And the World's Cheapest City for Back Offices Is...

By Joseph Kellard
April 4, 2016

What do Tunis, Tunisia; Warsaw, Poland; and San Jose, Costa Rica have in common?

They are the least expensive cities on the radar of financial services companies looking for a place to set up a back office, according to Boyd Co., a Princeton, N.J.-based location scouting firm, that released a study last week comparing the cost of back offices in several cities around the world.

At $3 million annually for a hypothetical 30,000-square-foot financial services support center that would employ 125 workers, Tunis was the cheapest worldwide. Warsaw was the second least expensive spot at $4.6 million, with the Costa Rican capital coming in third with $5.34 million.

At $12.4 million, San Francisco was the most costly city to operate a back office in the financial services industry, according to the study. That's perhaps not surprising given the dramatic rise in housing costs in the San Francisco Bay area over the last several years. Stories of unusual living situations there often go viral, such as the recent tale of a man paying $400 to sleep in a box in a friend's living room.

San Francisco was followed on the list of 45 cities by New York at $11.9 million and London at $11.6 million per year.

The cities included in the study all have metropolitan area populations of at least 500,000 people and that the banking and financial services industry have on its radar for new back offices. Other cities included in the study were Chicago ($10.6 million), Paris ($9.6 million), Madrid ($6.2 million) and Boston ($11 million).
Boyd, whose clients in the financial services sector include JP Morgan Chase and Toronto-Dominion Bank in Canada, periodically charts operating cost structures in current and emerging cities for various industries, it said in the release. Historically, back office functions, from accounting to human resources to training, were housed at the site of corporate headquarters, Boyd said, but are increasingly being spun off to lower costs and more business-friendly cities.

"With today's sluggish economy and greater federal scrutiny and regulations like Dodd-Frank, comparative economics are ruling the site selection process within the financial services sector like never before," Boyd said in a release last week.