

# Australia Fit-Out Cost Guide 2022/2023

**Square metre version**

Are you budgeting enough  
for your fit-out CapEx risk?  
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# Content







# Global headwinds buffet construction and fit-out costs

Since early 2020, the pandemic has impacted clients buying design and construction services in the Australian construction market, impacting fit-out costs through labour and supply chain factors both globally and locally. As Australia adjusts to a post-pandemic environment, shortages of skilled resources, material price increases and supply chain disruption continue to contribute to significant price inflation across the country.

Measures to rein in costs have been slowed by global headwinds such as ongoing geopolitical tensions exacerbating the cost of energy and constraining supply chains already under pressure. Damage from weather events – such as flooding in many regions of Australia in 2022 – have further stressed construction costs. Pricing volatility in Australia reflects the interdependencies of a global marketplace.

Consequently, fit-out costs over the past year have remained high across Australia. We expect these factors to continue to drive current levels of construction price inflation over the next 12 months, before starting to moderate towards the end of 2023. Our recent guide on [whether you are budgeting enough for your CapEx risk](#) provided further insight on these cost factors.

Yet as with other disruptive headwinds, COVID-19 supercharged changes already underway: we have seen a rapid shift in workplace behaviours and how our clients envision their offices. We have seen sustained investment in technology to support the accelerated adoption of dynamic and flexible working. These developments reflect a reimagination of the role of the office as our clients invest in initiatives to drive collaboration, attract and retain talent, and enhance physical and mental health and wellbeing. Investment in high-quality space also serves to bolster environmental sustainability goals.

This year's edition focuses on the current pricing levels that we see across our Australian markets and serves as a baseline as well as allowing you to assess how your capital procurement activities have performed against the market in the last 12 months. As you develop your capital plans to meet the challenges ahead, we hope that this Fit-out Cost Guide for 2022/2023 will provide you with valued guidance on what you can expect, and help you make informed decisions.



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Kraft Heinz, Melbourne - Office fit-out  
By JLL Project Management and Managing Contractor Services

# Key insights

We collect fit-out cost data on an annual basis Australia-wide. Across the country, strong client sentiment has driven an increase in project volume over the last twelve months which, in conjunction with regional and global headwinds, have led to significant inflationary pressure on construction and office fit-out costs.

**AU \$2,662**

Average fit-out cost per sqm

**14.8%**

Year-on-year change in  
average cost

**Sydney**

Most expensive city for fit-outs

\*This is based on progressive medium specification fit-out style



# Fit-out costs across Asia Pacific

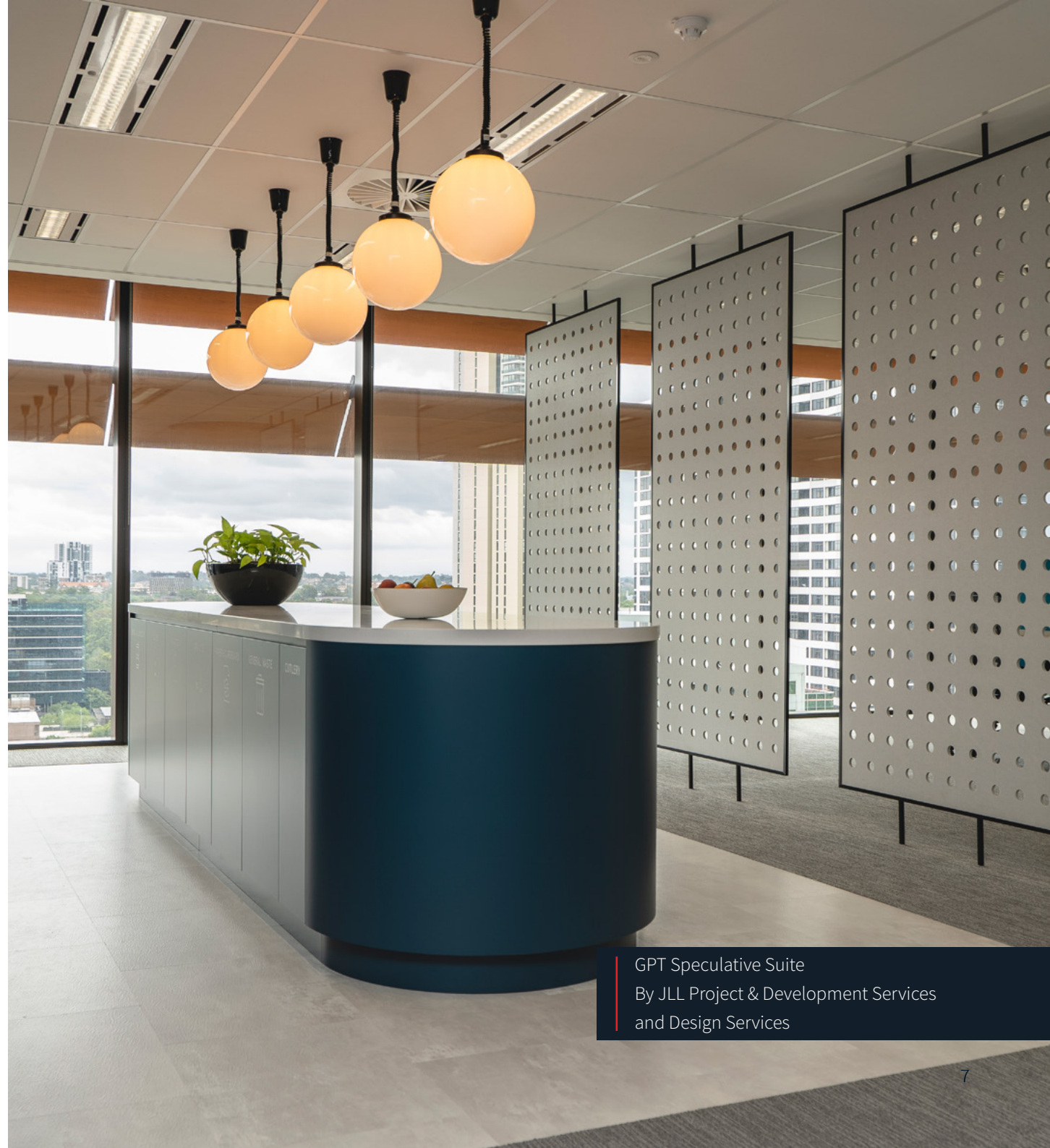
**Average 2022/2023 office fit-out cost  
(AU\$ per sqm)**

