped by 18.4% in the past year. Office rents have also risen significantly.

In its most recent quarterly report on the commercial property sector, rival estate agent Knight Frank said that over the previous 12 months, prime office rents had risen by 9% in the City and by 8% in the West End area. Someone with euros 100m (pounds 79m) to spend would be able to buy just 2,700 square metres (29,000 sq ft) of prime office space in the West End, but would get 17,000 square metres or more for their money in Berlin or Amsterdam.

The pound's strength against the dollar has made the situation worse.

According to the Savills study, London's overall real estate costs grew in US dollar terms by an annualised rate of 10.6% in the first six months of the year, making it "the world's most expensive city for companies to locate employees". That in turn prompted Savills to warn that it risks becoming less competitive as a result.

"For example, the availability of low-cost office space in and around Silicon roundabout (the Old Street area in east London), coupled with affordable residential accommodation, helped put the capital on the technology map. But gentrification has priced out new startups, and the vitality of central London locations are at risk as they become too expensive for the types of occupiers that made them attractive in the first place," the report said.

By contrast, falling residential rents and a weakening currency contributed to Hong Kong dropping to second place. It had previously topped the table for five years running.

Savills' 12 Cities report is designed to help companies assess the costs of relocating employees. It measures the total cost per employee in US dollars of renting both living and working space in some of the world's global hubs. The calculations are based on the cost of two seven-strong staff teams that are representative of start-up businesses, one based in a "prime financial sector location" and the other in a slightly less prime or creative area, in order to give a representative figure.

The annual per person cost of renting somewhere to live is also factored in.

The annual cost per employee in London was put at \$120,568, with **Hong Kong** close behind at \$115,717. New York and Paris were in third and fourth place, at \$107,782 and \$105,550 respectively. Sydney came eighth at \$63,630, Shanghai tenth at \$43,171 and Rio eleventh at \$32,179. Mumbai was bottom of the table at \$29,742.

"Despite its climb in the rankings from fifth to first place since 2008, London is still a way off the live/work accommodation costs record, set by **Hong Kong** in 2011 at \$128,000 a year," Savills said, adding that **Hong Kong** was still "by far the most expensive city" in which to **buy residential property**, with prices 40% higher than London - although the gap was narrowing.

"Comparatively affordable" Rio and Sydney had seen significant increases in live/work costs since 2008 but Savills said Rio still looked "highly competitive".

Yolande Barnes, the **company's** director of world research, said: "This year has seen much more modest real **estate** price growth in nearly all our world cities, and some have shown small falls. We expect this subdued trend to continue as investor interest and market activity shifts to second-tier cities."

Captions:

Hong Kong, left, previously topped the table for five years running. Right, the Shard in London, now the world's most expensive city, according to Savills Photographs: LightRocket via Getty and Barcroft Media

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