Source: JLL, 2022/2023 based on progressive medium  
specification fit-out style



# The average fit-out cost across Asia-Pacific rose 4.5% year-on-year

- Most markets have reported increases, with all citing rising fuel and raw material costs as significant influences on construction pricing in 2022. The biggest price increases were seen in **Australia, Singapore, Malaysia** and the South Asia markets, while **Mainland China** and **South Korea** reported modest year-on-year (y-o-y) prices increase which has tempered the regional average.
- Our Australian markets have reported a significant increase in fit-out costs in the last 12 months, with **Sydney** replacing **Tokyo** as the region's most expensive market for fit-outs. Tokyo saw a moderate y-o-y increase in part due to continued margin compression and market consolidation. Investor sentiment remains strong in **Japan**, with evidence of flight to quality taking place as firms respond to the challenges of hybrid working.
- The availability of skilled and semi-skilled labour has had a mixed impact across Asia Pacific. **Australia**, which is already facing a tight labour market, is feeling the pressure as project volumes soar beyond pre-pandemic levels.
- Fit-out costs continue to vary widely across the region, ranging from AU \$2,765 per sqm in **Sydney, Australia** to AU \$999 per sqm in **Pune, India**.



GPT Speculative Suite  
By JLL Project & Development Services  
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Spencer Stuart - Workplace Design  
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# A sustainable and employee-focused workplace

JLL's recent **Future of Work** survey revealed how the role of the office has changed over the last two years, forcing organisations to reimagine their workplaces. Technology is also playing an increasingly important role in boosting performance levels on all fronts. Our Australian survey shows:

**90%**

of respondents view workplace design as instrumental in enhancing employee engagement and wellbeing.

**56%**

of respondents plan to have open and collaborative office space with no dedicated areas by 2025.

**57%**

of respondents expect to change their corporate real estate model by 2025 to a smaller headquarters with satellite offices.

**84%**

of respondents agree that office fit-outs and renovations should incorporate circular design principles.

Separately, our Asia Pacific sustainability research reports that 60% of Fortune 500 companies have some climate or energy targets already in place. With increasing corporate commitments around net zero, organisations are being more selective when deciding what space to occupy. 74% of organisations Asia Pacific said they would be willing to pay a premium for leasing a building with leading sustainability or green credentials, and 22% said they already have.

Source: JLL, The Future of Work Survey 2022





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JLL Perth office  
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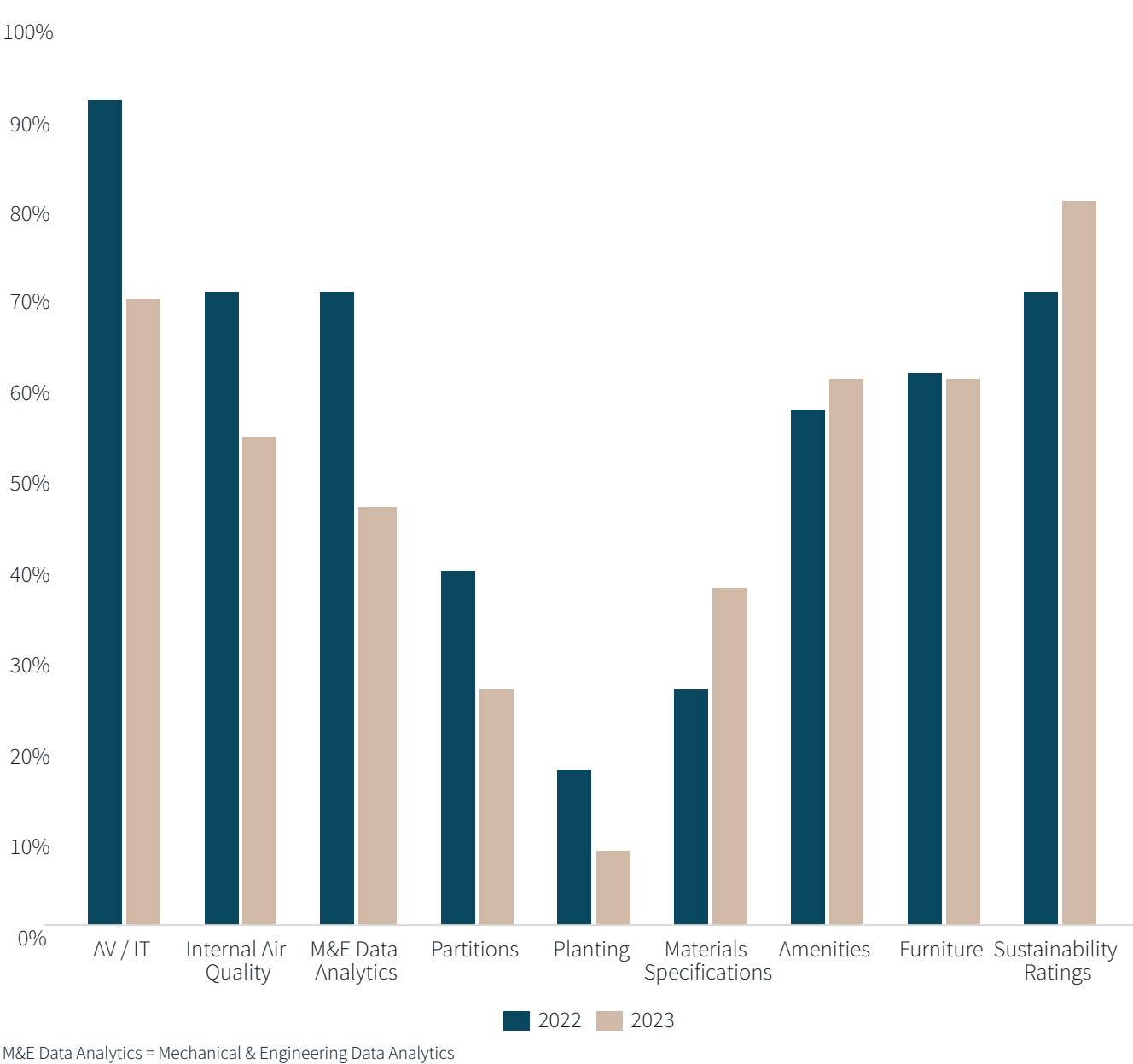


# What is the impact of these findings on office design?

As in previous years, we surveyed our market leaders to understand how client spending might change across a wide range of office fit-out components.

We found increased likelihood to spend in areas associated with employee wellbeing and engagement, as evidenced by an intent to spend on improvements to amenities as the office pivots to become a destination for employees as part of their hybrid workstyle (an increase from 57% to 60%). This is mirrored by occupiers anticipating increased spend on achieving sustainability ratings (an increase from 70% to 80%) as part of their wider drive towards sustainable design, meeting net zero commitments and meeting expectations of their employees that the workplace will contribute positive impact on the environment.

The previous year's focus on prioritising spend towards audio visual/information technology solutions appears to have reduced. This doesn't imply that investment in these areas has decreased, given the importance of these to enabling remote and hybrid working, but suggests that the drive for improved access to these technologies is a base requirement, and has to some extent become normalised. As evidence of the trend to shift offices toward more collaborative environments, we see a reduction in spend on traditional office elements such as partitions.





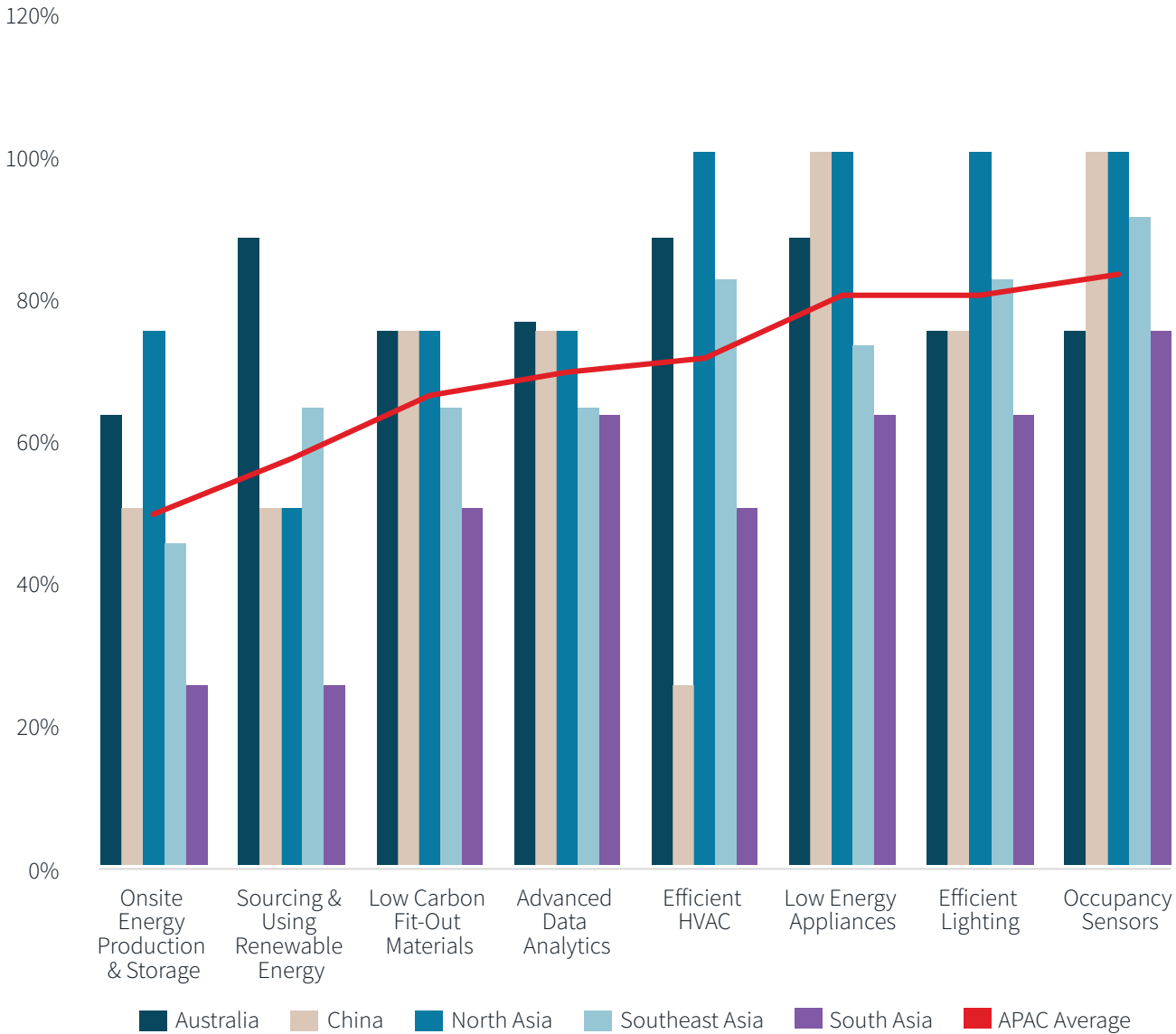


The Loft  
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As occupiers embed their sustainability commitments into design and the specification of spaces, there are indications of increased spending on elements that allow operation of buildings in a more carbon efficient manner. Elements include low energy appliances and efficient lighting systems, and the provision of occupancy sensors to provide analytics for decision making. This is reported in the [Future of Work Survey](#) with Mainland China and other North Asian markets having a higher spend compared to the regional average.

### Growth in spend on sustainability elements



Source: JLL, The Future of Work Survey 2022





## Fitting out your office: How much will it cost?

We have calculated Australian fit-out costs for progressive, moderate and traditional styles and for various levels of specification or use

Finding the perfect fit for you	<b>Base Specification</b> Designed to be low cost, with a simple aesthetic. Finishes focus on function. Space contains basic technology	<b>Medium Specification</b> Features upgraded lighting, cabling and design. Uses average quality materials and details	<b>High Specification</b> Emphasises top-quality finishes and space improvements. Increased effort spent on aesthetics and detail design
<b>Progressive</b> Open floor plan with no enclosed offices. Traditional benching is approximately 60% of the floor area, with the remaining space given to meeting rooms and agile or collaborative work zones	<b>AU \$1,997</b> per sqm	<b>AU \$2,662</b> per sqm	<b>AU \$3,727</b> per sqm
<b>Moderate</b> Substantially open plan with 10% enclosed offices. Traditional methods of working cover 70% of the floor area, with the balance given to meeting rooms and agile or collaborative work zones	<b>AU \$2,144</b> per sqm	<b>AU \$2,858</b> per sqm	<b>AU \$4,001</b> per sqm
<b>Traditional</b> Around 30% of the floor plan is dedicated to enclosed offices. Traditional methods of working cover 90% of the floor area, with the balance given to meeting rooms and agile or collaborative work zones	<b>AU \$2,477</b> per sqm	<b>AU \$3,303</b> per sqm	<b>AU \$4,624</b> per sqm

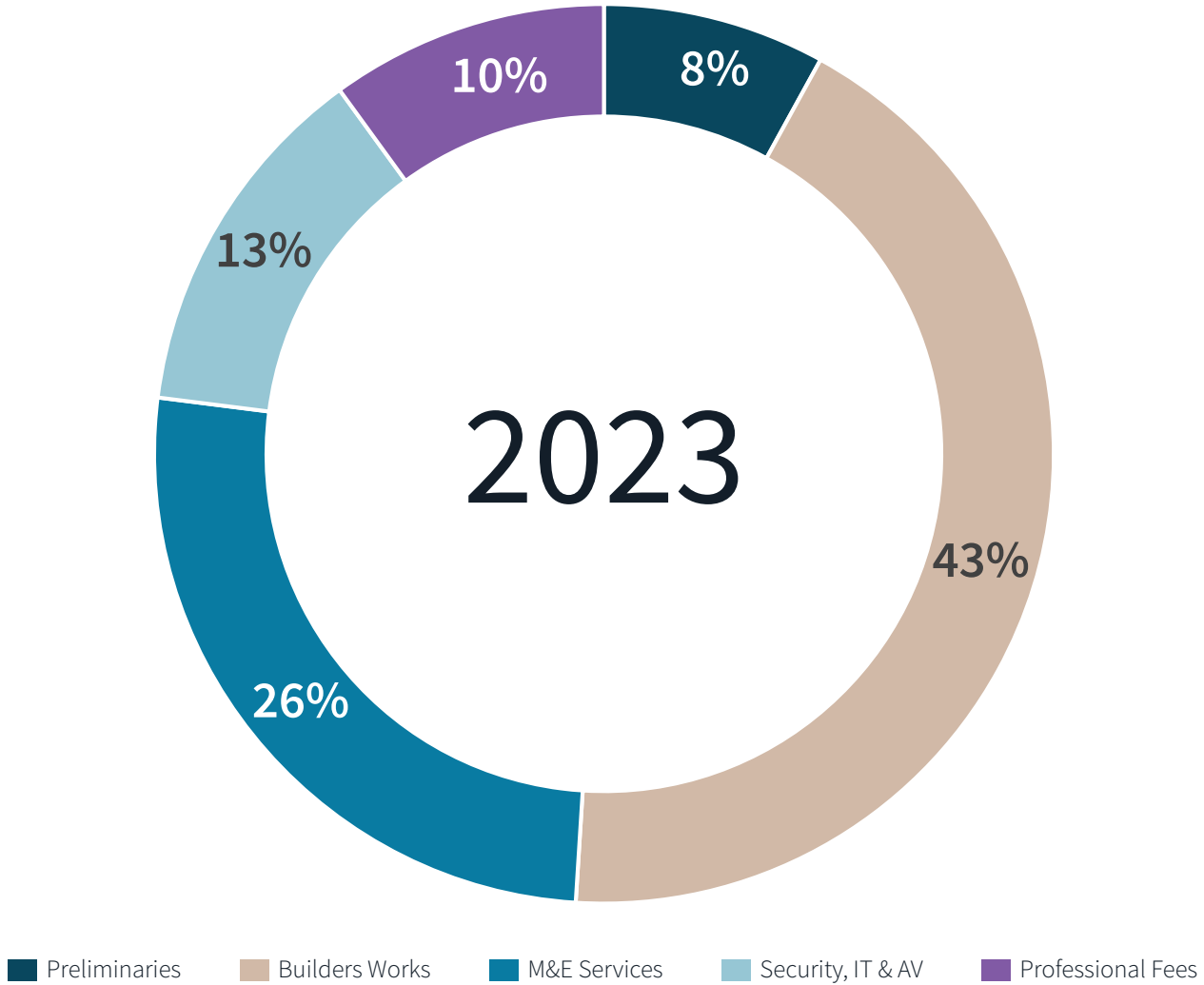


# Breaking down what's involved

Cost distribution has remained similar to the previous year.

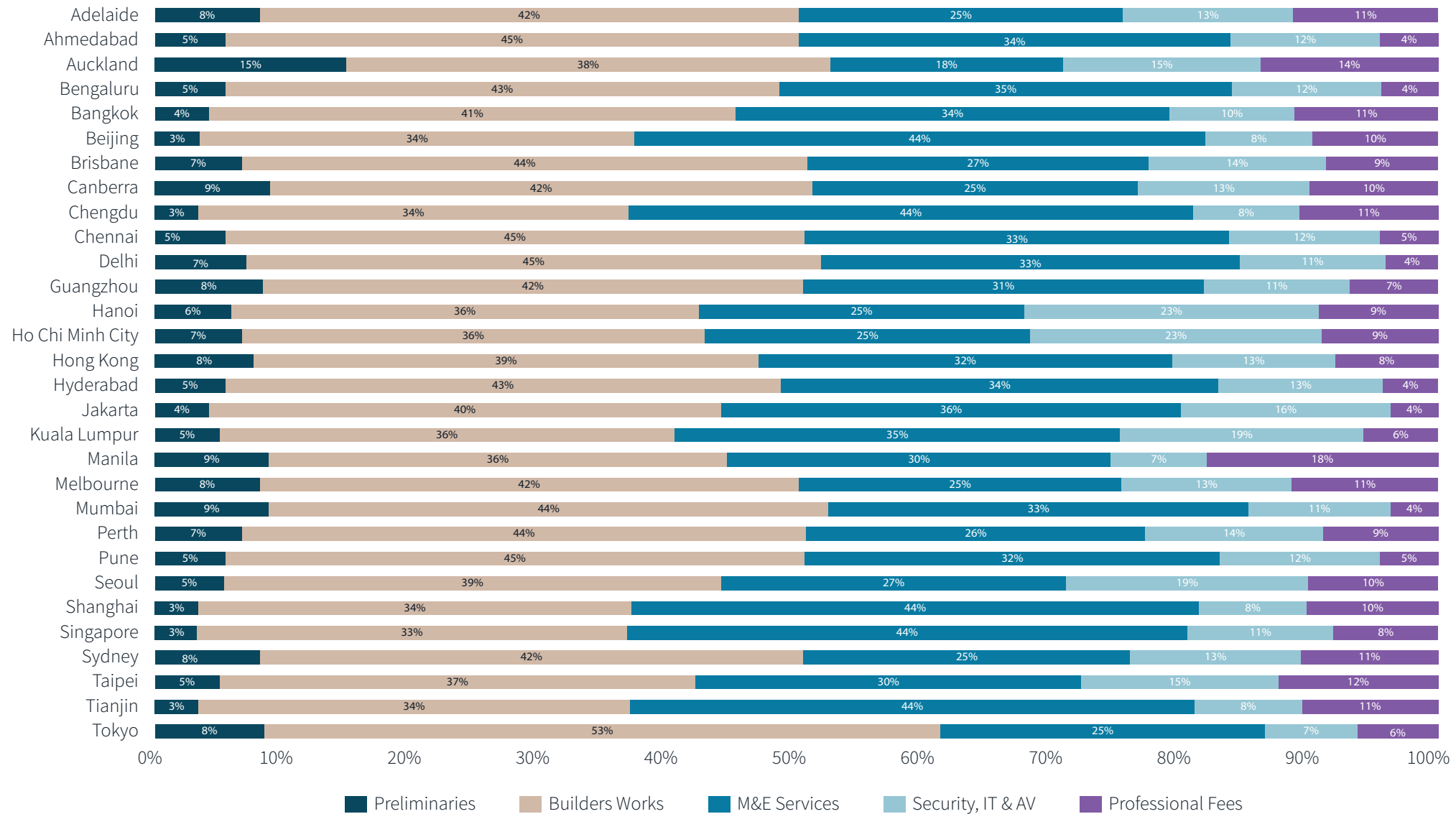
- On average, moderate and traditional fit-outs can cost up to 22% more than progressive fit-outs due to their greater sub-division of space
- Builders' work still accounts for the largest component (43%) of fit-out costs
- Mechanical and electrical (M&E) works remains the second largest component of cost and represent one third of the total fit-out cost
- The amount spent on audio visual (AV) and IT remains broadly stable y-o-y, continuing to reflect the evolution of hybrid and remote working and the technology needed to support this
- M&E, security, IT and AV costs continue to be heavily impacted by supply chain disruption, with lead in times for key components becoming extended

Breakdown of average Australian fit-out cost, based on progressive medium specification style



Source: JLL, 2022/2023

Breakdown of average APAC fit-out cost, based on progressive medium specification style



Source: JLL, 2022/2023





## Understanding the impact of furniture costs

The type and quality of office furniture is critical to transforming the workplace and pivoting towards a hybrid working solution. According to [JLL's Future of Work Survey](#), 56% of respondents believed that collaborative working is one of the primary purposes of office space. Therefore, the office space should be designed as a destination for employees as part of their hybrid workstyle, to encourage both new and current employees to spend time in the office. Furniture solutions that offer the flexibility of configuration help support collaborative working and are essential to achieve this goal.

As in previous years, we have partnered with Haworth for indicative furniture costs. It is important to remember that furniture costs in the region vary for a wide variety of reasons, including:

- Companies' corporate agreements with suppliers
- Strategies for workplace design, particularly the popularity of collaborative or activity-based working and the blend between this and traditional workstations in more mature markets
- The nature of the business activity, including whether a market serves as a satellite or offshore location or as regional headquarters
- The use of imported furniture, and whether the furniture is sourced within Asia Pacific or further afield, which can substantially increase outlay and lead to exposure to currency volatility

Furniture cost in Australia

**AU \$640 per sqm**

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# Make good

Our make good costs cover only the capital cost of returning a simple office to a typical leased condition.

Make good costs are costs incurred by the tenant to reinstate the office premises back to its original condition at the end of the lease term. Understanding make good costs is important in order to be able to make smart business decisions early on.

Average make good costs across Australia  
**AU \$456** per sqm



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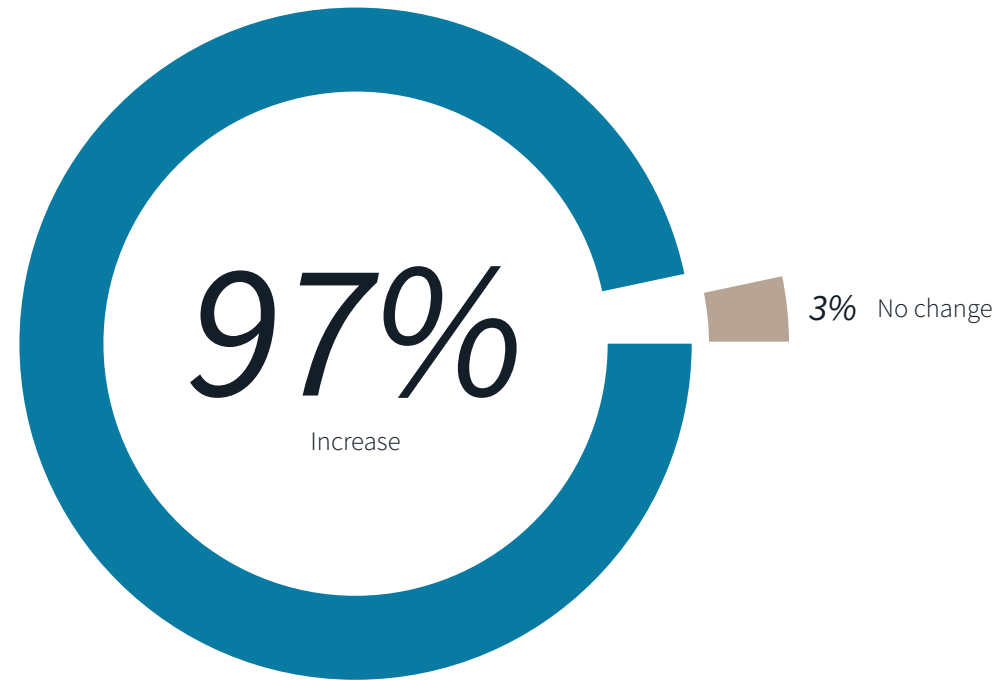
ANZ Melbourne Speculative Suite  
By JLL Project & Development Services  
and Design Services

# What lies ahead?

Whilst most markets have returned to normality, many continue to face challenges. Some of these challenges can be attributed to the legacy of the pandemic but others are due to the stronger global headwinds

- Geopolitical tension has contributed to rising fuel prices and shortages in key materials such as timber. The economic impact of this conflict will persist in the short to medium term
- Interest rates are rising globally, and this adds to the cost of doing business
- Financial stability of contractors and sub-contractors remains a concern in many markets, risking further consolidation and a reduction in competition
- Access to skilled and semi-skilled labour remains critical as competition for talent intensifies. For countries that rely heavily on migrant workers, the easing of border controls has alleviated this impact in the short term, but many markets still report shortages of labour domestically

## Expectations of price movement



*More than 90% of the leaders across the region believe it will become more costly to fit-out an office in 2023.*



- Material availability and disruptions in the supply chain continue to be the biggest cost drivers for 2023. The interconnectivity of the global supply chain, made apparent by the pandemic coupled with localised shutdowns in core manufacturing locations, have had pan regional and global ramifications. In the meantime, ongoing geopolitical tensions continue to disrupt the supply chain and drive up energy prices.
- Across many markets, contractors are seen to be revisiting and reducing their overall margins as they compete for work in the short to medium term as demand wanes. The risk of contractors under-pricing has increased substantially across many of the markets. Since contractors are heavily reliant on cashflow, they are at risk of underperforming, leading to poor quality workmanship, reliance on claims and, in extreme cases, insolvency.
- Volatility in tender pricing levels across Australian markets is expected to continue. The regional challenges are being further exacerbated by acute labour shortages as demand continues to exceed pre-pandemic levels. Moreover, contractors and subcontractors are adopting selective tendering and shortening tender validity periods, all of which contribute to the volatility of the market. However, further price increases will not be sustainable, and many expect the market in **Sydney** to normalise and the current rate of price increases to moderate amidst talk of a recession. The situation is similar in **Melbourne** with the market stabilising as pent-up demand washes through and activity starts to slow.



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# When will the cost of construction start to decrease?

The Australian market continues to wrestle with the multiple challenges brought upon largely by supply chain disruption, price inflation and labour shortages.

However, with current levels of price inflation considered “unsustainable”, the increased risk of occupiers potentially deferring projects will likely lead to a consequent softening of demand. That will ease pressure on the construction and labour market.

Additionally, as the supply chain stabilises, the re-evaluation of risk and uncertainty in raw material costs, availability of material and lead times can help reduce risk premiums which are currently included in tenders.

JLL believes fit-out cost increases will moderate over the next 12 months as the current challenges start to unwind, unless a significant economic event flattens or reverses current trends.



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# Methodology

Our methodology is to take a standard fit-out project, and have it costed by our teams across the region so we can determine how prices in the different markets compare. We have covered all of Australia for real-time fit-out costs in 2022/2023

## About the template project

- Our template project draws reference from the progressive fit-out of the JLL Singapore office at Paya Lebar Quarter in one of Singapore's latest commercial hubs. The office is 'Grade A' in the Singapore market. Its floorplate is regular-shaped and used efficiently.

## Office specifications

- Approximately 46,000 square feet or 4,270 sqm
- Caters for about 1,000 people and provides for a wide range of work styles. Includes traditional benching, activity-based work spaces, self-contained furniture pods and other formats typically seen in modern progressive offices. There are no dedicated offices
- Features a strong mix of formal and informal meeting spaces, and emphasises flexibility
- Handed over with a basic landlord fit-out comprising a raised floor; an accessible ceiling; and the distribution of heating, ventilation air-conditioning, lighting, and fire and life-safety systems through the ceiling void
- The raised floor, accessible ceiling and services in the ceiling void all require adjustment to make them project-specific

- No special-use space such as kitchen, data centre, training rooms or auditoriums. So enhancement to M&E facilities or floor loading over and above what might be provided as a standard Class A office is not considered

## Assumptions

- A general contractor is appointed on a lump sum basis to carry out the full scope of the fit-out work
- The contractor has no design responsibility. The client's design consultant undertakes all the design tasks

## Exclusions

- All costs and charges related to site preparation (strip-out and demolition), insurance, goods and services or value-added tax, sales tax, site acquisition, moving, financing, offset for landlord contributions, marketing and any local authority fees
- Contingency fees, which typically account for up to 10% of project costs depending on a developer's or occupier's risk appetite.



# Appendix

## Fit-out costs by style

Fit-out cost by style, medium specification (AU\$ per sqm)

City	Progressive	Moderate	Traditional
Adelaide	2,701	2,900	3,361
Brisbane	2,553	2,741	3,176
Canberra	2,760	2,963	3,434
Melbourne	2,675	2,872	3,328
Perth	2,522	2,708	3,138
Sydney	2,764	2,968	3,439

Source: JLL, 2022/2023





# Get in touch

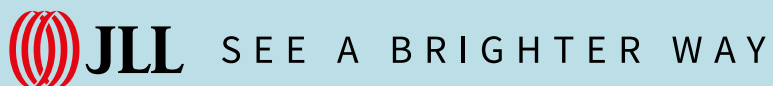
Get in touch with our industry experts, Phylicia Cohen and Anthony Walsh, to learn how to make your workspace more efficient.

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**HAWORTH®**

We thank Haworth International for providing us insights on furniture costs around the Asia Pacific region.

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